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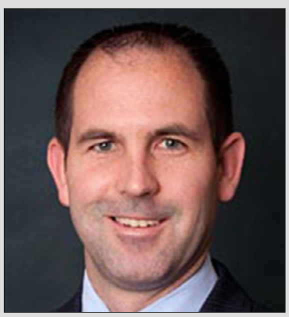
THE WALL STREET TRANSCRIPT
Connecting Market Leaders with Investors

Monolithic and BWX Offer Durable Growth in a Speculative Market

CHRISTOPHER C. FABER is a partner at Curi Capital (previously RMB Capital) and is the lead portfolio manager for the Small Cap Core and SMID Cap Core equity strategies. He joined Curi Capital in 2017, when IronBridge Capital Management, which he founded in 1999, combined with RMB. Prior to founding IronBridge, Mr. Faber was a founding member of HOLT Value Associates, where he worked with senior portfolio managers across the U.S. and Europe. Mr. Faber graduated from Drake University with a bachelor's degree in corporate finance.



JEFF JONES, CFA, is a Portfolio Manager for the SMID Cap Core and SMID Cap Focus equity strategies. Mr. Jones joined Curi Capital in 2017 following Curi Capital's (previously RMB Capital) acquisition of IronBridge Capital Management. Prior to joining Curi Capital, Mr. Jones spent seven years at IronBridge Capital Management, L.P., which managed four primary equity strategies: US Small Cap, US SMID Cap, US Large Cap and Global. Mr. Jones was the head of global healthcare sector analysis. Before his time at IronBridge, Mr. Jones served as a Vice President of Equities in the HOLT division of Credit Suisse Group. It was during this period, starting in 2003, that he was introduced to the lifecycle and economic return framework that serves as the foundation of Curi Capital's investment philosophy today. Mr. Jones earned a BBA in Accounting from the University of Notre Dame and an MBA from the University of Chicago Booth School of Business. He is a CFA® Charterholder and a member of the CFA Society of North Carolina. Mr. Jones is also a Certified Public Accountant (CPA).

SECTOR — GENERAL INVESTING

TWST: For readers who might not be familiar with Curi Capital and the RMB SMID Cap Fund, could you please begin by discussing your investment philosophy? Would you explain your "lifecycle framework" and how that influences the way you evaluate companies and construct the portfolio?

Mr. Faber: Our philosophy is to invest in businesses that allocate capital in a way that could potentially create shareholder value.

The stock selection process identifies specific patterns of value creation distinct to where a company is in its lifecycle. The concept of a corporate lifecycle recognizes that all companies go through development, growth, maturity, and ultimately decline, and potentially rebirth. Value creation occurs across the entire lifecycle, albeit capital allocation priorities and management skills required for value creation differ by lifecycle stage.

Our analysts do a lot of work assessing whether the pattern of value creation is the outcome of skill or luck by assessing management skill, competitive position, corporate culture, board governance, and assessing how well compensation is aligned with shareholder value.

Finally, we apply our proprietary discounted cash flow model, which is driven by our analysts' forecasts of return on investment — ROI — capital investment, and lifecycle fade, to assess the upside potential compared to the downside risk. If a company's value creation is supported by management skill and appears to offer twice the upside potential versus downside risk, we consider it a buy candidate.

TWST: Let's talk about today's market. In your recent commentaries, you've argued that this is an unusually narrow, AI-driven market in which momentum has been outpacing quality. You both have a lot of experience, so how would you characterize today's environment compared with others you've experienced in your careers? How unusual is it, and what lessons from previous market cycles do you think are most relevant today?

Mr. Faber: I believe it is probably the narrowest market I can remember observing[1]. When you look at the 25 global industry groups[2], only six outperformed. So less than 25% of the global industry groups have led the market, or another way of thinking about it is 76% have lagged. That's pretty narrow.

And as you point out, AI is a big part of that. If you look at sectors like technology or industrials, for technology, it's really just been semiconductors and tech hardware that have led. And in the industrial sector, that's related to AI too — power generation, grid infrastructure, and electrical equipment.

There are two other fairly narrow industry groups that have led, and those are related to the Iran war. Defense and aerospace has been very strong, and then oil and gas.

