SMID Cap Core

Portfolio Update: First Quarter 2022

During the first quarter ending March 31, 2022, the SMID Cap Core Equity Composite (the "Strategy") returned -8.71%, gross of fees (-8.88%, net of fees), compared to the -5.82% decline for the Russell 2500 Index.

	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception (Annualized)
SMID Cap Core (Gross)	-8.71%	-8.71%	+8.61%	+19.51%	+15.94%	+13.30%	+10.71%
SMID Cap Core (Net)	-8.88%	-8.88%	+7.86%	+18.63%	+15.03%	+12.36%	+9.76%
Russell 2500 Index	-5.82%	-5.82%	+0.34%	+13.79%	+11.57%	+12.09%	+9.68%

Inception date: March 31, 2004. 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. Data as of March 31, 2022.

The first quarter was eventful. Markets absorbed multiple shocks, including the tragic invasion of Ukraine by Russia, the highest inflation rate recorded since 1981, commodity price spikes, rising interest rates, a tightening shift in monetary policy, and the transition from lockdowns to re-opening the economy. Stock and bond markets sustained significant losses early in the quarter before stocks rallied into the final two weeks.

After such a strong 2021, the Strategy gave back some of the significant excess return earned over the last 12 months as investors responded to several geopolitical and economic shocks. This quarter, factor risk blew out and trumped company specific risk. The companies in the portfolio delivered exceptional company specific results, but the strategy lagged for primarily two reasons. First, the portfolio is overweight companies that got a boost last year from COVID-related spending in the healthcare, consumer, and industrial sectors, specifically, innovative healthcare companies that serve the biotech sector and companies that benefit from a strong housing market. Second, the portfolio is underweight industries that benefit from the commodity inflation shock emanating from the War in Ukraine.

On balance, companies in the Strategy reported great fundamental quarters and outlooks. However, positive fundamentals for many companies were not rewarded because the market shifted its focus to anticipating deteriorating fundamentals due to higher interest rates, tighter liquidity conditions, slower growth, and increased odds of a recession over the next 12 months.

Interestingly, credit spreads have yet to reflect increased recession risks. We expect several of our quality cyclical names to come roaring back if the Federal Reserve successfully threads the needle between restraining inflation while avoiding a recession. If we don't avoid a recession, we expect credit spreads to widen which we believe will reward the Strategy's quality bias.

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Contributors and Detractors

Contributors were dominated by companies that benefit from factors favorably associated with the "shocks" this quarter: War, commodity inflation, re-opening, rising interest rates.

Devon Energy Corp. (DVN +36.52%) benefitted from the spike in oil prices which resulted from sanctions removing Russian oil from the global market. DVN is a low-cost producer that acquired our holding WPX last year at an attractive price when oil was near $55 a barrel. That deal looks exceptionally savvy today with oil at around $100.

Steel Dynamics Inc. (STLD +34.96%) is a diversified, vertically integrated steel company. 70% of revenues come from steel production, 20% from metals recycling, and 10% from fabrication. STLD is benefitting from higher steel prices and a strong scrap business, as demand for scrap is higher when steel prices are higher, a nice little hedge. Very strong fundamentals are guiding the shares higher as well as anticipated greater demand.

Markel Corp. (MKL +19.55%) is a "Berkshire-like" insurance company managed by great allocators of capital. It is basically a savvy investment firm structured as an insurance company to exploit the tax benefits of long-term tax advantaged compounding plus free float.

Royal Gold Inc. (RGLD +35.09%) is an asset and employee light company (only 35 employees) that benefits from interest in and rising prices of gold.

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FIRST QUARTER 2022 CONTRIBUTION REPORT
Ranked by Basis Point Contribution

	Basis Point Contribution	Return
Top Contributors		
Devon Energy Corp.	+73	+36.52%
Steel Dynamics Inc.	+54	+34.96%
Markel Corp.	+40	+19.55%
Royal Gold Inc.	+38	+35.09%
ServisFirst Bancshares Inc.	+34	+12.46%
Bottom Detractors		
Repligen Corp.	-70	-28.98%
Trex Company, Inc.	-64	-51.62%
Eagle Materials Inc.	-61	-22.74%
Fox Factory Holding Corp.	-52	-42.42%
ITT Inc.	-46	-26.15%

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.

