U.S. Alpha

Portfolio Update: First Quarter 2021

During the first quarter, the U.S. Alpha Equity strategy (the "Strategy") increased +2.98% gross of fees (+2.86% net of fees), underperforming the Russell 3000 Index's +6.35% return.

	3 Months	YTD	1 Year	3 Years	5 Years	Since Inception (Annualized)
U.S. Alpha (Gross)	+2.98%	+2.98%	+57.06%	+19.57%	+18.83%	+16.15%
U.S. Alpha (Net)	+2.86%	+2.86%	+56.49%	+19.30%	+18.33%	+15.57%
Russell 3000 Index	+6.35%	+6.35%	+62.53%	+17.12%	+16.64%	+13.37%

Inception date: December 31, 2014. Please see important disclosures at the end of this document. Past performance is not indicative of future results, and there is a risk of loss of all or part of your investment. All data is as of March 31, 2021.

From a traditional attribution perspective, industrials and materials were the primary detractors from stock selection while communications services and financials were positive. In addition, non-ownership of energy was a meaningful detractor; the S&P 500 energy sector posted its best quarter on record. Given the Strategy's overweight on innovation sectors generally, and healthcare, specifically, the outperformance of "value," or more commodity and cyclical companies, was a headwind during the quarter.

The remarkable surge in Meme stocks, such as GameStop Corp. (+900%) and AMC Entertainment Holdings Inc (+380%), exemplifies extreme speculation led by retail investors in way that is reminiscent of the dot-com bubble in the late 1990's. Although this phenomenon may go on for a time given the magnitude of the fiscal and monetary stimulus, we do not chase ultra-risky stocks that fail to pass our investment process, even if this substantially hurts relative performance in the near term. The surge in low-quality businesses, defined by speculative credit, was a headwind we quantify to be roughly 200 basis points.

For the trailing 36 months, the Strategy increased +19.57% gross of fees (+19.30% net of fees), outperforming the Russell 3000's +17.12% return. The goal of the Strategy is long-term growth of capital, and from that perspective, we feel good about the strong absolute and excess return delivered during the pre-pandemic euphoria, a cataclysmic bear market, and the unprecedented stock market ascent to all-time highs today.

Given the recent parabolic ascent in the stock market, it is healthy to remember that the stock market is not your friend. As legendary investor Warren Buffett warns, "It's only when the tide goes out that you learn who's been swimming naked." Notably, since inception (12/31/14), the Strategy has protected capital in down markets, outperforming the Russell 3000 in 71% of the months when the index had a negative return (15 out of 21) and 100% of the time during negative return quarters (4 out of 4).

Down stock markets happen for many reasons, but one common feature is change in investors' perception of the risk-reward profile for equities. Buffett defines risk as permanent loss of capital. We agree. Regarding the reward or upside, Buffett opines in the recent 2021 Berkshire letter:

> The *best* results occur at companies that require *minimal* assets to conduct high-margin businesses – and offer goods or services that will expand their sales volume with only minor needs for additional capital.

We agree. But we do think about assets differently than many, especially GAAP accounting. The New Economy businesses Buffet references required significant intangible asset outlays historically to be favorably positioned today. For example, Amazon has invested $185 billion in Research & Development (R&D) since its inception and has reported many years of negative accounting earnings (GAAP requires R&D to be expensed). Similarly, since inception, Microsoft has invested $210 billion in R&D. All the holdings in the Strategy have historically invested successfully in intangible assets, which GAAP expenses but we capitalize, at an appropriate life, to better reflect economic reality. Moreover, we believe the downside protection track record of the Strategy is a reflection of the significant competitive advantage earned by the firms we own.

We believe the stock market's metamorphosis from tangible to intangible is causal for higher dispersion, as the speed of change is faster (the pandemic being a major catalyst) and risk-reward profiles are wider. The pandemic has put a premium on investors' ability to analyze and value a wide range of intangible assets (and their interdependence). The Strategy owns quality businesses defined by high-managerial skill, a knowledge-building culture, and distinct capabilities of adaptation. Our research includes extensive analysis of their intangible assets and their business prospects during and after the COVID-19 scourge (see Outlook).

Contributors and Detractors

Our top performer the quarter was Alphabet Inc. (GOOGL, "Alphabet", +17.68%)—the world's leading search engine and one of the top internet destinations, delivering relevant advertising on its own site and on its network of third-party websites. The company, led by Search and YouTube, beat consensus. We continue to believe growth prospects remain solid in the long-term, given the firm's formidable network effect and massive digital advertising total addressable market, which remains at low penetration rates. Also, a margin of safety is provided with a sum-of-the-parts analysis beyond the search platform, including YouTube (which we estimate to be worth up to $200 billion) and "other bets," such as Waymo—a leader in autonomous driving cars—and a roughly $120 billion cash position.

