Core Equity

Portfolio Update: Annual Letter 2023

For the year 2023, the Core Equity Strategy (the "Strategy") increased +25.23% net of fees, about equivalent to the +25.96% return for the Russell 3000® Index. 2023 represents a huge bounce back for U.S. equity market returns after an awful 2022 in which the Russell 3000® declined -19.21%.

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)	+6.75%	+7.68%	-4.79%	+14.42%	+25.23%	+5.87%	+13.67%	+10.01%	+8.52%
Core Equity Strategy (net of IM & WM fees)	+6.49%	+7.40%	-5.01%	+14.16%	+24.03%	+4.82%	+12.55%	+8.92%	+7.44%
Russell 3000® Index	+7.18%	+8.39%	-3.25%	+12.07%	+25.96%	+8.54%	+15.16%	+11.48%	+9.85%
S&P 500 Index	+7.50%	+8.74%	-3.27%	+11.69%	+26.29%	+10.00%	+15.69%	+12.03%	+9.93%

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, 2023, except the Q1, Q2, and Q3 performance which is as of March 31, 2023, June 30, 2023, and September 30, 2023, respectively.

After a very difficult start to the year, we were pleased that the Strategy recovered relative performance over the last three quarters despite a persistent and substantial headwind from under owning the "Magnificent 7" (Mag 7) stocks relative to the capitalization weighted benchmark. The first quarter was a difficult one for the Strategy as the domestic banking crisis that unfolded in March crushed our long-standing holding of First Republic Bank (FRC). We'll discuss our experience and the lessons learned in detail in the "Contributors and Detractors" section, but it was an incredibly humbling experience.

Anyone even tangentially following the markets in 2023 couldn't help but hear about the dominant impact the Mag 7 stocks had on the performance of the benchmarks. Investors gravitated to these seven names (Apple Inc. (AAPL), Microsoft Corp. (MSFT), Alphabet Inc. (GOOG), Amazon.com Inc. (AMZN), Tesla Inc. (TSLA), Meta Platforms, Inc. (META), and NVIDIA Corp. (NVDA)) given that they 1) had performed poorly as a group in 2022, 2) were more secularly growth-driven during a time of questionable cyclical growth, and 3) benefited to varying degrees from the excitement around the emergence of artificial intelligence technology. Core Equity owns Alphabet and Amazon and its sister product RMB Dividend Growth owns Microsoft and Apple, but even with Core Equity's over-weights in Alphabet and Amazon, it doesn't take a math whiz to see the Strategy was substantially underweight the group. On average, the Mag 7 were up 69% for the year and they now represent 24.1% of the Russell 3000®, or an astounding $11.6 trillion of market cap. This narrowness of the market made it difficult to keep up with the benchmark as, combined, the Mag 7 contributed 1396 basis points of the 2595 basis point return for the Russell 3000®. In other words, 7 stocks contributed 54% of the return of the entire benchmark while the other 2,993 stocks only made up 47%. That's remarkably concentrated. For Core Equity, not owning five of the Mag 7 made for an 821bps relative headwind for the year. As we'll discuss later, we did well with enough of our other holdings, particularly in the Technology sector to make up for the First Republic and Mag 7 non-ownership challenges and were able to get the Strategy's performance in-line with the benchmark for the year. While it's hard to predict what 2024 will bring, we wouldn't be surprised to see the Mag 7 relinquish their leadership at least to some degree.

Drilling further into performance from a traditional attribution perspective, the Strategy's in-line performance in 2023 relative to the Russell 3000® was composed of significantly positive sector allocation offset entirely by negative stock selection. Stock selection would have been positive if not for First Republic. The Consumer Discretionary, Energy, and Utilities sectors were notable enhancers to performance, partially offset by negative contribution from the Financials and Consumer Staples sectors. In a reversal of 2022, the growth style of investing was a big picture tailwind to performance, given that the Strategy tends to lean more towards secular growth companies, although our valuation discipline puts us squarely in the "Growth at a Reasonable Price" ("GARP") style. Whatever a particular year may bring in terms of relative performance, over the long run, we believe the Strategy is positioned to outperform and compound returns for our investors over multiple market cycles. We continue to strongly believe in concentrated, bottom-up, long-term investing with high active share.