Detractors included companies that reported great fundamentals and guidance but did not perform due to investor fears that their businesses are on the wrong side of "factor risk." Repligen Corp. (RGEN -28.98%) is a manufacturer of protein A to purify a biologic drug. Its products are used to increase product yield during the fermentation stage of biologic drug manufacturing. COVID boosted demand for its products as well as revenues. RGEN reported great earnings and raised guidance, but investors sold based on overly skeptical concerns of a "COVID cliff" of lost revenues, as the pandemic devolves into an endemic. Expectations have become too pessimistic. We believe the roll off will be more of a gentle COVID hill rather than a cliff.

Trex Company Inc. (TREX -51.62%), an ESG (Environmental, Social, and Governance) friendly manufacturer of recycled plastic for decking supplies used in home building and remodeling, also reported a great quarter. However, investor concerns about the impact rising rates will have on homebuilding and remodeling, as well as the COVID demand pull forward from "work from home" and recession fears, have investors selling the shares. Eagle Material Inc. (EXP -22.74%), a low-cost cement manufacturer and gypsum producer, also reported great results and guidance, but fell for the same reasons as TREX.

Portfolio Activity

After several quarters of very modest portfolio activity, the volatility of this quarter created more opportunities to add to higher conviction names as well as reduce or eliminate some lower conviction names. We think the greatest mispriced idiosyncratic risks within the Strategy right now are in our healthcare holdings, which are being sold as the tailwind associated with the COVID crisis winds down. During the quarter, we topped off our bio-tech basket stocks and added to higher conviction names. We also added to Trex Company Inc. (TREX) and Five9 Inc. (FIVN), names being sold due to the "COVID Cliff" fears from demand pull forward related to "work from home."

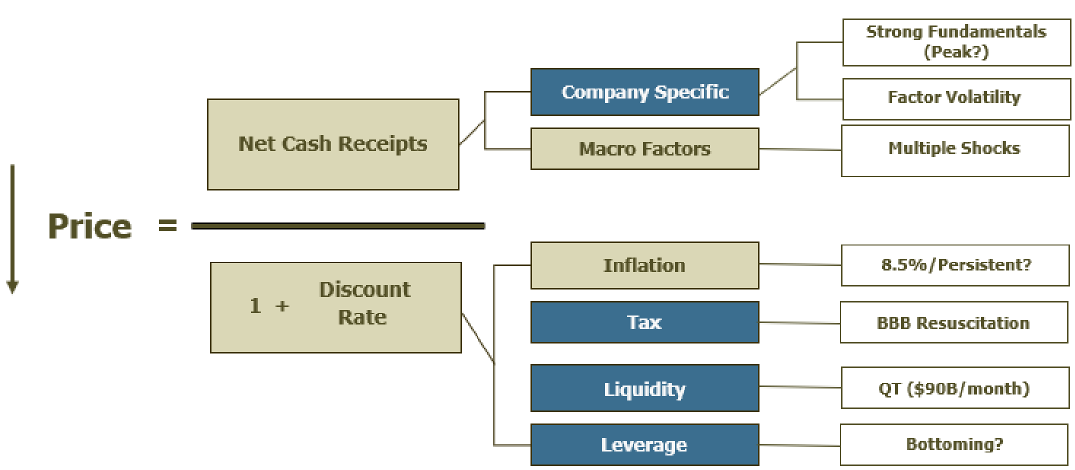
We sold Brink's Co. (BCO) because they missed their value creation milestones and we lost conviction. We also sold CyrusOne Inc. (CONE) since it is being taken over and its discount to takeover value finally closed. We trimmed Steel Dynamics, Inc. (STLD), given how large it had become, the fact that the price of steel is a big part of what makes the stock work, as well as the recognition that we are overweight materials. Finally, we sold SVB Financial Group (SIVB), as it has outgrown our mandate, and we wanted to reduce our overweight to banks given the yield curve inversion, as well as potentially increasing risk to its private equity technology portfolio.

