# Core Equity

## Portfolio Update: Annual Letter 2022

For the year 2022, the Core Equity Strategy (the "Strategy") decreased -23.20% net of fees, underperforming the -19.21% return for the Russell 3000® Index. 2022 was the worst return year for U.S. equities since 2008. We were disappointed that the Strategy underperformed the broader benchmark, however we believe that when looking beyond the headline number, our performance was better than it first appears, due to significant style differential.

| Performance | Q1 | Q2 | Q3 | Q4 | 1 Year | 3 Years | 5 Years | 10 Years | Since Inception (4/1/2005) |
|---|---|---|---|---|---|---|---|---|---|
| **Core Equity Strategy (net of IM fees)** | -8.17% | -14.47% | -5.89% | +3.91% | -23.20% | +4.85% | +8.17% | +10.53% | +7.64% |
| **Core Equity Strategy (net of IM & WM fees)** | -8.41 % | -14.70% | -6.14% | +3.65% | -23.99% | +3.81% | +7.09% | +9.43% | +6.58% |
| **Russell 3000® Index** | -5.28% | -16.70% | -4.46% | +7.18% | -19.21% | +7.07% | +8.79% | +12.13% | +9.00% |
| **S&P 500 Index** | -4.60% | -16.10% | -4.88% | +7.56% | -18.11% | +7.66% | +9.42% | +12.56% | +9.08% |

*Inception date: April 1, 2005. Performance is presented net of RMB Asset Management's maximum management fee and transaction costs. Performance is annualized for periods greater than one year. 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 December 31, 2022, except the Q1, Q2, and Q3 performance which is as of March 31, 2022, June 30, 2022, and September 30, 2022, respectively.*

2022 was a year when the value style of investing absolutely trumped the growth style. The Russell 3000® Value Index was only down -8.0% relative to a decline of -28.9% for the Russell 3000® Growth Index, nearly a 21% differential and the largest growth to value differential since 2000. We may all remember 2000 was the end of the late 90's speculative excess in Technology, Media, and Telecommunications, highlighted by the "dot.com's", and 2022 was also the end of the speculative excess in many areas (crypto, meme stocks, SPAC's[1], unprofitable companies). Core Equity is run as a "growth at a reasonable price" (GARP) strategy, as we seek to own high quality, secular growing businesses, which puts us square in the growth style of investing, but certainly not aggressive growth or "growth at any price". Fortunately, our adherence to quality kept us out of the more speculative segments of growth equities (unprofitable companies and untested business models), which performed the worst this year after being the hottest parts of the market in 2021. The outperformance of value over growth was most pronounced in the Energy sector, which was ***up*** +63%[2], the best year ever for the sector and just remarkable relative to the overall market return. It might surprise you that oil prices basically round tripped in 2022, as they shot up after the onset of the Ukrainian conflict, but then came back down over the balance of the year. We would consider the performance of the Energy sector to be an extreme outlier event that is unlikely to recur, especially at this magnitude. The sector compromised about 3% of the benchmark at the start of the year and, with the outperformance, is now about 5% of the index. Core Equity's concentrated strategy did not own any names in the Energy sector, which alone cost the Strategy 216 basis points (bps) in relative performance. We generally don't find business models in the sector that have significant economic moats, sustainably earn high returns on invested capital, or exhibit secular growth characteristics. Over a much longer period (5-10 years), we think avoiding low quality, secularly challenged business models will be a tailwind to performance, although acknowledge this does lead to higher tracking error to the passive benchmark in any particular year. 2022 was certainly one of those years. As strong believers in concentrated, long-term investing with high active share, we believe our strategy is positioned to outperform and compound returns for our investors over long periods of time.

[1] Special Purpose Acquisition Company (SPAC).

[2] Russell 3000® Energy sector; Source: RMB Capital.

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Drilling further into performance from a traditional attribution perspective, the Strategy's under performance in 2022 relative to the Russell 3000® was all driven by negative sector allocation, as stock selection provided a moderately positive contribution for the year. The Health Care, Financials, Energy, and Industrials sectors were notable detractors to performance, partially offset by positive contribution in the Information Technology and Consumer Discretionary sectors. The outperformance of value vs. growth is definitively seen in the market sector returns, as value and defensives (Energy, Utilities, Consumer Staples) had the best absolute return. On the opposite side, the worst performing sectors were growth oriented (Communication Services, Consumer Discretionary, and Technology). To characterize our 2022 performance in a nutshell, our stock picking was reasonably good, but our underlying style and corresponding sector allocation were deeply out of favor.

