Equity Income

Portfolio Update: Third Quarter 2022

During the third quarter ending September 30, 2022, the Equity Income Composite (the "strategy") returned -4.08%, gross of fees (-4.21%, net of fees), compared to a -5.62% return for the Russell 1000® Value Index.

	3 Months	YTD	Since Inception
Equity Income (Gross)	-4.08%	-9.64%	-9.64%
Equity Income (Net of IM fees)	-4.21%	-9.96%	-9.96%
Equity Income (Net of IM & WM Fees)	-4.44%	-10.64%	-10.64%
Russell 1000® Value Index	-5.62%	-17.75%	-17.75%

Inception date: December 31, 2021. Performance for periods of greater than one year is annualized. 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. Investment management (IM) fees are charged for managed investment accounts, is intended to compensate the portfolio managers for their time and expertise for selecting investments and managing the specific strategy as well as other items, such as investor relations expenses and the administration costs. Wealth management (WM) fees are charged to cover the construction and management of a portfolio and the holistic wealth management services that a client has chosen beyond their investments including, but are not limited to, estate planning, tax strategies (and related services), risk management, financial planning, retirement planning, investment advice, and insurance/banking oversight services. These fees vary by client and for this presentation the highest possible wealth management fees has been applied in these calculations.

As the first formal letter for Equity Income, I'd like to begin by thanking you for your confidence in RMB as we launched Equity Income. While it became broadly available in July, we have been incubating it for nearly two years and over that time have built confidence in our approach to managing an income-focused equity portfolio. Below, please find a short summary of key investment guidelines and objectives:

- Consistent with RMB's other equity strategies and investment philosophy, the Equity Income strategy invests in a concentrated portfolio of high-quality businesses. We define that as well-managed companies with durable business models and conservative balance sheets.

- The strategy's primary objective is to invest in dividend-paying equities that have potential for long-term price appreciation. In other words, while dividend income is a pre-requisite for investment, we are also looking for stocks that we believe will increase in value.

- To that end, we seek to outperform our stated benchmark - the Russell 1000 Value index. This benchmark is a diversified index of stocks that lean toward the value end of the spectrum, which is a good match for the strategy's portfolio positioning.

- As a rule of thumb, we seek to maintain a dividend yield that is 1-2x that of the S&P 500 Index. As of 9/30/2022, the annualized dividend yield was 4.2% compared to 1.7% for the S&P 500 over the last 12 months.

Overview of the Quarter

While negative returns are never pleasant, the relative outperformance in a down market is encouraging and consistent with our expectations for the strategy's defensive characteristics.

Monetary policy has been a major focus of investors since the start of quantitative easing in March 2009, and that is no different today. Unlike most of the last 13 years, however, the Federal Reserve has clearly shifted from a "lower for longer" regime to one focused squarely on stamping out inflation. With employment levels still at historic lows (3.5% at the time of this writing), the Fed has plenty of room within its dual mandate of price stability and full employment to be aggressive with its goal to reduce inflation and avoid a prolonged inflationary environment. Between January 1st and September 30th, the target fed funds rate increased from 0.50% -0.75% to 3.00% - 3.25%. The market rally from early July through mid-August was driven by a perception of peak inflation and anticipation of an eventual Fed pivot. In his brief and targeted speech at the

Jackson Hole conference in August, Fed Chair Jerome Powell made it clear that slowing economic growth, higher unemployment and some pain to households and businesses are all costs worth bearing in the name of returning to target inflation levels of 2%. The market gains leading up to the speech proved to be a bear market rally and by the end of the quarter, equity markets were back to testing the June lows.

So far in 2022, the rising interest rate environment has negatively impacted both bonds and stocks. The market has favored "value" stocks and many of the stocks in the equity income portfolio relative to "growth" stocks. The market expects growth stocks to generate the bulk of their cash flows further in the future than value stocks, so when the discounting mechanism goes up, growth stocks tend to fall harder than value stocks. In addition, the stocks that you own in equity income have current dividend streams that can act as a buffer to falling stock prices. This backdrop contributed to the positive relative performance of the portfolio versus the overall market.