Bio-Techne Corp. (TECH, "Techne", +20.40%), a leading producer of specialized proteins (cytokines, growth factors, etc.), antibodies, other biotechnology reagents, and related immunoassays, was the Strategy's second-largest contributor. Although the company delivered strong organic growth across all segments in the quarter, what we believe is most misunderstood by the stock market is the long-term asset reinvestment opportunity for immuno-oncology (IO)—arguably one of the biggest breakthroughs in cancer research history. By way of background, cytokines are molecular messengers that allow the cells of the immune system to communicate with one another to generate a coordinated, robust, but self-limited response to a target antigen (virus, bacteria, parasites etc.). In general, IO maps out cytokines and exploits their vast signaling networks to develop treatments for the immune system, as opposed to medieval standards of care, including surgery, radiotherapy, and chemotherapy. Bio-Techne literally created the cytokine reagent market, and the company is in the enviable position to create significant wealth through organic growth, such as GMP manufacturing capabilities and Asia expansion, as well as continued strategic acquisitions, which are synergistic to current intellectual property and leverage distribution capabilities.

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FIRST QUARTER 2021 CONTRIBUTION REPORT
Ranked by Basis Point Contribution

	Basis Point Contribution	Return
Top Contributors		
Alphabet Inc.	+131	+17.68%
Bio-Techne Corp.	+104	+20.40%
American Financial Group Inc.	+89	+30.96%
First Republic Bank	+77	+13.65%
Microsoft Corp.	+55	+6.23%
Bottom Detractors		
Copart Inc.	-68	-14.66%
Intuitive Surgical Inc.	-39	-9.68%
Amazon.com Inc.	-38	-5.01%
Roper Technologies Inc.	-26	-6.32%
Fair Isaac Corp.	-25	-4.89%

Past performance is not indicative of future results, and there is a risk of loss of all or part of your investment. The above does not represent all holdings in the Strategy.
Holdings listed might not have been held for the full period. To obtain a copy of RMB's calculation methodology and a list of all holdings with contribution analysis, please contact your service team. The data provided is supplemental. Please see important disclosures at the end of this document.

Copart Inc. (CPRT, "Copart", -14.66%), a leader in vehicle remarketing services, focusing primarily on vehicles deemed a "total loss" by insurance companies, was the biggest detractor. Damaged vehicles are increasingly being totaled, as the cost of repairing vehicles continues to increase. The company has built a formidable network effect in the U.S. and the U.K. and is in the early days of taking this playbook abroad and disrupting the inefficient process for remarketing totaled vehicles in

Germany and other regions of the world. The company delivered softer-than-expected sales as a result of continued weakness in vehicle miles traveled, which we believe is transitory and will quickly reverse with the re-opening of the economy. The company has an owner-operator mindset with a knowledge-building culture that we believe will continue to deliver high economic returns and long-term asset reinvestment, distinctly greater than current stock market expectations.

Intuitive Surgical Inc. (ISRG, -9.68%), which manufacturers the da Vinci robotic system that is used in a wide range of minimally invasive surgical procedures, was the Strategy's second-biggest detractor. The two key milestones for the company to achieve business success include procedure growth (each procedure has its own adoption curve) and system placements (razor/razor blade business model). Although the company delivered sequential growth of system placements, procedure growth decelerated ever so slightly, and management acknowledged that visibility into this recovery remains limited at this point in time, given COVID-19. But the fact that U.S. procedures grew on a year-over-year basis, despite the pandemic, reflects the ability of domestic hospitals to manage ICU capacity and perform elective surgical procedures. We believe the vaccine distribution will reduce the procedure headwind in the near future and we remain bullish on the competitive position and long-term asset reinvestment opportunity for the company.

Portfolio Activity

Rather than chasing stocks, our goal is to patiently wait for the stock market to provide an opportunity to buy at a discount to our estimated warranted value. The sudden and volatile rotation from growth to value in the quarter gave us the opportunity to purchase an initial position of ROKU Inc., a leading developer of smart TV operating systems (OSs) and streaming players, and a leading platform for streaming content consumption, distribution, and monetization. We are impressed by the track record of founder and CEO, Anthony Wood, and his vision of the business strategy to position the company to thrive in the mega-secular shift to Internet TV as a digital network effect business model. The company is poised to capture enough global consumer scale to enable pricing power over the suppliers of content and provide TV advertiser buyers a 1-stop shop. As such, we believe the stock market underappreciates both the total addressable market and the speed that the company will gain share.