Financial markets started 2022 with optimism around a global economic recovery, with the effects of the pandemic receding. As it turns out, it was a year where macroeconomics and geopolitics dominated the investing landscape, but in a more negative way than anyone would have forecasted at the beginning of the year. Surging inflation and the corresponding rise in interest rates was the financial story of the year, both in the U.S. and around the world. The outbreak of the war in Ukraine dominated headlines, as both the economic, geopolitical, and human costs of the conflict will have long lasting consequences. Optimism quickly turned to pessimism as the year unfolded and we now begin 2023 with a highly uncertain landscape. As a reminder, often some of the best long-term investing opportunities occur at points of maximum pessimism and uncertainty. While we wouldn't opine that we are at that type of extreme just yet, it pays to be somewhat contrarian when making asset allocation decisions and stay focused on the long-term.

In reviewing 2022 financial markets, there were very few places to hide from negative returns. Most notably, domestic stocks and bonds both declined significantly, as the diversification benefits from holding a mix of stocks and bonds didn't work. The yield on the U.S. 10-year Treasury rose from 1.50% to 3.88%, one of the more dramatic historical increases and on the heels of fairly low interest rates for over a decade, post the global financial crisis of 2008-2009. The surge in inflation that we first saw last year persisted to levels that the U.S. had not seen since the early 1980's! The Fed's belief that inflation would be "transitory" had to be abandoned in favor of an aggressive rate hiking cycle to try and dampen CPI, which ran into +9% year-over-year territory mid-summer. The policy mistake of waiting too long to raise rates along with unprecedented fiscal stimulus in 2020 and 2021 ultimately were two principal factors that led to the inflation problem we experienced this year. Lagging supply chain issues and the Ukrainian war threw fuel on the fire. We believe that we've likely seen peak inflation and it will be tamed in 2023, although it may be difficult to get all the way down to the Fed's 2% long-term target by year end. The rate hikes are already having an impact on economic growth and consensus is for some level of economic contraction this year. We tend to agree that it does seem more likely than not that the U.S. will enter a recession, although we have a hard time opining on the hard vs. soft landing debate, i.e. the severity and duration of a downturn. The starting point of an extremely tight domestic labor market (mid 3% unemployment) might make inflation stickier than it would otherwise be in a typical downturn, but also make a recession less impactful to the average worker in terms of job losses. There are few similar points in past economic history to draw upon, making it even more difficult for economists to forecast what's most likely to happen in the next 12-24 months.

Outside the U.S., the macro environment appears to be far worse. Europe is struggling with the surge in energy prices as a result of the end of cheap natural gas from Russia and appears to be in a fairly severe recession. China, the world's second largest economy, has done a 180 degree move, largely abandoning its zero Covid policy in favor of reopening with minimal restrictions. Its massive population has less natural immunity and vaccine protection, so it's questionable how this will play out over the next couple of months. If China can endure some difficult initial months, the reopening could be positive for the global economy later this year. Emerging markets around the world are also struggling with the global surge in inflation and will likely struggle along with developed economies. When you add it all up, in many ways, the U.S. today feels like the "best house on a bad block" as we enter the new year.

U.S. corporations enter this uncertain period in relatively good shape, and we see signs that they are proactively taking steps for a recession. Earnings recovered substantially in 2021 off 2020's pandemic depressed levels and grew an estimated additional 3% in 2022, largely driven by strength in the Energy sector. Forward estimates have been declining in the second half of 2022 and we believe that 2023 estimates are likely still too high. We wouldn't be surprised to see

forward estimates fall further during the fourth quarter earnings season that is about to get underway. Wall Street analysts are notorious for missing inflection points and bottom-up estimates are likely still too optimistic. With an estimated 3% growth in S&P 500 earnings in 2022, the markets P/E ratio declined nearly 22% (about 5 points), which can be largely attributed to the rise in interest rates and worries about future earnings power. Long-term expectations for interest rates influence the discount rate at which stocks are valued, with P/E multiples being loosely defined as the inverse of the long-term discount rate, adjusted for a 3-4% equity risk premium. When we penned this letter last year, we saw downside risk in the market's historically high multiple and we certainly saw that play out in 2022. While there could be more downward bias to the market multiple, depending on where interest rates move, underlying earnings power for 2023 and 2024 could be more influential on where market indexes go this year. We believe quality companies with resilient business models that have secular growth stories could be more resilient than cyclicals, but time will tell. Above average volatility and so-called "bear market rallies" seem highly likely.