Financial markets started 2023 strongly with domestic equities experiencing one of the most powerful "January Effects" we've seen in decades. The January Effect is a financial phenomenon where the market starts the year off strong, as tax loss harvesting trades from December are reversed and investors put year-end cash bonuses to work. This often results in the previous year's biggest losers rallying hard to start the new year and 2023 saw this phenomenon on steroids. Despite this backdrop, there was a lot of pessimism around where the economy was heading, with consensus predicting a recession to ensue. The Fed's rate hiking campaign, which had kicked off in early 2022 and continued into 2023 with the goal of bringing down inflation, was in the early stages of impacting economic demand. We were also in the camp that a recession was more likely than not, but also reminded our investors in last year's letter that "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." That proved to be the case as equities rebounded from their awful 2022, but in a magnitude much stronger than we or almost anyone predicted.

In reviewing 2023 financial markets, if we told you that the yield on the U.S. 10-year Treasury started the year at 3.88% and ended the year at 3.87% you would likely conclude it was a pretty boring year in the bond market. Well, it was anything but boring as rates continued to rise, peaking at just under 5% in mid-October, before rapidly declining into year-end to finish around where they started. As a reminder, the 10-year Treasury started 2022 at just 1.50% when we were just beginning to emerge from the pandemic. The Fed's mission to kill off rampant inflation by raising interest rates while trying to engineer a soft landing for the economy (i.e. avoid a recession) is a real tightrope of a task. We've been skeptical that they would be able to pull this off and thought interest rates would stay higher for longer for inflation to be fully brought back under control. So far, rate hikes appear to have done a good job in bringing down inflation, as monthly Core CPI has declined to much more reasonable levels of around 3%, within shouting distance of the Fed's target of 2%. The last mile to bring it down to 2% may prove to be the most difficult part. Rates started dropping in November on lower long-term bond issuance and cooler inflation followed by the very surprising December "pivot" message that the Fed may be open to cutting interest rates next year. The bond market reacted quickly by pricing in rate cuts as early as March 2024 and the stock market soared in the fourth quarter. While the probability of a soft landing in 2024 has increased as a result of this change, we still have some skepticism that the Goldilocks scenario of inflation returning to 2%, unemployment remaining low, and GDP staying solidly positive will play out.

Outside the U.S., the macro-economic environment appears to be worse. Europe's economy has struggled to show much growth, although the bad case scenario entering last year of a nasty recession from energy shortages from the Ukrainian war was largely avoided in 2023. China, the world's second largest economy, was a big disappointment for global growth, as the benefits of reopening its economy post-COVID failed to materialize. A residential property bubble, high levels of debt, low consumer confidence, export restrictions, and in the longer-term, poor demographics are all leading to a weak Chinese economy. It's also become clear that China has become less capitalistic over the past several years and shows no signs of reembracing free markets. Given low quality government statistics, the domestic Chinese economy might be worse than is largely reported. One bright spot that has emerged in 2023 is Japan, as some of the benefits of Abenomics policy may finally be starting to improve this long dormant island nation. It may take a year or two before we know whether this is a head fake or the start of something more sustainable. While it varies considerably around the world, emerging market economies have generally struggled post the global surge in inflation and the outlook remains quite murky. Emerging market equities outside of China have performed decently, however. Geopolitics also appear to be as unstable as they have been in years with no end in sight to the war in Ukraine, conflict in Gaza and ongoing fragile relations between the U.S. and China over Taiwan. While we'd rather not even mention it, future leadership in the U.S. will be settled later this year in what looks likely to be a very unpopular and unsettling election.

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U.S. corporations have weathered the inflationary onslaught and rising rate environment reasonably well over the past couple of years and enter 2024 in relatively good shape as we don't see material signs of over-investment or bloated cost structures. Corporate earnings for 2023 proved to be resilient, as earnings expectations for the year were revised downward by about 3%, which is actually less than a typical year. Wall Street analysts are notorious for being overly optimistic on earnings levels, which typically have to be trimmed lower as a year progresses and almost always miss the more significant inflection points in either direction. As we enter the fourth quarter earnings season, market expectations for the S&P500 earnings appear to end up growing about 2-3% from 2022 levels. Forward estimates for 2024 are currently for low double-digit growth, which seem to be considerably too high given the current macro uncertainty. We wouldn't be surprised to see forward estimates get trimmed back over the next couple of quarters. 2023 was a year of rising P/E ratios, which moved particularly higher during the fourth quarter rally, as interest rates declined. Unless interest rates decline considerably more from here, we believe the current 19.6x multiple as being quite full by historical standards.