If you think about the broader market, which could potentially benefit from lower interest rates and a stronger economy, what happened when we went to war with Iran is that the investor perception of the path of interest rates falling throughout the year shifted toward increasing. And the path of economic growth expectations shifted from disinflationary growth to potentially more stagflation. So the broader market, the consumer and interest-rate-sensitive sectors, have been walloped.

Compare that to a company like **Navitas Semiconductor** (NASDAQ:NVTS). They compete with **Monolithic**, as both companies power AI servers, GPUs — graphics processing units — and enterprise data centers. The difference is **Navitas** is still very speculative, has never generated positive net income since its IPO in 2021, and has negative ROIC. And yet **Navitas** has performed in line with **Monolithic** so far this year. We would rather invest in these potentially durable business models through the cycles.

Another example that I can give is **BWX Technologies** (NYSE:BWXT). So **BWXT** is a specialized nuclear component manufacturer and provides engineering services serving government defense and commercial nuclear energy. **BWXT** already has a strong competitive position with defense and is expanding into higher-margin adjacent markets in commercial nuclear. The company continues to report very strong bookings and backlog driven by both government contracts and small modular reactors, or SMRs.

Basically, **BWXT** operates at the intersection of national security and commercial nuclear power markets, where demand for both remains exceptionally strong. We see a potential growth opportunity for the company, enabling the company to beat the fade. During this time, **BWXT** has maintained ROICs in the 10% to 15% range over the past 10 years.

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The outcome of that is a very narrow market that's going higher with fewer and fewer companies leading it. We would expect any sort of positive resolution to the Iran war would result in a broadening of the overall market.

TWST: Let's talk a little bit about the portfolio. I believe about 25% of the portfolio is invested in higher-quality companies benefiting directly from the AI revolution, but you're remaining underweight the market's more speculative AI leaders. How do you decide where to draw the line between participating in some of the most important technology of our time, but refusing to chase valuations that you think have become disconnected from the fundamentals? Is there an example of an AI company you invest in where you believe the valuation still offers attractive long-term returns, and you could describe that?

Mr. Jones: Yes. Especially in a very narrow market driven by AI, we think that as stewards of our clients' capital, it's important to separate the durable long-term business models that are potentially likely to survive the boom-and-bust potential of this type of cycle from the speculative names with no profits that are vulnerable to the bust.

Let me give you two examples. We have invested in **Monolithic Power Systems** (NASDAQ:MPWR) for over 10 years. **Monolithic** provides power management solutions across a wide range of end markets, including enterprise data and cloud computing, automotive, automation, robotics, smart grid, and consumer electronics.

This is a great company with average return on invested capital above 20% even before the phrase "AI" was ever mentioned. We feel very confident that **Monolithic** will continue to be a great company regardless of what happens with AI.

Let's compare that to a company like **Oklo** (NYSE:OKLO), which is also a nuclear technology company developing small nuclear reactors. Not only is **Oklo** unprofitable, it hasn't generated any revenue and does not forecast to generate any revenue until 2028. We would rather invest in a company like **BWXT** for this exposure to nuclear and SMRs than a pre-revenue, speculative company like **Oklo** through the cycle.

1-Year Daily Chart of Monolithic Power Systems Inc.

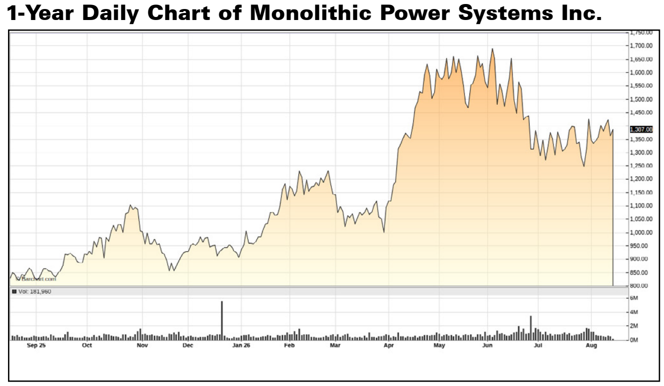


Chart provided by www.BigCharts.com

TWST: In the past year, you merged the RMB Small Cap Fund and the SMID Cap Fund. Why did that happen, and what did that process teach you about your highest-conviction ideas? Were there companies that rose in priority in that process, and others

[1] June 30, 2026.
[2] Russell 2500 – Global Industry groups (GICS) as of 6/30/2026.

where you realized it was time to do some housekeeping?