As bottom-up equity investors, we always have some hesitation to opine on "the market" as if it's one homogenous entity, yet we routinely follow this standard industry practice. Last year we told you that both our macro and bottom-up process found that the market was quite expensive overall. We also mentioned that we were not finding bargains in individual companies to be overly abundant, particularly in our quality growth universe. After a nearly 20% decline in the U.S. equity market this year, we are finding more opportunities and better risk-rewards today, although not to the levels where we get so excited that we want to "back up the truck" and advise investors to allocate significantly more money to equities. Today a bottom-up analysis of the Strategy shows a median reward-to-risk ratio around 2x, which shows more upside than downside, but not the levels of 3x or more that really get us excited. Macro market predictions are very difficult to make with any hopes of being consistently accurate, so we'll remain "macro aware" but keep our efforts principally focused on bottom-up stock selection. We have built a concentrated, yet diversified, portfolio of high-quality, individual companies that we believe can grow their earnings for years into the future and earn attractive returns on invested capital. No matter what happens with the current market cycle, we strongly believe the Strategy positions us to outperform over the long run without taking undue risk.

## Contributors and Detractors

The accompanying chart shows the Strategy's largest contributors and detractors to performance during the year. In a year where stocks were down significantly, we only had a small number of names with positive absolute returns. The largest contributor was Progressive Corp. (PGR), the personal property and casualty insurance company. The stock benefited by having a highly defensive business, as insurance is needed regardless of the economic cycle. The personal property insurance industry is aggressively raising rates to offset inflation in loss costs and Progressive continues to slowly gain additional market share. We also see some signs, particularly in the used car market, that inflationary pressures could be receding in coming quarters, which would benefit margins as higher premiums are earned in. Rising interest rates are also a modest positive, given Progressive can earn more on its float as short and intermediate rates increase. We continue to like the outlook for Progressive as a long-term steady compounder to own for years to come, although acknowledge the stock isn't significantly undervalued today. The position size in the Strategy is a bit below average at year end.

TJX Companies Inc. (TJX), the off-price discounter of apparel and home furnishings under the TJ Maxx, Marshall's, and Home Good retail banners, was the second largest contributor in 2022. The Strategy has owned TJX for over a decade, and we've come to admire how the business model performs well in both good times and bad, with the exception of the pandemic, where TJX had to close many of its stores. We've now seen a full recovery in the business, and we believe TJX has emerged in an even better competitive position. TJX is currently benefiting from excellent access to discounted merchandise, as many apparel suppliers have been caught with excess inventory, which should benefit TJX's gross margins. One of TJX's "secret sauces" has been their buyer group, which has built expertise over decades in working with vendors to get name brands at discounted prices, undercutting traditional department stores and enhancing the in-store treasure hunt experience for the consumer. We think TJX can continue to gain market share as it opens new locations and consumers seek out value, with strong fundamentals heading into this year. We did take a small trim in the TJX position

size near year end to help fund another purchase with a better near-term risk-reward, but continue to believe the stock can be a long-term compounder for years to come.

