Small Cap Core

Portfolio Update: Third Quarter 2022

During the third quarter ending September 30, 2022, the Small Cap Core Equity Composite (the "Strategy") returned -4.24%, gross of fees (-4.45%, net of fees), compared to a -2.19% decline for the Russell 2000® Index.

	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception (Annualized)
Small Cap Core (Gross)	-4.24%	-27.46%	-22.81%	+5.06%	+6.54%	+9.56%	+10.45%
Small Cap Core (Net)	-4.45%	-27.92%	-23.47%	+4.13%	+5.56%	+8.52%	+9.36%
Russell 2000® Index	-2.19%	-25.10%	-23.50%	+4.29%	+3.55%	+8.55%	+7.33%

Inception date: April 30, 1999. 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 September 30, 2022. RMB Capital acquired the composite by combining with IronBridge Capital Management on June 24, 2017. Composite performance prior to that date was achieved by IronBridge Capital Management.

The quarter witnessed extreme volatility as the Russell 2000® Index increased 18% from July through mid-August, only to give it all back and then some through September. The rally was sparked by better-than-expected inflation data and solid corporate earnings. It was extinguished by Fed Chairman Powell's Jackson Hole comments that stated, "inflation was still too high", and "the Fed will accept some pain to households and businesses to get it under control." Then the Fed followed up hawkish rhetoric with another 75bp increase to the Fed Funds rate. These actions raised concerns that a deep recession will be the path to 2% inflation.

For the third quarter in a row, portfolio holdings reported mostly solid fundamental quarters and outlooks, but macro fears of higher interest rates, tighter liquidity conditions, slower economic growth, and increased odds of a recession over the next 12 months trumped solid fundamentals. Forward looking investors understand that earnings typically contract 20% during recessions and that analysts and companies are typically behind the curve. Often, stock prices fall in advance of negative earnings revisions. Fear of earnings contraction was greatest among industries related to housing as mortgage rates shot up from all-time lows of 2.65% at the start of 2021 to 6.70% on September 30![1] Single Family Housing Permits declined a seasonally adjusted 15.3% year-over-year.[2] Many housing related businesses underperformed despite strong quarterly results and now appear priced for a recession. Energy and Aerospace businesses held up relatively better reflecting earnings acceleration/resilience due to geopolitical risk associated with the Ukraine war.

While the equity market is beginning to price a recession, the credit market appears more sanguine. Credit spreads have increased from historical lows of 3.77% to 5.74%, which is slightly above the long-term average of 5.36%, but well below recessionary levels that typically reach 10%.[3] We suspect this contradiction to get resolved either through a surge in the equity market if the Fed engineers a soft landing while taming inflation, or a widening of credit spreads as the recession deepens.

[1] Source: Factset.

[2] Source: https://www.census.gov/construction/nrc/pdf/newresconst.pdf

[3] Source: ICE BofA Single-B U.S. High Yield Index Option-Adjusted Spread

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Contributors and Detractors

Contributors were diversified by industry and life cycle.

Devon Energy Corp. (DVN, +11.58%) continued to benefit as the energy sector was one of the best performing sectors during the quarter. DVN posted strong Q2 2022 results across all metrics. We believe the disciplined returns-driven strategy, operational excellence, balance sheet strength, and high-quality asset base position DVN for sustainable value creation throughout the commodity cycle.

BioLife Solutions Inc. (BLFS, +64.74%) continued its recovery from oversold conditions in May and June and the company reported very strong 2Q results. The core cell media preservation (46% organic growth) is benefiting from clinical trials moving into Phase II and III along with label expansions among its approved customers in the Cell and Gene Therapy (CGT) market. In addition, BLFS has made significant progress in resolving supply chain and quality control issues at its Stirling cold-storage technology business. This turnaround has driven margins higher.

Stock Yards Bancorp Inc. (SYBT, +14.18%) is another high-quality small cap bank, which has a Kentucky footprint augmented by additional beachhead in Cincinnati and Indianapolis. SYBTs competitive advantage lies in its conservative credit culture, high touch service model, and consistent approach in serving the top 25% of performers across industries. SYBT reported a strong second quarter with accelerating loan production, net interest margin expansion reasonable expense discipline, and the banks offense and defense characteristics are well suited for later cycle dynamics.

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THIRD QUARTER 2022 CONTRIBUTION REPORT
Ranked by Basis Point Contribution

	Basis Point Contribution	Return
Top Contributors		
Devon Energy Corp.	+56	+11.58%
BioLife Solutions Inc.	+39	+64.74%
Stock Yards Bancorp Inc.	+36	+14.18%
Valmont Industries Inc.	+33	+19.83%
Repligen Corp.	+26	+15.22%
Bottom Detractors		
Catalent Inc.	-94	-32.56%
Argo Group International Holdings Ltd.	-69	-45.36%
Omnicell Inc.	-53	-23.49%
West Pharmaceutical Services Inc.	-51	-18.57%
Neogen Corp.	-45	-42.01%

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.