Mr. Faber: We've been at this for 25 years, and the best reason to invest in a small company is so it may become a large company when you're taking an approach like ours, which is early identification of long-term value creation.

What we were observing when you combine that philosophy with low turnover is that our small cap holdings pretty much just outgrew the benchmark. The Russell 2000 really wasn't a great benchmark as large parts of it are investable and not profitable. So combining small and smid made more sense, and benchmarking against Russell 2500 seemed to be a more accurate representation of what we invested in. It allowed us to do what we do, which is to invest in smaller companies for longer. So that was the thinking behind that.

There was a tremendous amount of overlap anyway. I think it was something like 80% overlap between the two strategies. There was some minor housekeeping, but it wasn't a whole lot.

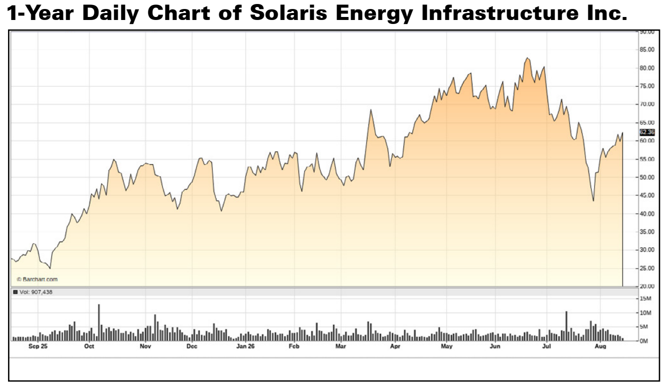
Mr. Jones: I'll reiterate what Chris said about the main motivating factor. But by combining the strategies, we were able to potentially optimize the strategy as well. Companies that we had higher conviction in, we were able to add additional capital to. And then companies where we had declining conviction, or companies were turning toward our negative thesis, we were able to exit those.

In terms of portfolio management, combining the strategy enabled us to allocate our clients' capital to our highest conviction names, and reduce the number of names across the entire portfolio.

high-margin software-enabled service models, has enabled the company to improve their ROICs.

We think that if **OII** can increase its return on invested capital to 10%, which is still below what they earned during the last strong offshore cycle, there is potentially 80% upside. If we're wrong about the offshore cycle and this pivot toward aerospace and defense does not enable them to deliver more sustained ROICs, there's about 45% downside. So to Chris's point earlier, we view that as a 2-to-1 payoff structure.

1-Year Daily Chart of Solaris Energy Infrastructure Inc.



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"So we believe a path to wealth creation for Solaris may be that they are going to be investing in higher-return, less cyclical businesses with strong secular demand, behind-the-meter power generation from AI demand. We think that the market was missing this structural change in the ROIC framework, and so we initiated a position in Solaris."

TWST: Let's talk about some of your recent investments. I know you've initiated positions in companies including Natera, Rambus, Solaris Energy. Could you pick one or two of your new positions and talk about what attracted you to the company?

Mr. Jones: Sure. One that you didn't mention that we initiated in is **Oceaneering International** (NYSE:OII). **Oceaneering** offers exposure to structural recovery of deepwater energy markets while providing a hedge through its aerospace and defense technologies segment.

Really, the largest segment is subsea robotics. They operate the world's largest fleet of remotely operated vehicles, or ROVs, which are used for deepwater field support. They have about 60% market share for ROVs and are viewed as what we believe to be a best-in-class operator. But then they also have an aerospace and defense tech segment, and they deliver specialized engineering and robotic solutions for defense, such as the U.S. Navy.

We invested in **OII** about 10 years ago. We decided to revisit the company for two significant changes. One is improving factor. Specifically, companies have underinvested in offshore for many years, and we believe that we're in the beginning of an upcycle, especially for energy independence and stable political regions. We're starting to see this with strong pricing utilization and longer contracts.

The second item is very company specific. We think **OII's** ADTech segment serving the military is the fastest growing segment, and management's pivot toward this segment, along with more emphasis on

You mentioned **Solaris Energy** (NYSE:SEI). They used to be in the onshore drilling, kind of frack proppant management. They made a recent investment to pivot more to behind-the-meter power generation. So we believe a path to wealth creation for **Solaris** may be that they are going to be investing in higher-return, less cyclical businesses with strong secular demand, behind-the-meter power generation from AI demand. We think that the market was missing this structural change in the ROIC framework, and so we initiated a position in **Solaris**.