On the negative side of the performance ledger, we had several names that detracted from performance in 2022. Leading the way is Alphabet Inc. (GOOG and GOOGL), the holding company for Google, YouTube and Waymo. Alphabet was the Strategy's largest position at the beginning of the year and has now been owned in the Strategy for well over a decade. It was a difficult year for stock (and for nearly all of the mega cap technology names), as revenue growth slowed substantially post the pandemic boom years. As the economy has slowed and companies are looking to pare costs, advertising spend is one of the first things to get curtailed. On-line advertising, Alphabet's core business in Google search and YouTube, has not been immune to client spending reductions. The magnitude of the slowing growth is amplified by the fact that on-line advertising grew about 40% in 2021[3], making the comparisons extremely difficult. Google's closest peer, Meta Platform (META, not owned), which owns Facebook and Instagram, has had similar issues with advertisers which have been compounded by some company specific problems, most notably with user tracking on iOS and competition from TikTok. META was hit even harder with the stock down 64% in 2022[4]. We are still believers that Alphabet has growth opportunities in front of it, while acknowledging that it may be more cyclical going forward, as the secular growth in on-line advertising has matured to some degree and competition for those dollars has increased. Google search should continue to have some of the stickiest eyeballs (and advertisers), as consumers put in very specific data about what they are looking for when they search, which helps generate return on investment for advertisers. We also think management is taking the right actions to right-size the employee and expense base ahead of a more difficult growth period. Alphabet has a substantial amount of net cash on its balance sheet (not to mention free cash flow and borrowing power), which should be put to use by repurchasing shares and to potentially initiate a dividend at some point. We think the stock has overcorrected to the downside and find the current valuation and risk-reward to be attractive, thus have stayed the course with Alphabet being Core Equity's largest position at year end.

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**2022 CONTRIBUTION REPORT**
*Ranked by Basis Point Contribution*

| | Basis Point Contribution | Average Weight |
|---|---|---|
| **Top Contributors** | | |
| Progressive Corp. | +48 | 3.34% |
| TJX Companies Inc. | +40 | 4.19% |
| Aspen Technology, Inc. | +19 | 1.36% |
| Jack Henry & Associates Inc. | +4 | 3.55% |
| Dollar General Corp. | +3 | 4.87% |
| **Bottom Detractors** | | |
| Alphabet Inc. (Class A & C) | -350 | 7.33% |
| SVB Financial Group | -285 | 2.82% |
| Edwards Lifesciences Corp. | -235 | 4.32% |
| Salesforce Inc. | -197 | 3.40% |
| Walt Disney Co. | -166 | 2.92% |

*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.*

After being last year's largest contributor, SVB Financial Group (SIVB), was this year's second largest detractor. SVB is the holding company of Silicon Valley Bank, a unique bank franchise that serves entrepreneurial businesses in the innovation economy, particularly technology and biotechnology companies, their venture capital partners, founders, employees, private equity funds and high net worth individuals in this ecosystem. Business was booming for SVB in 2021, as the innovation economy and the capital markets that fund it remained robust, allowing for very strong loan and deposit growth. We acknowledged last year that the backdrop for SVB was about as good as it can get and took a couple of small trims in the name, but quite simply, we overstayed our welcome this year, as the strength in the innovation economy turned on a dime. Increasing interest rates should have been a positive for SVB and its net interest margin (NIM) earned on loans,

[3] Source: Wall Street Journal.

[4] Source: FactSet.

however, the rapid rise quickly hit the health of innovation economy and the environment for raising capital. Clients drew down deposits faster than expected and SVB's cost of funding rose, negating the positive effect of absolute higher rates. The stock reacted negatively over the course of the year and we essentially roundtripped back to near where we originally bought the stock in 2019. If there is a silver lining to the story, we didn't compound our problems by buying more on the way down this year. Longer-term, we still think SVB is a very interesting banking franchise that would be extremely difficult to replicate, and our bias is to eventually start adding to the position in the intermediate future, if a couple of milestones that we are watching are met. Today the stock is the smallest position in the Strategy.