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 looking much more attractive, with better risk-rewards opportunities in individual stocks, but not to the point where we'd 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 1x, which shows about balanced upside to downside. Last year it was around the 2x level, but still not at the levels of 3x or more that get us really excited to add more money towards equities. 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 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. Given strong performance from the Technology sector within the Russell 3000®, which was up 59.4%, it's not surprising that many of our top contributors come from this sector. After being last year's largest detractor from performance, Alphabet Inc. (GOOG and GOOGL) bounced back and was this year's largest positive contributor to performance. The stock performed well as its core on-line advertising business continued to recover from the pandemic. While the jury is still out, Alphabet is also seen as being a net beneficiary of the emergence of artificial intelligence technology, which they've been investing heavily in for many years. AI is both a threat and an opportunity to Google's search engine, so this will remain an active debate that we will continue to have around our investment. Exploring the potential bear case and challenging our thesis will remain an important part of the investment process on Alphabet. As of year-end, the stock was the largest absolute position size in the Strategy.

Enterprise software giant Salesforce Inc. (CRM) was another large contributor to performance. The stock soared in 2023, as CEO Marc Benioff got religion about improving margins through significant efforts to become a more efficient company. Throughout its history, Salesforce has long been focused on growth, both organic and acquisitive. It hadn't focused nearly as much attention on margins, but through the prodding of a handful of activist investors, management took action. A significant restructuring led to over 770bps of estimated operating margin improvement in calendar year 2023, with operating margins exiting the year north of 30%. Importantly, thus far the restructuring efforts do not to appear to have affected revenue growth and we believe Salesforce can continue to grow revenue double digits in coming years while generating significant free cash flow at these improved margin levels. They have also de-emphasized growth through acquisitions, which had been quite controversial to much of the shareholder base, us included. We continue to like the outlook for Salesforce and it is the Strategy's fourth largest position at year end.

On the negative side of the performance ledger, we had a few names that detracted from performance in 2023, with First Republic Bank (FRC) being by far the most significant. We are going to devote extra space in this letter to First Republic given that it was an extraordinary outlier event and there are many lessons to be learned from having gone through the experience.

The company was swept up in the March bank panic that originated from the fastest run on a bank since the Great Depression, as Silicon Valley Bank (SIVB) went under in about 72 hours. The bank crisis was spawned when SIVB attempted to remix their available for sale (AFS) securities, while filling a modest loss ($1.8 billion) with an equity capital raise ($2.2 billion). Instead of shoring up confidence in SIVBs balance sheet, it magnified lurking duration risk, and for SIVB this was dramatically worse in their much more sizable held-to-maturity (HTM) portfolio. From SIVB's HTM securities, the crisis shifted toward other banks with sizable securities losses (both marked to market and unmarked) and fixed rate loan portfolios. With its high-net-worth customer base, First Republic had among the best track records among banks as it relates to credit quality, the most typical reason a bank runs into trouble. However, First Republic's longer duration mortgage portfolio, the unrealized losses associated with it, and likely sizable overlap of depositors with SIVB, was the spark that drove a near full run on FRCs deposit base. This played out extremely fast over the course of about 2-3 weeks in March, where real time information about FRC's deposit base was scarce. Once it became clear to us that the franchise would be permanently damaged, we exited the stock on March 22nd, but by then the damage had been done. Even with a capital infusion of $30 billion from some of the largest banks in the country, eventually the Fed placed FRC into the Bank Term Funding Program (BTFP) and the remnants of FRC were sold to JP Morgan Chase & Co. (JPM) for pennies on the dollar. Going from what was once considered a preeminent banking franchise to zero in a few weeks was a staggering turn of events. We should also remind our investors that Core Equity also owned Silicon Valley Bank at the start of 2023, but we fully exited the position prior to the crisis in February after the stock had soared over 30% to start the year and we wanted to take risk out of the portfolio and only own one bank in the Strategy. While admittedly a combination of some luck and some skill, this proved to be an excellent move in hindsight or March's crisis could have been even worse.

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2023 CONTRIBUTION REPORT
Ranked by Basis Point Contribution

	Basis Point Contribution	Average Weight
Top Contributors		
Alphabet Inc. (Class A & C)	+351	7.66%
Amazon.com Inc.	+312	4.91%
Salesforce Inc.	+312	4.42%
Synopsys Inc.	+300	5.57%
Booking Holdings Inc.	+256	4.46%
Bottom Detractors		
First Republic Bank	-429	0.74%
Dollar General Corp.	-266	2.66%
Danaher Corp.	-71	4.11%
Jack Henry & Associates Inc.	-26	2.08%
MasterBrand Inc.	-1	0.01%

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 Asset Management'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.