Outlook

Uncertain. That one word captures our current outlook. War, de-globalization, inflation and rising rates, a more hawkish Fed, and a post-COVID world are the new risks that investors have to price into the market. For investors, the outcome of the war in Ukraine may have important long-term consequences. The successful defeat of Putin could strengthen the existing world order by discouraging other leaders among the "axis of evil" from testing the West geopolitically. A Putin defeat might also encourage greater cooperation with the West from China and India. Alternatively, if Putin gets part of what he wants and remains in power, it could weaken the existing world order by encouraging China to invade Taiwan, creating new trading blocks and further incentivizing a competing international reserve currency backed by commodities, which would result in a significantly weaker dollar, weaker NATO, and threaten European security and economic growth. At the time of this writing, the outcome is far from certain.

Change is the one thing that is certain. We view changing and emerging risks through the lens of the pricing equation to help us understand and shape our outlook.

Exhibit 1. The Pricing Equation



Source: RMB Capital
BBB refers to low grade bond ratings.
Quantitative tightening (QT) is a contractionary monetary policy applied by a central bank to decrease the amount of liquidity within the economy.

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At the company specific level, we couldn't feel better about the value creation fundamentals of our largest holdings. More broadly though, earnings growth expectations are beginning to moderate. External shocks are likely to slow global GDP, keep upward pressure on commodities, and increase volatility.

From a discount rate perspective, the market and the Fed had underappreciated inflationary pressures brought on by excessive fiscal and monetary stimulus. With inflation clocking in at 8.5%, the Fed has pivoted to a more hawkish stance, driving rate expectations and the discount rate higher.

In summary, what changed from Q4 to Q1 is the market moved from being "priced for strong earnings growth, supported by decent GDP growth, with very little risk that inflation remains high, and guarded by a Federal Reserve willing to provide liquidity when needed" to "priced for stagflation – higher inflation for longer and lower economic growth." If the market sniffs out a recession, stocks will likely head lower from here, but we believe the Strategy should outperform on the downside due to its higher quality bias. If the Fed successfully threads the needle, tamping down inflation without causing a recession, we believe we would outperform, led by our higher quality cyclicals and secular growth companies. If the market remains priced for stagflation, the Strategy may struggle to perform, due to lack of performance from our quality cyclicals and being somewhat underweight businesses that benefit from higher priced commodities.

In our last outlook, we noted "The contrarian in us suggests that the numerator and denominator are more vulnerable to negative shocks (mispriced risk) today than they were last year." Today, markets are pricing more risk, particularly recession risk, risk that innovative healthcare companies will collapse as COVID morphs into an endemic from pandemic, that technology companies will cannibalize each other in the race from the enterprise to the cloud, and commodity prices will stay elevated due to green initiatives and sanctions on Russia. We suspect again some of these risks are mispriced, especially innovative healthcare, where we remain overweight. And while factor risk volatility can drive returns over the short-term, over the long-term, company specific skill decouples from factor risk and creates excess return for investors. Our skill remains identifying mispriced risk at the company specific level. From that perspective, we continue to feel great about the companies we own in the Strategy and believe our dual diversified portfolio construction process handles the high level of uncertainty always present but especially so in the current environment.

As always, the companies we invest in demonstrate high managerial skill in capital allocation and adaptability, which creates value for customers, employees, communities, and shareholders.

Thank you for your commitment to the Strategy. Should you have any questions regarding your investment, please do not hesitate to reach out to us.

Sincerely,

Chris Faber
Portfolio Manager

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TOP TEN HOLDINGS AS OF 3/31/22	
Company	**% of Assets**
ServisFirst Bancshares Inc.	3.05%
Devon Energy Corp.	2.96%
EastGroup Properties Inc.	2.93%
American Financial Group Inc.	2.87%
West Pharmaceutical Services Inc.	2.80%
Teledyne Technologies Inc.	2.80%
Pinnacle Financial Partners Inc.	2.76%
Bio-Techne Corp.	2.44%
Monolithic Power Systems Inc.	2.39%
Catalent Inc.	2.35%

Holdings are subject to change. Past performance is not indicative of future results, and there is risk of loss of all or part of your investment. The data provided is supplemental. Please see disclosures at the end of this document.