## Portfolio Activity

During the year, the Strategy purchased one new name, had one new name created through a merger with an existing holding, and one new name created through a spin-off of an existing holding. We also harvested some tax losses in existing holdings for taxable clients where we sold a stock in a loss position and then repurchased it 30 days later to avoid "wash-sale" rules. Overall, we were on the low-end of historical name turnover, but consistent with our "ownership mentality" that keeps turnover low and tax efficiency high by owning long-term compounding business models for years. While we did have some fundamental disappointments during the year, we didn't have many developments that violate the investment thesis that would spur us to exit names completely due to loss of confidence in the future of the company. The new name that we bought mid-year was Amazon.com Inc. (AMZN) and we chose to continue ownership in S&P Global Inc. (SPGI) after the tax-free stock swap with IHS Markit Ltd. (INFO) early in the year. We also received a new holding MasterBrand Inc. (MBC) through a spin-off from Fortune Brands Innovations Inc. (FBIN) in late December, which has been subsequently sold in early 2023. We also exited our position in Aspen Technology Inc. (AZPN) largely on a full valuation and to partially fund a starter position in Amazon (AMZN). Aspen was going through a corporate transaction with Emerson Electric Co. (EMR), where Emerson contributed two industrial software assets and $6 billion in cash in exchange for the shares in "old" Aspen and a "new" Aspen Tech with the combined company was formed while continuing to trade under the old ticker. As part of the transaction, we received about half of the value of our shares in cash and the old shares were converted to new shares. Overall, the market has responded positively to the deal, and we found the new Aspen to be relatively fairly valued, in sharp contrast to many other technology stocks that were under pressure during 2022. We have a high degree of respect for the Aspen business model and its management team and would consider repurchasing in the future should the market present us with an attractive entry point.

**TOP TEN HOLDINGS AS OF 12/31/22**

| Company | % of Assets |
|---|---|
| Alphabet Inc. (Class A & C) | 6.23% |
| Danaher Corp. | 5.87% |
| Visa Inc. | 5.84% |
| Synopsys Inc. | 5.38% |
| Dollar General Corp. | 4.91% |
| PTC Inc. | 4.87% |
| Nordson Corp. | 4.60% |
| S&P Global Inc. | 4.46% |
| Cooper Companies Inc. | 4.42% |
| TJX Companies Inc. | 4.39% |

*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.*

Amazon.com Inc. (AMZN, $902b market cap) is the dominant global leader in online commerce, but the company is really three businesses focusing on consumer retail, cloud computing, and advertising. Retail is by far the largest in terms of revenue but is now showing signs of maturing. Cloud (Amazon Web Services, AWS) has scaled much faster than anyone would have predicted but continues to grow significantly while driving most of the company's incremental profitability. Advertising is less than 10% of revenue today but should continue to grow meaningfully and has a very high contribution margin. As part of its DNA, Amazon has been and continues to be committed to long-term objectives vs. short-term financial performance. As a result, Amazon has been comfortable with making significant investments in capital expenditures, innovation, and employees to deliver superior customer service. This investment was accelerated significantly during the pandemic, as demand boomed. In addition to its disruptive retail business, Amazon has created the

world's largest cloud infrastructure service provider with AWS's leading market share, followed by Azure (Microsoft Corp., MSFT) and Google Cloud (Alphabet Inc., GOOG). The Company has also built a fast-growing, high-margin advertising business for sellers on its marketplace. We believe the company is well-positioned to capitalize on structural shifts in consumer and business behavior that have been accelerated due to the Covid pandemic. As AWS and Advertising continue to grow, so will the firm's profits and cash flow, which will likely be reinvested to further drive sustained outsized return on investment (ROI). Over the past two decades, Amazon has invested heavily in building out its infrastructure to support the explosive growth of e-commerce and to enable faster delivery times. Growth at any cost was understood to be a sound investment as the total addressable market (TAM) for global e-commerce is enormous, while at scale, the retail business should be able to earn a reasonable margin. When Covid hit, Amazon benefited significantly, as consumers bought more goods online, causing the company to nearly double investments in warehouses, fulfillment, and labor to support this increased demand. As the U.S. economy has emerged from Covid, we have seen a slowdown in demand for goods purchased online, but this may only last for a few quarters, with some level of economic sensitivity. The share of online e-commerce remains fairly small in comparison to total retail sales and no other company has scaled to the size of Amazon to capture more share over time.

