

Innovators

Portfolio Update: Third Quarter 2023

During the third quarter ending September 30, 2023, the RMB Innovators strategy returned -2.64%, gross of fees, (-2.88% net of fees), compared to a -4.23% return for the Russell 2500® Software and Computer Services Index.

	Quarter	YTD	1 Year	Since Inception
Innovators (Gross)	-2.64%	+39.97%	+19.34%	+7.10%
Innovators (Net of IM fees)*	-2.88%	+38.91%	+18.10%	+6.15%
Innovators (Net of IM & WM Fees)	-3.12%	+37.90%	+16.93%	+5.08%
Russell 2500® Software and Computer Services Index	-4.23%	+10.52%	+11.27%	-1.13%

*Inception date: July 31, 2022. *Note: Investment management fees are charged after a full quarter of performance, so there will be no difference in gross/net IM fees performance until that time. Please see the fee schedule listed below.*

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 6/30/2023. 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.

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Equity markets traded modestly lower during the quarter as interest rates continued to rise driven by the Federal Reserve's persistent "higher for longer" messaging, making bonds an increasingly attractive alternative to stocks. Even as inflation declined to 3.9%, the 10-year Treasury yield moved from 3.8% to 4.6%, turning real interest rates positive for the first time in 15 years.

Against this backdrop, the cloud software group, from which the Innovators holdings are selected, fell -5.8%, approximately in line with the broad market, as group valuations compressed in response to the upward pressure on interest rates. This more than offset slightly improving demand trends as measured by forward-looking analyst sales estimates. Altogether, the group remains +23.5% above its November 2022 bottom, with most of those gains occurring in the first half of 2023. Recall that this bottom occurred following an historic -60.0% decline from all-time highs in November 2021, when the U.S. Fed pivoted to accelerated tapering of stimulus amid persistently high inflation readings.

Innovators

Contributors and Detractors

Contributors particularly benefited from successful expansion of their business with existing customers despite headwinds to new customer wins due to a mixed selling environment.

CrowdStrike Holdings Inc. (CRWD) is a leading cybersecurity software vendor. Its cloud-based endpoint security software is highly regarded for its reliability and capability. CRWD reported very strong quarterly results, as customers chose to consolidate from point solutions to platform solutions from vendors like CRWD. It also saw improving competitive dynamics as some of its peers go through mergers and restructurings. Overall, CRWD continues to drive strong company-specific growth amid a demand environment, which still features elongated sales cycles.

Atlassian Corp. (TEAM) provides a range of tools and solutions to help teams collaborate, plan, track, and deliver their work effectively. The company reported much better-than-feared earnings results reflecting stabilizing demand trends following its recent growth deceleration. TEAM specifically grew its IT Service Management business by more than 80%. It also reported good progress on its critical Cloud Migration project, now projected to conclude over the next two quarters, and has already seen margins recover to levels held before the start of this project.

Detractors saw pressure from the slower-than-expected improvement in cloud services consumption, which has bottomed with some uncertainty around the slope and pace of future recovery.

MongoDB Inc. (MDB) provides a next-generation, non-relational database to companies of all sizes around the world in a cloud-based, on-premises, or hybrid environment. The company reported strong beat-and-raise quarterly results, but with most of the upside coming from its non-core business while its core Atlas business saw headwinds from the trend of enterprise customers optimizing cloud services consumption. With consumption trends stabilizing, we remain optimistic about demand gradually reaccelerating from here.

Snowflake Inc. (SNOW) provides a best-in-class cloud-based data warehouse service for major enterprise organizations around the world. Like MDB, SNOW's business closely correlates with cloud consumption trends, which have been muted over the last few quarters. However, SNOW's customer base is more weighted towards small-to-medium-sized businesses (SMBs) given its higher workload concentration on the AWS platform. While this group faces headwinds from the cloud optimization trend, we believe it also stands to benefit disproportionately in an eventual economic recovery.