So, what were the key lessons learned, or "reinforced" from our experience with First Republic? We've now had nearly a year to digest and look back on this horrible experience. There are takeaways from both First Republic specifically as well as broader takeaways that apply to all of our investing efforts. In reference to FRC specifically, first we underappreciated the asset / liability duration mismatch on the balance sheet, which was exposed quickly by the rise in interest rates. Second, when your business model is 100% based on customer confidence (of which all of the banking industry is), that can evaporate quickly, fairly or unfairly. Bank runs are historically uncommon, but we now live in a digital age where deposits can be moved in the blink of an eye and herd mentality can go viral online. Third, when an environment changes as quickly as it did in March and uncertainty rises to the point of being "unanalyzable" (i.e. the depth of the run on the bank), its best to step to the sidelines rather than keep capital at risk, especially in a concentrated portfolio. On a broader basis, we had other investing principles reinforced from going through the FRC experience. First, it's important to continually prosecute for potential weaknesses in a business model. We have an internal process where we explore the bear thesis through our "Devil's Advocate" process and now have more conviction than ever that this is important to routinely do for all our holdings. Second, it's important to not get lulled to sleep by companies with strong long-term track records and attractive long-term charts that are "up and to the right". First Republic had been a steady compounder since it came public for a second time in 2010, with solid returns on equity and much better than industry growth. The historical results looked great. Third, when building out a portfolio of long-term holdings, avoiding losers is just as, if not more, important than picking winners. Protecting your downside matters just as much as investing for upside, arguably more. Fourth, it's so important as an investor and steward of our client's capital to stay humble. Arrogance breeds over confidence and can lead to bad decision making. All investors will go through periods of good and bad performance and it's a good practice to show humility in both the highs and lows. Finally, it's important to recognize that outlier events happen more often than you think. The proverbial "black swans" are more common than our imaginations comprehend. As a related aside, "The Black Swan" is also a classic book by Nassim Nicholas Taleb that we would highly recommend to our readers. One small silver lining (though one we are certainly never aiming for) is that our clients with taxable Core Equity accounts could use their loss in First Republic to offset other taxable gains this year and if not fully used, carry the tax loss forward to 2024. We aim to be as tax efficient as possible in compounding long-term after-tax return returns whatever market environment we find ourselves in.

Portfolio Activity

During the year, the Strategy purchased two new names and had one new one created through a spin-off of an existing holding. We also fully exited both First Republic Bank (FRC) and Dollar General Corp. (DG). Dollar General was sold as our investment thesis of owning a consistent and predictable growth business broke down and we lost confidence in the management team's stewardship of the company. Overall for 2023, we were on the low end of historical name and dollar 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 it's not always easy to predict ahead of time, looking forward to 2024, we believe turnover to be somewhat higher than what it has been the last couple of years. The two new names that we bought this year were Palo Alto Networks Inc. (PANW) and AMETEK Inc. (AME). We also inherited water and environmental service provider Veralto Corp. (VLTO) when it was created through a spin-off from Danaher Corp. (DHR). While Veralto is a unique, high margin business, it is fairly slow growing, so we exited our small inherited position.

TOP TEN HOLDINGS AS OF 12/31/23

Company	% of Assets
Alphabet Inc. (Class A & C)	8.02%
Visa Inc.	6.08%
Amazon.com, Inc.	5.56%
Salesforce, Inc.	5.17%
S&P Global, Inc.	4.90%
PTC Inc.	4.85%
Synopsys, Inc.	4.61%
Booking Holdings Inc.	4.55%
STERIS plc	4.34%
TJX Companies Inc	4.28%

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.

Santa Clara, CA based Palo Alto Networks Inc. has been at the forefront of advanced network and firewall security delivered in both hardware appliance and software form factors for the last couple of decades. We believe Palo Alto's open architecture platform is best of breed and its delivery as a platform that can also be integrated with third party solutions is unique in the security space. The long-term secular demand for cyber security software and services is for strong growth and we believe Palo Alto can take market share over time. The digital world is not getting any safer any time soon, it's an arms race with the bad actors. The defensive nature of security within IT budgets makes it even more attractive, given the uncertain macro environment over the next 12-24 months. In theory, security should be the last thing to get cut in an IT spending downturn, so it should be one of the most resilient segments of Tech. Palo Alto has a very strong competitive position within the industry as a platform of security services. We view the company as the industry bellwether with a solid economic moat vs competitors. It's also astutely used acquisitions to expand the depth and breadth of its platform and we expect them to make additional deals in the future. We believe Palo Alto has exceptional leadership as CEO Nikesh Arora has clearly reinvigorated what was already a strong company over the past few years. At the time of our purchase in May, the stock's valuation was very reasonable at 19x F24 free cash flow, especially relative to long-term earnings growth of 20+% and unlevered balance sheet. PANW has performed extremely well for us with the stock +66% since our initial purchase.