The investment thesis for buying Amazon today is fairly straight forward. AWS is the largest cloud services provider and we believe that by itself it will support strong profit growth for the overall company, while the retail segment grows into its recent investments. Retail has been investing heavily in building a strong competitive moat but currently has too much capacity, as the economy shifts from goods to services following a pull-forward of e-commerce demand during Covid. After a significant decline this year, the shares appear to be pricing-in little to no value for the retail business, as the market is no longer paying up for companies that are growing but have low or negative margins. So long as AWS can continue to execute and drive sustainable growth, we believe we can be patient to wait for retail to contribute more meaningfully to profitability over the next several quarters. We do not see any evidence that Amazon's retail moat has been eroded by competition, but rather management underestimated just how much "pull-forward" of demand was created during the pandemic. If anything, the moat is even stronger today than pre-Covid, but the same level of investments (warehousing and logistics) will not be needed going forward. We believe it is likely that retail operating margin will steadily improve over the next few years to something closer to large brick and mortar retail peers, which will drive significant upside in the company's earnings potential over time. The key milestones for Amazon will be stable growth and profitability from AWS, along with evidence that retail margins have bottomed and can improve. In addition, while still small, the emerging advertising business provides another high-margin profit stream that is not discounted into the valuation today. Based on several valuation methodologies, we see significant potential upside over the next 3-5 years and see today's price as a good entry point for long-term investors. There will likely be plenty of volatility along the way and our thesis will require patience, but we see today's price as a good risk-reward.

## Outlook

U.S. corporate earnings, which is the biggest long-term driver of stock prices, recovered substantially in 2021, but plateaued in 2022 and are likely to contract in 2023, if the economy falters as expected. Valuations on stocks look neither expensive nor cheap compared to history. Today, the market is trading at 16.7x 2023 and 15.1x 2024 earnings estimates versus a very long-term average around 16x. As we mentioned earlier, we think there could be further downward revisions to current estimates, which would make the forward multiple higher. Typically, it's hard for stocks to sustainably rise when forward estimates are being lowered, but once the market feels like they've bottomed, and better growth lies ahead, it can rally. The stock market is a forward-discounting mechanism after all. Interest rates and how they affect the discount rate is another important factor in market valuations. With the 10-year Treasury well off its fourth quarter peak, perhaps market rates have peaked for this cycle. Another rate phenomenon worth mentioning is the spread between short-term rates and long-term rates today. Currently the 10-year rate is significantly higher than the 2-year or 3-month rate, what is referred to as an inverted yield curve. This typically signals that a recession is on the horizon and it's hard to argue with what the bond market implies. Whether this means that we will actually get outright rate cuts from the Fed later this year or that they need to hold them high to squash inflation is a central debate to where market indices may head in 2023. No matter what ultimately happens, we believe there is a fair amount of market volatility in both directions as this plays out.

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As always, while we may opine on our view of the overall market, we do not pretend to have any ability of predicting where the market is heading in the short or intermediate term. It's a very difficult, if not impossible, task to add value by timing the market. We think it's prudent to keep return expectations modest for the next few years, although after the market decline in 2022, we believe the risk-reward over a 3-5 year horizon has improved. As a reminder, the starting point makes a big difference to how returns compound. We continue to focus the Strategy's efforts on owning companies with what we believe are good secular growth prospects, strong economic moats, underleveraged balance sheets, and superior management teams. These are companies we believe can compound value for shareholders for years into the future. The opportunities to find high-quality growth companies selling at attractive valuations are not abundant, but we will continue to use our "bottom-up" research to optimize the Strategy. If we adhere to our disciplined investment process and manage portfolio risk, we aim to continue to add value to market returns in subsequent years.

We'd like to wish everyone a happy new year and a sincere thank you for the continued trust you place in us to manage your assets. If you have any questions, please do not hesitate to contact us.

Sincerely,

Todd Griesbach
Portfolio Manager

*Past performance is not indicative of future results, and there is a risk of loss of all or part of your investment. The opinions and analyses expressed in this letter are based on RMB Capital Management, LLC's ("RMB Capital") research and professional experience and are expressed as of the date of our mailing of this letter. Certain information expressed represents an assessment at a specific point in time and is not intended to be a forecast or guarantee of future performance, nor is it intended to speak to any future time periods. RMB Capital makes no warranty or representation, express or implied, nor does RMB Capital accept any liability, with respect to the information and data set forth herein, and RMB Capital specifically disclaims any duty to update any of the information and data contained in this letter. The information and data in this letter do not constitute legal, tax, accounting, investment, or other professional advice. The information provided in this letter should not be considered a recommendation to purchase or sell any particular security. There is no assurance that any securities discussed herein will remain in the Portfolio at the time you receive this letter or that securities sold have not been repurchased. The securities discussed do not represent the entire Portfolio and, in the aggregate, may represent only a small percentage of their holdings. It should not be assumed that any securities transaction or holding discussed was or will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein. A complete list of security recommendations made during the past 12 months is available upon request. An investment cannot be made directly in an index. The index data assumes reinvestment of all income and does not account for 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 your account. The Russell 3000 measures the performance of the largest 3000 U.S. companies, representing approximately 98% of the investable U.S. equity market. The Russell 3000 Index is constructed to provide a comprehensive, unbiased, and stable barometer of the broad market and is completely reconstituted annually. The S&P 500 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. High-quality stocks are those that we believe offer greater reliability and less risk. The quality assessment is made based on a combination of soft (e.g., management credibility) and hard (e.g., balance sheet stability) criteria.*