Portfolio Activity

In keeping with our long-term investment horizon and anticipated annual turnover of 30% or less, there was no trading activity in the portfolio during the quarter. While we continue to carefully monitor each of the portfolio holdings, this outcome is not unexpected. If we have successfully identified companies that are well-positioned to capitalize on growth opportunities measured in years or even decades, we would expect - in fact hope for - there to be periods during which that progress simply continues to play out as expected. With that said, we continue to regularly scrub the investable

Innovators THIRD QUARTER 2023 CONTRIBUTION REPORT Ranked by Basis Point Contribution

	Basis Point Contribution	Average Weight
Top Contributors		
CrowdStrike Holdings Inc.	+152	12.64%
Atlassian Corp.	+105	6.15%
Zscaler Inc.	+37	7.21%
Bottom Detractors		
MongoDB Inc.	-193	10.75%
Snowflake Inc.	-85	5.87%
Datadog Inc.	-78	10.05%

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.

Innovators

universe for any newly public companies or companies experiencing a positive inflection that might present an even more attractive investment opportunity.

Outlook

As we look ahead to the conclusion of 2023, the team continues to tactically evaluate and rate the entire cloud software group on the dimensions of 1) valuation, 2) fundamentals, and 3) market sentiment.

During Q3, valuations held in a slightly cautious zone with stocks getting slightly cheaper but enterprise value-to-sales multiples still remaining above their pre-COVID 5-year trailing average. Within this incremental valuation de-rating, the fast-growth group of 30%+ growers suffered proportionately with the broad software group, despite being more sensitive to interest rate increases, making them no more attractive compared to the broader group than before.

Our assessment of fundamentals improved from slightly cautious to a more neutral state as sales growth expectations for 2023 and 2024 ticked up modestly after six months of stability. This is consistent with the greater software ecosystem, including cloud bellwethers like Microsoft, Google, and Amazon, seeing stabilization in cloud services demand. Meanwhile, while artificial intelligence product announcements and partnerships remain abundant, the real fundamental impact is likely to take quarters or years to fully materialize. Altogether, with plenty of U.S. and global macro uncertainty still ahead, we do not anticipate a sharp inflection here.

Regarding market sentiment, the -8% pullback in the group during the final month of the quarter signaled a more skeptical and less frothy attitude toward cloud software names. Given the mean-reverting nature of investor sentiment, we adjust our view on sentiment from cautious to more neutral.

In total, our assessment of the group rises modestly and now sits at a firmly neutral level. Key issues for the Innovators Strategy for the balance of 2023 include the pace of recovery in cloud services demand following a period of customers optimizing their spend, as well as the timing and magnitude of any AI-driven impact to fundamentals.

Looking through near-term uncertainties, the cloud software group remains home to some of the most compelling companies in the world. We believe the best positioned and best managed among these stand to provide excellent investment returns for years to come. Through diligent company analysis and disciplined portfolio management, our goal is to allow our investors to participate in this exciting opportunity.

Thank you for your commitment to the Strategy. If you have any questions, please do not hesitate to contact us.

Sincerely,



Tom Fanter
Partner, Portfolio Manager

Innovators

TOP FIVE HOLDINGS AS OF 9/30/23

Company	% of Assets
CrowdStrike Holdings Inc. (CRWD)	13.89%
Procore Technologies Inc. (PCOR)	11.32%
MongoDB Inc. (MDB)	10.07%
Datadog Inc. (DDOG)	9.43%
BILL Holdings Inc. (BILL)	9.12%

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.

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RMB Asset Management

Innovators 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.

Innovators

Description | The Innovators Strategy reflects the performance of fully discretionary equity accounts, highly concentrated of 8-15 publicly-traded enterprise software companies which we believe are particularly well-positioned to capitalize on long duration growth opportunities and for comparison purposes is measured against the Russell 2500[®] Software and Computer Services Index. The inception date of the Innovators Composite is July 31, 2022 and the Composite was created on July 31, 2022. 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: 1.00% on the first \$10.0 million, 0.85% on the next \$10.0 million, and 0.70% over \$20.0 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 2500[®] Software and Computer Services 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 2500[®] Software and Computer Services Index. measures the performance of the Software and Computer Services segment of the 2,500 smallest companies in the Russell 3000[®] Index in the U.S. equity universe. 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.

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