Outlook

We expect higher dispersion of individual stock returns in the COVID-19 era with advantage going to firms with the highest managerial skill, knowledge-building cultures, and distinct adaptable capabilities, who will be opportunistic while their competitors are fighting to survive.

My Journal of Wealth Management article (Fall, 2019), "The World has Changed: Investing in the New Economy," highlights how a transition to a much faster pace of change in the New Economy restructures how value is created, and requires a different mindset for investment analysis:

> To identify companies of high intangible value in the New Economy requires new thinking about what drives value creation in general—and alpha in particular. And a useful blueprint focuses on three components: managerial skill, knowledge-building culture, and distinct, adaptable capabilities, which are mutually reinforcing and, over the long term, can result in cash flows that exceed investor expectations, thereby generating alpha as summarized in Exhibit 5.

Exhibit 5 – Drivers of Alpha[1]

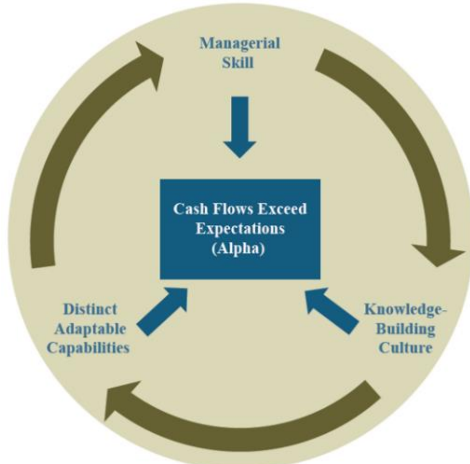

Exhibit 5 is about cause and effect. High managerial skill, knowledge-building culture, and adaptable capabilities drive long-term performance, especially in the current environment. These attributes are interrelated, and not easily quantified for spreadsheet analysis. Firms that we rank high for these attributes tend to have: low debt; business models that service less cyclical end markets (or create new markets); persistent levels of economic returns and long-term asset reinvestment above their competitors and the macro economy; and hard-to-quantify intangible assets. These intangibles are commonly expensed by GAAP accounting (e.g. Research & Development) and, consequently, these firms appear "expensive" by traditional valuation metrics.

Even though the vaccine breakthrough and the election results reduce the big downside in the near term, other long-term risks are taking their place, and the range of outcomes for the economy and stock market is wide. Most conventional metrics suggest equities are expensive relative to their own histories. But the economy is showing bullish signs of recovery and Corporate America is proving to be resilient. Although the mRNA vaccine clinical success is an incredible achievement for science and humanity, the vaccination program is a herculean task and the extreme virulence of COVID-19 makes it essentially impossible to eradicate; mutations of the COVID-19 will invariably increase as the virus encounters efficacious vaccines. But the science is surprising to the upside and Americans (and the world) are now much closer to going to work unencumbered by this pathogen. This is a complex problem and there remains a wide range of outcomes that are impossible to forecast. We see three basic scenario outcomes going forward: Bull, Base, and Bear.

In the Bull case, successful distribution of vaccine happens and seroprevalence in the U.S. is achieved by the second half of 2021 and a lot of pent-up consumption is unleashed as we get there. As global vaccination programs continue, the infection and mortality rates will continue to fall and will catch people by surprise just like the increase; we are not good at exponentials. The Fed remains dovish and Congress overshoots the demand shock with unprecedented fiscal stimulus. Vaccine-development advances provide even higher efficacy and safety outcomes, making COVID-19 manageable in the years and decades ahead. COVID-19 is further de-risked by the democratization of antigen testing and better treatment. High unemployment continues to reverse and demand is pulled forward, as trillions of fiscal stimulus, along with low commodity costs and 0% interest rates, create a booming economy and a bull market anticipates this well in advance. Also, corporate and capital gains tax rates remain the same, but this is looking less likely given the unveiling of the $2 billion infrastructure package, which includes an increase of the corporate tax rate from 21% to 28% to fund it.

In the Base case, the distribution of the vaccine goes well and seroprevalence in the U.S. is achieved by the end of the year. Although COVID-19 continues to mutate, vaccine development, treatment and testing continues to advance and makes this pathogen manageable for the world. Despite elevated stock market valuations, a slow but steady recovery for the economy

[1] Madden, Jeffrey B. "The World has Changed: Investing in the New Economy." *Journal of Wealth Management* Vol. 2, No. 22, Fall 2019.

unfolds and the stock market grinds higher supported by continued adaptability of Corporate America and unprecedented monetary and fiscal stimulus. But the backstop is more measured as the thin Democratic majority is forced to compromise.