**RMB Asset Management**

**RMB Asset Management**
Core Equity 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

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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 Core Equity Strategy reflects the performance of fully discretionary equity accounts, which have an investment objective of long-term growth using a portfolio of primarily small-, mid-, and large-cap stocks and for comparison purposes is measured against the Russell 3000® and S&P 500 indices. The inception date of the Core Equity Composite is April 1, 2005 and the Composite was created on April 1, 2005. Valuations and returns are computed and stated in U.S. Dollars.

**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® (%) | S&P 500 (%) | Composite 3-YR ST DEV (%) | Russell 3000® 3-YR ST DEV (%) | S&P 500 3-YR ST DEV (%) | % Non-Fee Paying Assets | Composite Dispersion (%) |
| 2021 | 6,277.6 | 574.4 | 417 | 23.95 | 23.36 | 25.66 | 28.71 | 18.24 | 17.94 | 17.17 | 0.00 | 0.37 |
| 2020 | 5,240.6 | 463.4 | 361 | 22.22 | 21.66 | 20.89 | 18.40 | 19.57 | 19.41 | 18.53 | 0.00 | 1.31 |
| 2019 | 4,947.9 | 487.6 | 737 | 32.14 | 31.48 | 31.02 | 31.49 | 13.43 | 12.21 | 11.93 | 0.02 | 0.92 |
| 2018 | 4,196.9 | 382.9 | 697 | -1.81 | -2.28 | -5.24 | -4.38 | 13.01 | 11.18 | 10.80 | 0.04 | 0.46 |
| 2017 | 3,610.6 | 356.8 | 625 | 23.48 | 22.88 | 21.13 | 21.83 | 12.41 | 10.09 | 9.92 | 0.04 | 0.37 |
| 2016 | 3,047.5 | 307.5 | 621 | 13.88 | 13.31 | 12.74 | 11.96 | 13.56 | 10.88 | 10.59 | 0.04 | 1.02 |
| 2015 | 3,706.0 | 298.2 | 666 | -4.60 | -5.07 | 0.48 | 1.38 | 12.77 | 10.56 | 10.47 | 0.03 | 0.54 |
| 2014 | 3,312.9 | 368.3 | 748 | 6.44 | 5.92 | 12.56 | 13.69 | 10.96 | 9.29 | 8.97 | 0.03 | 0.44 |
| 2013 | 3,248.5 | 372.1 | 734 | 31.78 | 31.14 | 33.55 | 32.39 | 13.10 | 12.53 | 11.94 | 0.03 | 0.73 |
| 2012 | 2,585.9 | 318.2 | 784 | 17.62 | 17.03 | 16.42 | 16.00 | 15.61 | 15.73 | 15.09 | 0.02 | 0.49 |

***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. Returns for those accounts prior to 3/1/19 do not reflect the deduction of asset-based pricing are therefore gross of trading expenses. These accounts represent approximately 84% of composite assets. 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*** | *The account minimum in the Core Equity composite is currently $500 thousand. Prior to July 2020, the composite did not have a minimum.*

***Comparison with Market Indices*** | *RMB compares its Composite returns to a variety of market indices such as the Russell 3000 and the S&P 500. The indices represent 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 3000® 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. The S&P 500 Index is widely regarded as the best single gauge of the U.S. equity market. It includes 500 leading companies in leading industries of the U.S. economy. The index focuses on the large-cap segment of the market and covers approximately 75% of the U.S. The index includes dividends reinvested. 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. Total Firm Assets as of 12/31 for the years 2011 and 2012 have been revised to exclude assets from personal trading accounts that were included in previously reported figures. 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.*