Valmont Industries Inc. (VMI, +19.83%) is benefiting from strong pricing and end market strength driving growth in its agriculture and infrastructure segments, as well as successful company-led efforts to expand margins through operational excellence, despite the challenge of higher steel costs. A record backlog from previously awarded long-dated infrastructure projects is helping to add visibility in an uncertain market.

Detractors were negatively impacted by company specific mostly temporary headwinds. Three detractors were in the healthcare sector.

Despite an in-line quarter, Catalent Inc. (CTLT, -32.56%) was weak on lower than expected initial 2023 guidance primarily due to FX headwinds and a significant reduction in COVID revenues (-66% reduction in COVID volumes). However, management still called for 25%+ growth excluding COVID (drive by cell and gene therapy and capacity expansion across Biologics and Bettera) and raised long-term revenue growth targets from 8%-10% to 8%-12%, largely due to higher growth in the Pharma / Consumer Health segment.

West Pharmaceutical Services Inc. (WST, -18.57%) reported a strong quarter but sold-off intra-quarter, similar to many pick and shovel healthcare peers, as investors continue to be concerned with the potential of a COVID "cliff." While management did lower expected COVID revenue, this is largely offset by higher base business revenue growth resulting in organic constant currency growth targets in-line with long-term targets. We are comfortable with the transition from COVID related revenue growth to non-COVID / base business revenue growth.

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Omnicell Inc. (OMCL, -23.49%) reported a largely in-line quarter but was weak following the subsequent investor day. Management re-affirmed its 2025E outlook for revenue despite the macro environment, as OMCL's products and services are viewed as increasing hospital productivity and efficiency. However, adjusted EBITDA margin guidance for 2025E was reduced due to inflation headwinds and investments in software and tech-enabled services. We believe that these are appropriate investments to drive long-term growth and eventual margin expansion.

One detractor violated our investment thesis. Argo Group International Holdings Ltd. (ARGO, -45.36%) a Property & Casualty company, surprised us and the market by entering a very expensive loss portfolio transfer (a reinsurance treaty in which an insurer cedes policies and the loss reserves to pay them to a reinsurer) with Enstar, along with announcing adverse development in its second quarter results. This comes after they had a third-party reserve review at year end, which is what was so surprising. We were losing confidence in the company and the changing leadership led us to sell some stock ahead of the quarter. We sold the remaining position during the quarter.

Portfolio Activity

As mentioned in our last quarterly letter, overall, we feel good about the companies we own. Having said that, volatility allowed us to reduce some of our larger names into the upward volatility, and to use downward volatility to get involved in some of the smaller companies on our "want to own" list. We reduced our positions in Devon Energy Corp. (DVN), Stock Yards Bancorp Inc. (SYBT), American Financial Group Inc. (AFG), and Chart Industries, Inc. (GTLS). We started accumulating starter positions in ServisFirst Bancshares Inc. (SFBS), Veritex Holdings, Inc. (VBTX), Triumph Bancorp, Inc. (TBK), Range Resources Corp. (RRC), Matador Resources Co. (MTDR), and Chesapeake Utilities Corp. (CPK). We added to our positions in PotlatchDeltic Corp. (PCH) and Community Healthcare Trust Inc. (CHCT). We sold Argo Group International Holdings Ltd. (ARGO) due to a thesis violation.

Outlook

We don't know when the bear market will end, but it will. Even so, here is our best guess as to how things might play out. In our last outlook, we estimated that we were at least halfway through the bear market. The average bear market has been approximately 16 months accompanied by a 41% decline. The current bear market for the Russell 2000® is 11 months, with a 32% decline from the peak. Further downside is possible, given the Fed's commitment to 2% inflation and the economic pain and earnings contraction potentially associated with achieving that objective. Playing the averages, a reasonable guess might be another 10%-15% to the downside if a deep recession takes hold. More downside if the Fed goes too far and breaks something, or Russia goes nuclear. Maybe less downside if inflation falls toward 2% faster than the Fed expects. It is even possible the bottom is in, if the Fed pivots under pressure from President Biden, with friendly trading partners suffering from dollar strength or the credit market malfunctioning. As always, more things can happen than will happen. We simply cannot know for sure, which is why the portfolio is diversified by industry and lifecycle to help manage risks we can't know or control while remaining concentrated enough to allow for the company specific value creation to drive longer-term excess return.