AMETEK Inc. is a manufacturer of precision industrial technologies with a long history of successful application of "operational excellence" to drive margin expansion. It focuses on niche applications (i.e. low volume, high customization), which allows for significant differentiation and avoids commoditization. Nearly all of its products are sold directly to customers vs third party distributors, what they like to call "engineer to engineer". The company has long operated with two operating segments: Electronic Instruments Group (EIG) and Electromechanical Group (EMG). These serve the process, power, industrial, aerospace, and automation end-markets, which tend to have above average secular growth prospects. We believe that AMETEK is one of the best run companies within the Industrial sector, with operational excellence being the cornerstone of their strategy and ingrained in the culture. This includes lean manufacturing, six sigma, and supply chain management/sourcing, value engineering, combination of centralization (tech and manufacturing shared services capabilities, global sourcing, etc.), and decentralization. AMETEK has also proven to be a very skilled acquirer of niche businesses that it adds to its portfolio and improves operationally with its skill set. It essentially buys good businesses and makes them great over a few years' time. Over the long run, its growth will be about one third organically driven and two thirds through acquisitions. Financial targets have unofficially been to grow sales 10% and earnings 15% over the long-term. AMETEK is a company that we have been following for a long time as a proven high quality compounder and a name that we can own for years to come.

Outlook

U.S. corporate earnings, which is the biggest long-term driver of stock prices, held up better in 2023 than we expected coming into the year. This has a lot to do with the macro economy which, at around 3% estimated domestic GDP growth, defied expectations of caving to the Fed's rate hike campaign. After the strong return of the market, equity valuations look to be on the expensive side at 19.6x 2024 and 17.4x 2025 earnings estimates versus a very long-term average around 16x. At the end of 2022, the forward one- and two-year multiples were 16.7x and 15.1x. As we mentioned earlier, we believe there could be further downward revisions to current forward estimates, which look overly optimistic to us and would only make the forward multiples even higher. We believe the stock market is pricing in a soft landing for the economy and, while we have to admit the probability of this playing out versus 12 months ago has increased, the risk of recession remains. The stock market is a forward-discounting mechanism and reacted very positively to the Fed's "pivot" and subsequent decline in market interest rates during the fourth quarter. The bond market is pricing the first 25 basis point cut to occur in March, with four or five additional moves lower in subsequent months. Inflation expectations have moderated significantly with the expectation that year-over-year inflation slows to 2-3% through 2024. So perhaps the Fed will help engineer a soft landing in 2024 after all, but we'll just have to see it to believe it as historically it's been a difficult task to pull off. No matter what ultimately happens, we believe there is a fair amount of market volatility as this all plays out.

As always, while we may opine 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 and using valuation as a tool to predict where market indices are heading. After a big rebound in 2023, we believe it remains prudent to keep return expectations modest for the next few years, i.e. mid-single digit types of returns for domestic equities. Hopefully we'll be surprised with higher returns but given the starting point of a reasonably expensive market, we'd temper return expectations. We continue to focus the Strategy's efforts on owning companies with what we believe to be 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 highly attractive valuations is not overly abundant, but we will continue to use our "bottom-up" search to optimize the Strategy. If we adhere our disciplined investment process and manage portfolio risk, we aim to continue to add value to market returns in subsequent years.

Core Equity

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 newsletter are based on Curi RMB Capital, LLC's ("Curi RMB") research and professional experience are expressed as of the date of our mailing of this newsletter. Certain information expressed represents an assessment at a specific point in time and is not intended to be a forecast or guarantee of future results, nor is it intended to speak to any future time periods. Curi RMB makes no warranty or representation, express or implied, nor does Curi RMB accept any liability, with respect to the information and data set forth herein, and Curi RMB specifically disclaims any duty to update any of the information and data contained in this newsletter. The information and data in this newsletter does not constitute legal, tax, accounting, investment or other professional advice. Returns are presented net of fees. 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 your account. RMB Asset Management is a division of Curi RMB Capital.

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 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.

Core Equity

ANNUAL PERFORMANCE RELATIVE TO STATED BENCHMARK

Year End	Total Firm Assets as of 12/31 ($M)	Composite Assets: USD ($M)	Composite Assets: # of Accounts Managed	Annual Performance Results: 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 (%)
2022	5,228.7	421.5	357	-22.82	-23.20	-19.21	-18.11	21.58	21.48	20.87	0.20	0.43
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

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.*