Contributors and Detractors

The largest contributor to excess return this quarter was Hubbell Inc. (HUBB +25.51%), a manufacturer of electrical products for commercial, residential, and utility customers. Hubbell had a very strong quarter, including 20% organic growth and robust margin expansion. The company is a beneficiary of several secular trends including renewables, electrification, grid-hardening, and data centers. As a result, Hubbell is exposed to several markets that are growing faster than GDP, enabling the strong topline. At the same time, the company is driving some business shifts that have resulted in a higher margin profile that we believe will persist.

The next largest contributor was STORE Capital Corp. (STOR +21.70%), a Real Estate Investment Trust. STORE focuses on investment and management of single tenant operational real estate. It is invested across diverse end markets, but some better-known examples are Bass Pro Shops, Fleet Farm, and AMC Theaters. Its lease structures tend to be longer-term, which is good for producing fairly bond-like revenue and income streams but can be bad when inflation and interest rates rise as they have recently. On September 15th, STOR agreed to be acquired for a 20% premium to the previous close and a 15% premium to the underlying net asset value of the owned properties. With the third quarter dividend now paid, we expect to sell this REIT and reinvest the proceeds before the expected close in 2023.

Equity Income
THIRD QUARTER 2022 CONTRIBUTION REPORT
Ranked by Basis Point Contribution

	Basis Point Contribution	Return
Top Contributors		
Hubbell Inc.	+88	+25.51%
STORE Capital Corp.	+88	+21.70%
M&T Bank Corp.	+40	+11.35%
Watsco Inc.	+34	+8.76%
Texas Instruments Inc.	+6	+1.38%
Bottom Detractors		
Verizon Communications Inc.	-116	-24.24%
Comcast Corp.	-71	-24.75%
Raytheon Technologies Corp.	-66	-14.33%
Patterson Companies Inc.	-61	-20.06%
CME Group Inc.	-58	-13.04%

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.

On the negative side, our investments in communications services stocks Verizon Communications Inc. (VZ -24.24%) and Comcast Corp. (CMCSA -24.75%) presented the largest headwind to performance. Both of these companies compete in very capital-intensive industries and are facing headwinds from a weaker consumer backdrop. In the case of Comcast, a slowing housing market and a reversal of work-from-home trends led to the first decline in residential broadband connections for the company. On the positive side, the parks business had a great quarter, studio was strong, and video was stable. The balance sheet is in great shape with a solid investment grade credit rating and free cash flow that comfortably supports the dividend payment and continued share repurchases. Verizon also experienced weak subscriber trends, which declined versus an expectation of growth. As customers look for ways to tighten their budgets, the cell phone bill is a natural target. This hurt Verizon's metered post-paid cellular business in the form of higher subscriber loss. Verizon has been quick to respond with a $30 "welcome" unlimited plan to move some metered customers over to a value-based unlimited plan. At a Goldman Sachs conference in September, CEO Hans Erik Vestberg discussed how this new plan has already helped drive sequential improvement in consumer gross additions. Verizon remains the industry leader in network quality according to J.D. Power and we believe Verizon will continue to invest in that quality to sustain and grow its cash generation to support dividends going forward.

Portfolio Activity

During the quarter, there were no material buys or sells from the strategy. This is primarily because of the freshness of the portfolio coming off of the July 7th launch, as well as the lack of any material investment thesis violations. The Strategy seeks to keep turnover low, but healthy, targeting 15-35% annual turnover. Actual turnover will depend on market conditions and investment opportunities.

Income during the quarter included regular dividends from every holding in the portfolio. Year-over-year, these dividends increased for 23 of the 26 stocks in the portfolio, while the other 3 were flat. There were no dividend cuts. Year-to-date, income has contributed 2.6% of total return, helping to offset price declines experienced broadly in the market. This is consistent with our belief that dividends help buffer declines in down markets.

In addition to these regular quarterly dividends, we received “special” dividends (additional cash returned to shareholders in addition to the typical common dividends) from EOG Resources (EOG: $1.50/share) Old Republic International (ORI: $1.00/share) and Barrick Gold (GOLD: $0.10). Special dividends can arise when companies have excess capital on the balance sheet or when there are specific transactions that create an opportunity to distribute capital. This is an unpredictable but valuable contribution to the income component of the strategy.