An investment cannot be made directly in an index. The index data assumes reinvestment of all income and does not bear fees, taxes, or transaction costs. The investment strategy and types of securities held by the comparison index may be substantially different from the investment strategy and types of securities held by the strategies. The benchmarks are shown for comparison purposes and are fully invested and include the reinvestment of income. The Russell 2000 is a subset of the Russell 3000 Index, representing about 8% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2500 is a subset of the Russell 3000, including approximately 2500 of the smallest securities based on their market cap and current index membership. The strategies include small- to mid-cap equity portfolios. The strategies may target investments in companies with relatively small market capitalizations (generally between $500 million and $10 billion at the time of initial purchase), that are undervalued as suggested by RMB Capital's proprietary economic return framework. The Russell 2500 Value Index tracks the performance of companies with lower price-to-book ratios, which shows a company's market price relative to its balance sheet. The Russell 2500 Growth Index is a subset of companies with higher price-to-book ratios, or those expected to have higher growth values in the future.

While "high-quality" has no single, strict industry definition, we define high-quality stocks as those that we believe offer more reliability and less risk based on a set of clearly defined fundamental criteria including hard criteria (e.g., balance sheet stability, operating efficiency, enterprise life cycle) and soft criteria (e.g., management credibility). We define well-managed companies as those that intentionally grow assets when their economic return on capital is above the cost of capital, are willing to shrink assets when economic return is below the cost of capital, and actively seek to improve economic return when it is approximately equal to the cost of capital.

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RMB Asset Management

SMID Cap Core Composite // GIPS Report

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 periods April 1, 2005 through December 31, 2019. The verification report(s) is/are available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report.

Description | The SMID Cap Strategy product reflects the performance of fully discretionary fee-paying equity accounts, which have an investment objective of long-term growth that target investments in companies with relatively small market capitalizations (generally between $500 million and $10 billion at the time of initial purchase), that are undervalued as suggested by RMB Capital's proprietary economic return framework. For comparison purposes is measured against the Russell 2500 index. The inception date of the SMID Cap Composite is March 31, 2004 and the Composite was created on March 31, 2004. Valuations and returns are computed and stated in U.S. Dollars. Effective November 2021, Jeff Madden is no longer a portfolio manager for the strategy. There is no change to the strategy's investment process.

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 2500 (%)	Composite 3-YR ST DEV (%)	Russell 2500 3-YR ST DEV (%)	Composite Dispersion (%)
2020	5,240.59	269.42	<5	25.78	24.88	19.99	21.75	24.21	0.00
2019	4,947.90	178.96	<5	32.61	31.50	27.77	13.52	14.58	0.98
2018	4,196.90	175.89	<5	-4.12	-4.91	-10.00	13.24	14.10	0.14
2017	3,610.61	310.59	5	14.68	13.67	16.81	10.64	12.14	0.28
2016	NA	448.67	9	13.33	12.33	17.59	12.04	13.67	0.23
2015	NA	775.77	9	0.07	-0.82	-2.90	11.47	12.42	0.21
2014	NA	994.30	8	4.74	3.81	7.07	11.03	11.67	0.28
2013	NA	1,712.59	16	32.46	31.30	36.80	15.06	15.63	0.15
2012	NA	1,612.27	26	13.84	12.83	17.88	17.78	18.97	0.09
2011	NA	1,427.15	30	-1.75	-2.64	-2.50	20.98	23.40	0.13

*RMB Capital acquired the composite by combining with IronBridge Capital Management on June 24, 2017. Firm assets prior to 2017 are not presented as the composite was not part of the firm.

***Fees** | The standard management fee is 0.90% of assets annually, which is also the highest applicable fee. 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. For periods prior to 2018, net returns are computed by subtracting the highest applicable fee (0.90% on an annual basis, or 0.075% monthly) on a monthly basis from the gross composite monthly return, and the resulting monthly net figures are compounded to calculate the annual net return. Beginning in 2018, net returns are reduced by actual management fees and transactions costs incurred. 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 investments, calculating performance, and preparing GIPS Reports are available upon request.*

***Minimum Value Threshold** | The account minimum in the SMID Cap Core Composite is currently $2.0 million. Prior to January 1, 2015, the composite excluded portfolios under $5.0 million.*

***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 SMID Cap Core composite is the Russell 2500 Index, which for comparison purposes is fully invested and includes the reinvestment of income. The Russell 2500 is a subset of the Russell 3000, including approximately 2500 of the smallest securities based on their market cap* *and current index membership. 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. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein. A list of Composite Descriptions and a list of Broad Distribution Pooled Funds are available upon request.*