The Bear case is a low-probability, high-severity scenario where effective vaccine distribution is challenging, and COVID-19 mutates enough to reduce vaccine efficacy and seroprevalence remains elusive. The virus stays one step ahead of future vaccine development and distribution efforts. Additionally, longitudinal data shows low durability of antibodies and adverse side effects across COVID-19 vaccine platforms. This increases already high vaccine resistance levels from healthcare workers and the public alike. A positive feedback loop is induced, which creates a myriad of bad possible outcomes, such as a domino of debt defaults and increased systemic risk. The Fed backstop is not enough and Biden, with control of Congress, is aggressive with corporate and capital gains tax increases and rollbacks to regulatory reform. The new wrinkle for investors is a proposed corporate tax rate increases to pay for the fiscal stimulus – deficit spending was 17% of US GDP last year and forecasted to be 19% in 2021. Although we do not expect a boom-bust cycle of the same magnitude of the late 1990's and early 2000's, as the pandemic is increasing New Economy adoption curves at exponential speed, we do see increasing pockets of exuberance, as the financial markets are in overdrive, led by retail trading or renting of stocks as opposed to long-term ownership of businesses.

With each of these scenarios, we believe there is a cost of much higher government deficit and excess money supply in the hands of consumers and private businesses, which will likely increase the risk of inflation in the long run. This is especially true if an addiction to fiscal stimulus emerges, given its direct positive near-term effects. 10-year average inflation expectations are over 2.3%, the highest since 2018. Inflation appears to be the likely option for various major economies that are running record budget deficits and holding unprecedented levels of debt, relative to GDP/government income. On the other hand, many modern monetary theorists depart from conventional economic theory, and believe that federal deficits and debt are irrelevant. However, we are skeptical.

We remain optimistic that the science will continue to surprise on the upside and mitigate COVID-19 to a manageable, seasonal virus similar to influenza. Although COVID-19 is highly contagious with devastating health consequences for a minority of people with certain preconditions -- mortality rates continue to decline as vaccination programs advance. COVID-19 does not come close to some of the worst pathogenic viruses of the last century that wreaked havoc on the world, such as smallpox and polio. Moreover, the world is now on high alert and more prepared to quickly deal with future pandemics.

We expect a continuation of higher stock market volatility, given the near-term uncertainty as the market sorts out the winners and losers beyond the COVID-19 crisis; as discussed, the pandemic is proving to be a catalyst for many adaptable businesses. Higher dispersion is helpful for investors who are able to select undervalued (attractive risk-reward) stocks, due to distinct company-specific reasons (i.e., not factor or systematic risk), and we anticipate our concentrated portfolio of high quality businesses to continue to generate above-market returns over the long term.

Commitment to Our Investors

It has taken us much time and thoughtful evaluation from lessons learned over 20 years of investing to arrive at the following principles:

- Invest with a long-term owner's mindset and exploit short-term renters
- Focus on causation—high managerial skill, knowledge-building cultures, and distinct, adaptable capabilities
- Employ an economic return framework to minimize accounting distortions and convert analysis of intangible assets into long-term cash flow forecasts
- Require twice the upside versus downside for all investments
- Eschew the tyranny of benchmarks in favor of a concentrated portfolio of our highest-conviction investments

- Focus on the investment process, not the outcome
- Invest a significant portion of personal capital alongside our clients

We have been and will continue to be unwavering in applying these principles. Finally, I encourage investors in the Strategy, and those intellectually curious, to read the previously noted *Journal of Wealth Management* article, "The World has Changed: Investing in the New Economy," to better understand the investment philosophy of the Strategy.

Sincerely,

Jeffrey B. Madden
SVP, Portfolio Manager

U.S. Alpha

TOP FIVE HOLDINGS AS OF 3/31/21	
Company	**% of Assets**
Microsoft Corp.	8.26%
Alphabet Inc.	8.25%
Amazon.com Inc.	7.63%
First Republic Bank	6.44%
Visa Inc.	5.74%

Holdings are subject to change. Portfolio characteristics are intended to provide a general view of the entire portfolio, or Index, at a certain point in time. Characteristics are calculated using information obtained from various data sources. Past performance is not indicative of future results, and there is a risk of loss of all or part of your investment. The data provided is supplemental. Please see disclosures at the end of this document.