Given elevated risks and wide potential outcomes, we expect volatility to remain high. Rallies will be fueled by the Fed skeptics who are convinced the Fed pivot is just around the corner. Declines or new lows will be driven by deteriorating economic and earnings data into an unwavering hawkish Fed. The silver lining to where we find ourselves in the current investment environment is that a lot of negative news is priced in. Despite all the negative economic and inflationary news this quarter, the portfolio only dropped 4.24%. Perhaps most of the damage of this bear market is behind us. A lot will depend on how corporate earnings/cash flows hold up/deteriorate from here.

Regardless of which scenario plays out, we believe investors should be preparing to increase their equity allocations over the next 3-9 months. Note, smaller cap stocks often lead the way out of bear markets as historically they have been more sensitive to changes in liquidity and credit spreads.

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As always, we believe the companies we aim to invest in demonstrate high managerial skill in capital allocation and adaptability, which we believe can create 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

TOP TEN HOLDINGS AS OF 9/30/22

Company	% of Assets
Devon Energy Corp.	4.86%
TriCo Bancshares	4.30%
Seacoast Banking Corp. of Florida	3.42%
EastGroup Properties Inc.	3.31%
Repligen Corp.	3.11%
Kadant Inc.	3.00%
Stock Yards Bancorp Inc.	2.85%
Eagle Materials Inc.	2.69%
Pool Corp.	2.65%
West Pharmaceutical Services Inc.	2.57%

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.

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 S&P 500 is widely regarded as the best single gauge of the United States equity market. It includes 500 leading companies in leading industries of the US economy. The S&P 500 focuses on the large cap segment of the market and covers approximately 75% of US equities. The Russell 2000 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 2000 Growth Index is a subset of companies with higher price-to-book ratios, or those expected to have higher growth values in the future.

Basis Point (bps): A unit that is equal to 1/100th of 1% and is used to denote the change in a financial instrument.

EV/EBITDA: Enterprise multiple, also known as the EV multiple, is a ratio used to determine the value of a company. The enterprise multiple, which is enterprise value (Market capitalization + Total debt – Cash and cash equivalents) divided by earnings before interest, taxes, depreciation, and amortization (EBITDA), looks at a company the way a potential acquirer would by considering the company's debt. What is considered a "good" or "bad" enterprise multiple varies by industry.

RMB Asset Management

Small 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, 2020. 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 Small Cap Core Strategy product reflects the performance of fully discretionary equity accounts, which have an investment objective of long-term growth using a portfolio of primarily small-cap stocks and for comparison purposes is measured against the Russell 2000® index. The inception date of the Small Cap Composite is April 30, 1999 and the Composite was created on March 31, 2002. The composite includes small cap equity portfolios invested in undervalued companies as suggested by RMB Capital's proprietary economic return framework, with relatively small market capitalizations (generally under $2.5 billion at the time of initial purchase) and with both growth and value attributes. 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 2000® (%)	Composite 3-YR ST DEV (%)	Russell 2000® 3-YR ST DEV (%)	Composite Dispersion (%)
2021	6,277.61	141.63	<5	25.60	24.55	14.82	20.18	23.35	0.00
2020	5,240.59	116.94	<5	19.38	18.28	19.96	22.02	25.27	0.00
2019	4,947.90	118.03	<5	28.91	27.57	25.52	13.97	15.71	0.34
2018	4,196.90	117.54	<5	-4.54	-5.40	-11.01	13.52	15.79	0.29
2017	3,610.61	453.90	6	11.70	10.59	14.65	11.58	13.91	0.30
2016	NA	723.21	7	15.06	13.93	21.31	13.20	15.76	0.16
2015	NA	684.92	10	-0.98	-1.97	-4.41	12.61	13.96	0.17
2014	NA	714.83	5	7.46	6.39	4.89	12.01	16.59	0.25
2013	NA	868.35	8	34.58	33.27	38.82	15.56	16.45	0.22
2012	NA	1,077.20	14	14.24	13.12	16.35	18.67	20.20	0.23

**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. RMB Capital acquired the composite by combining with IronBridge Capital Management on June 24, 2017. Composite performance prior to that date was achieved by IronBridge Capital Management.*

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Annualized Returns as of 12/31/2021	1 Year	5 Years	10 Years
Strategy (net of fees)	+24.55%	+14.48%	+13.42%
Russell 2000® Index	+14.82%	+12.02%	+13.23%

Fees *| The standard management fee is 1% of assets annually, which is also our 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 (1% on an annual basis, or 0.083% 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 Small Cap Core product is currently $2 million. Prior to January 1, 2015, the composite excluded portfolios under $5 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 Small Cap Core composite is the Russell 2000® Index, which for comparison purposes is fully invested and includes 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 2000® index is an unmanaged index that is designed to measure the small cap segment of the U.S. equity universe. 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 than 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.*