TWST: I always like to ask about exits. I saw Trimble, Diamondback, NVR. Walk us through how you made one or two of those calls.

Mr. Jones: On **NVR** (NYSE:NVR), we sold that one due to a decline in its milestones as well as a continued negative outlook in housing. As Chris mentioned, there was some volatility about the path for interest rates, and so we wanted to reduce our housing exposure. We felt more comfortable on the housing-related exposed names than a pure-play home builder. So we largely reallocated into companies like **Carlisle** (NYSE:CSL), which does re-roofing on commercial, but still gives us exposure to residential housing exposure.

Basically, we were seeking to reallocate from a pure play housing exposure to other housing-related companies that would still give us some housing exposure, but provide potentially less ROI volatility through the cycle. **Carlisle** is a very well run business that we have invested in since 2013. I think our original purchase price was around $55 compared to recent purchases around $350. The payoff structure continues to look very attractive.

We have spent a lot of time discussing AI disruptors and AI beneficiaries, and some of these Software as a Service — SaaS — type companies we viewed as AI disruptees. We sold some of the AI disruptees and reallocated into potential AI beneficiaries — companies like **Q2** (NYSE:QTWO), which we think is better positioned given their strong relationship with banks, which provides a little bit more insulation.

They're also rolling out additional security functions for the banking sector, and so we thought that a company like **Q2** would be able to beat the fade better or more effectively than a company like **Trimble** (NASDAQ:TRMB).

TWST: Let's talk a little bit about your sell discipline when it comes to your stronger-performing holdings, trimming positions rather than selling outright, names like Monolithic, RBC, Carpenter. How does your sell discipline work?

Mr. Faber: It's pretty straightforward. We'll sell a company pretty much for two reasons: one's a good one, and one's not so good.

The good one is that the positive thesis has played out, and there's not a lot of meat left on the bone.

The not-so-good one is the negative thesis is playing out. The value creation path that we anticipated is not playing out the way we expected. For example, **Trimble** becoming a disruptee means that they're going to fade faster than we originally thought. So, a negative thesis violation, or a company's fully valued.

TWST: I assume to try to avoid having any one company rise over a certain percentage of the portfolio. What is your upper limit on that?

Mr. Faber: Yes. Sometimes it's not an outright sell. Jeff mentioned a lot of factor risk control. You mentioned **Monolithic Power**, which is a company we trimmed, and you also mentioned that 25% of the portfolio is exposed to AI. Most of the trims that you identified were related to significant outperformers that had become a larger percentage of the portfolio than we were comfortable with.

Obviously, they got closer to our target price. And so we made some trims in a lot of AI-related names based on our thoughts about AI right now and allocated to other parts of the market, like **Carlisle**, for example.

TWST: Do you want to discuss one or two of your other largest holdings that might represent different sectors, for example, like West Pharmaceutical or EastGroup Properties? Walk us through your convictions on a couple of those other larger names you have.

Mr. Jones: I can talk about **West Pharmaceutical** (NYSE:WST). This is a company that we have invested in for 10-plus years. We believe a potential path to wealth creation for **West Pharma** is improving, investing in higher-return projects, and driving improvement in their ROICs. They have been able to do this very consistently. They're investing in higher-margin, more value-added projects or products for injectable drug delivery devices.

As they move up the value chain, they're able to capture a higher margin on those products. As they're able to sell more of these high-value products, you see this natural mix shift that's driving an improvement in their ROICs.

In addition, they're able to reinvest back in their business. They've consistently been able to expand capacity to meet this demand. We've just seen a very long, slow trend of improving ROICs, which has been very beneficial for the company, and obviously beneficial for their shareholders.

There are other factors that are helping drive this. They have strong exposure to GLP-1s, so that's kind of a secular theme driving demand. There's also regulation in Europe called Annex 1 that is increasing regulation to reduce contaminants. So there's strong demand for **West** products.

After coming off a pretty difficult period post-COVID, **West** is now kind of back to what we call the historical West of consistent 100-basis-point margin expansion, 10% revenue growth, and this translating into improving ROIC and strong reinvestment enabling the company to beat the fade.

TWST: Let's zoom out a little bit. Your recent outlook highlighted several important themes: market breadth, inflation, private credit, geopolitics. Which of these do you think is the most likely to determine whether active managers like yourselves outperform over the next, say, 12 months?