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RMB Asset Management

U.S. Alpha Composite // Annual Disclosure Presentation

Organization | RMB Capital Management, LLC ("RMB Capital") is an independent investment advisor registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940 and established in 2005. The GIPS firm is defined as RMB Asset Management ("RMB AM"), a division of RMB Capital Management, LLC. Previously, the firm was defined as RMB Capital and was redefined on January 1, 2016 to only include the asset management business due to the difference in how its investment strategies and services are offered. RMB AM claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. RMB AM has been independently verified for the period April 1, 2005 through December 31, 2019. Verification assesses whether: (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis; and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.

Description | The U.S. Alpha Strategy (formerly named IronBridge U.S. Alpha Equity Composite) product reflects the performance of fully discretionary fee-paying equity accounts, consists of all portfolios invested in our concentrated, all-cap equity strategy that seeks long-term growth of capital. The strategy invests in the equities of high-quality U.S. companies across the market capitalization spectrum, employing intensive fundamental and qualitative analysis to identify investment opportunities among companies with long-term track records of wealth creation and attractive valuations. Portfolios within this composite typically invest in 20-30 companies. The composite excludes portfolios under $500 thousand. For comparison purposes is measured against the Russell 3000 index. The inception date of the composite is December 31, 2014. The composite was created on January 21, 2016.

ANNUAL PERFORMANCE RELATIVE TO STATED BENCHMARK

		Composite Assets		**Annual Performance Results**					
Year End	Total Firm Assets* as of 12/31 ($M)	USD ($M)	# of Accounts Managed	Composite Gross-of-Fees (%)	Composite Net-of-Fees (%)	Russell 3000 (%)	Composite 3-YR ST DEV (%)	Russel 3000 3-YR ST DEV (%)	Composite Dispersion (%)
2019	4,947.90	8.85	5	26.03	24.85	31.02	11.23	12.21	0.13
2018	4,196.90	7.21	<5	3.36	2.33	-5.24	10.80	11.18	0.08
2017	3,610.61	6.73	<5	23.75	22.72	21.13	10.76	11.90	N/A
2016	2,833.76	2.69	<5	8.50	7.58	12.73	N/A	N/A	N/A
2015	3,230.87	1.66	<5	7.33	6.43	0.48	N/A	N/A	N/A

**Effective June 24, 2017 RMB Capital combined with IronBridge Capital Management. Firm AUM prior to 2017 includes only IronBridge assets. Going forward, firm AUM includes the combined assets of RMB Capital and IronBridge Capital. Prior to the combination, IronBridge Capital Management had been independently verified for the periods December 31, 2014 – December 31, 2016.*

Fees | *The standard management fee is 1.00% on the first $250,000, 1.00% on the next $750,000, 0.95% on the next $2 million, 0.90% on the next $2 million, 0.80% on the next $5 million, and 0.75% on the next $15 million. Actual investment advisory fees incurred by clients may vary. Composite performance is presented on a gross-of-fees and net-of-fees basis and includes the reinvestment of all income. Net returns are computed by subtracting the highest applicable fee (1.00% on an annual basis) on a quarterly basis from the gross composite quarterly return, and the resulting quarterly net figures are compounded to calculate the annual net return. The percent of non-fee paying assets in the composite as of December 31, 2018 was 100%. The annual composite dispersion is an asset-weighted standard deviation calculated for the accounts in the Composite the entire year. Prior to 2018, internal dispersion was calculated using the equal weighted standard deviation for the accounts in the Composite the entire year. Risk measures presented are calculated using gross-of-fees performance. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.*

Minimum Value Threshold | *There is currently no account minimum in the U.S. Alpha Composite.*

Comparison with Market Indices | *RMB compares its Composite returns to a variety of market indices. These indices represent unmanaged portfolios whose characteristics differ from the Composite portfolios; however, they tend to represent the investment environment existing during the time period shown. The returns of the indices do not include any transaction costs, management fees, or other costs. Benchmark returns presented are not covered by the report of independent verifiers. The benchmark for the U.S. Alpha Equity composite is the Russell 3000® Index, which for comparison purposes is fully invested and includes the reinvestment of income. The index consists of the 3000 largest publicly listed U.S. companies, representing about 98% of the U.S. equity market. The index does not reflect investment management fees, brokerage commissions, or other expenses associated with investing in equity securities. You cannot invest directly in an index.*

Other | *Past performance is no guarantee of future performance. Historical rates of return may not be indicative of future rates of return. Individual client performance returns may be different that the composite returns listed.*