Some companies, especially resource companies, have adopted a variable dividend approach. In times of high commodity prices and flush balance sheets, these companies will pay out additional “performance” dividends, which can add variability to dividend payments. Such was the case with EOG and GOLD this quarter.

Outlook

While rising rates and the role of the Federal Reserve has clearly impacted stock valuations, the targeted economic slowdown has likely not fully been reflected in company guidance, analyst estimates, and possibly not yet fully in stock prices. As companies begin to report earnings results and, more importantly, offer their outlooks for the remainder of the year, we will start to get a picture of the early impact these rates have had on the real economy.

Economic cycles, interest rates, and investor preference all influence short-term absolute and relative performance. Over the long term, we believe that investing in high quality companies that create value for shareholders and distribute a portion of that cash flow in the form of dividends can result in long-term shareholder returns that beat the overall market.

Thank you for your confidence in the team and the strategy. If you have any questions, please do not hesitate to contact us.

Sincerely,

John O’Connor, CFA
Portfolio Manager

Equity Income

TOP TEN HOLDINGS AS OF 9/30/22	
Company	**% of Assets**
Chevron Corp.	7.14%
Merck & Co. Inc.	6.29%
Johnson & Johnson	5.90%
JPMorgan Chase & Co.	5.30%
STORE Capital Corp.	5.23%
Hubbell Inc.	4.73%
Watsco Inc.	4.70%
M&T Bank Corp.	4.51%
PepsiCo Inc.	4.44%
Altria Group Inc.	4.31%

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 1000® Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000® companies with lower price-to-book ratios and lower expected and historical growth rates. The S&P 500 Index is widely regarded as the best single gauge of the United States equity market. It includes 500 leading companies in leading industries of the U.S. economy. The S&P 500 focuses on the large-cap segment of the market and covers approximately 75% of U.S. equities.

Equity Income

RMB Asset Management

Equity Income 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 Equity Income Strategy reflects the performance of fully discretionary equity accounts, which have an investment objective of dividend income and capital appreciation using a portfolio of primarily U.S. stocks with market caps > $2 Billion and for comparison purposes is measured against the Russell 1000® Value Index. The inception date of the Equity Income Composite is December 31, 2021 and the Composite was created on December 31, 2021. Valuations and returns are computed and stated in U.S. Dollars.

ANNUAL PERFORMANCE RELATIVE TO STATED BENCHMARK

No performance due to insufficient data (less than 1 year since inception date).

Fees *| Effective January 1, 2011, RMB' Capital's management fee schedule for this Composite is as follows: 0.50% on the first $3.0 million, 0.475% on the next $2.0 million, 0.450% on the next $5.0 million, 0.425% on the next $15.0 million, and 0.400% over $25.0 million. Actual management fees charged by RMB may vary. Composite performance is presented on a gross-of-fees and net-of-fees basis and includes the reinvestment of all income. Gross-of-fees returns means it is net of transaction costs but gross of asset management fees and custodian fees. The payment of actual fees and expenses would reduce gross returns. The compound effect of such fees and expenses should be considered when reviewing gross returns. The net returns are reduced by all actual fees and transactions costs incurred. The composite includes accounts that pay asset-based pricing for trading expenses. The maximum fee is 15 basis points per year; however, many accounts pay lower amounts due to household break-point relief. In addition to a management fee, some accounts pay a wealth management fee based on the percentage of assets under management to RMB Capital. The annual composite dispersion is an asset-weighted standard deviation calculated 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 *| There is no account minimum for the Equity Income composite.*

Comparison with Market Indices *| RMB compares its Composite returns to a variety of market indices such as the Russell 1000® Value Index. The index represents unmanaged portfolios whose characteristics differ from the Composite portfolios; however, it tends to represent the investment environment existing during the time period shown. The Russell 1000® Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000® companies with lower price-to-book ratios and lower expected and historical growth rates. An investment cannot be made directly in an index. The returns of the index do not include any transaction costs, management fees, or other 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 your account in the Composite. Benchmark returns presented are not covered by the report of independent verifiers.*

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.*