Mr. Faber: We take a longer-term view. There is a cycle to active management, I think. What's distinct about small and smid is that if you go back through time, there's been more opportunity to add value in active in the small- and mid-cap space than the large cap space.

The honest answer is I don't know what will drive the cycle. I just know it occurs. If I'm to go by last cycles, we managed money through the internet boom and bust, and it was very difficult for active managers to positively perform during the boom then. We also managed money through the credit boom and bust, and it was very difficult for active managers to positively perform during the credit boom. Because active managers are not chasing the risk associated with those booms. Jeff mentioned speculative names, like **Oklo** versus **BWXT**.

When active managers under-own the more risky parts of the market that are leading, they tend to lag. Then they make up for that and even more sometimes on the other side of that.

The boom that we're in now is the AI boom. And let's be clear, we believe in the AI revolution. It is an amazing accomplishment of capitalism and humankind and innovation. But history teaches us that all these booms attract a lot of capital. We believe they seem to drive a lot of speculative froth. And on the other side of that, there's a bust. That's actually a good thing because it may blow out the speculative froth, and it may leave behind a stronger group of companies to lead that revolution in the future.

It's a long answer to your question, but my sense is that when the AI boom rolls over, and we get the inevitable bust, which is not a bad thing, the active managers earn their active fees on the other side of that. That's what we experienced in the internet boom-bust, that's what we experienced in the credit boom-bust, and that's sort of what we expect from the current environment.

TWST: Do you have a prediction of how long this cycle will take compared to those past ones?

Mr. Faber: I have no idea. We certainly saw a healthy correction over the latter half of July. I don't know if it's a healthy correction or a beginning; it's impossible to time. You can't predict; you can prepare.

And you may prepare by owning what we believe to be higher-quality companies with durable business models, like **Monolithic Power**, that created a tremendous shareholder value before the AI boom — and may do so during the boom and after the boom. And you prepare by not chasing the more speculative, unprofitable, hyped-up names that many of which, like **Oklo**, **NVTS**, have really led a pretty large portion of the market.

TWST: Thank you. (JMM)

CHRISTOPHER C. FABER
Partner & Portfolio Manager
JEFF JONES, CFA
Partner & Portfolio Manager
Curi Capital
www.curicapital.com

Definitions:

Discounted cash flow (DCF) is a method used to figure out how much an investment is worth right now.

Return on Invested Capital (ROIC) is a financial metric that measures how well and how efficiently a company uses the money it has raised (both debt and equity) to run its core business and make a profit.

Stagflation is a rare economic condition combining slow economic growth, high unemployment, and rising prices (inflation) at the same time.

Return on Investment (ROI) is a simple financial metric used to measure the amount of profit or loss generated by an investment relative to its initial cost.

GLP-1 (glucagon-like peptide-1) medications are prescription drugs that mimic a natural gut hormone to help control blood sugar and appetite. Doctors use them to treat Type 2 diabetes and support long-term weight management.

Graphics Processing Unit (GPU) is a specialized electronic chip designed to rapidly process and render images, videos, and 3D animations.

Margin is the profit left over from sales after paying costs.

SaaS (Software as a Service) companies build, host, and maintain software applications that customers access over the internet via a web browser or mobile app.

Basis points (bps) is a standard unit of measure in finance used to describe changes in interest rates, bond yields, and other financial percentages with high precision.

Active management fees are a charge paid to a fund manager or financial advisor to oversee a portfolio, research securities, and try to beat market benchmarks.

The Russell 2000® Index is a stock market index that tracks the performance of roughly 2,000 small-cap U.S. companies.

The Russell 2500™ Index is a stock market index that measures the performance of the small-to-mid-cap (or "SMID" cap) segment of the U.S. equity market. It captures the 2,500 smallest companies in the broader Russell 3000 Index.

The **Global Industry Classification Standard (GICS)** is a method for assigning companies to a specific economic sector and industry group that best defines its business operations.

Disclosures:

Past performance does not guarantee future results.

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Among the reasons for the greater price volatility is the lower degree of liquidity in the markets for such stocks. Small- and mid-capitalization companies may have limited product lines and financial resources and may depend upon a limited or less experienced management group. The securities of small capitalization companies trade in the over-the-counter markets or on regional exchanges and may not be traded daily or in the volume typical of trading on a national securities exchange, which may make these securities more difficult to value and to sell.

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