RMB FUNDS

RMB MENDON FINANCIAL LONG/SHORT FUND

Portfolio Update: 2016

For the year ended December 31, 2016, the RMB Mendon Financial Long/Short Fund was up +9.08% in comparison to a gain of +28.51% for its benchmark the KBW Bank Index*. We believe the KBW Bank Index is the most closely aligned benchmark for the Fund, but it is important to remember that it is a long only index, and in a winner-takes-all environment like we have seen, the defensive positioning of our options and our short book will impact relative returns.

	1 Year	3 Years	5 Years	10 Years	Since Inception
RMBFX	9.08%	12.06%	16.86%	8.59%	9.84%
KBW Bank Index TR	28.51%	12.20%	20.93%	-0.13%	2.26%
KBW Bank Index PR	25.60%	9.84%	18.44%	-2.44%	-0.30%
RMBFX (Load Adjusted)	3.64%	10.16%	15.67%	8.04%	9.39%

The performance data quoted represents past performance and is not a guarantee of future results. The investment return and principal value of an investment will fluctuate, so that those shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the data quoted. To obtain performance as of the most recent month end, please call 855-280-6423. The Fund's gross expense ratio is 2.20%.

During our mid-year review, we discussed both the fragility and resiliency of the global markets. The first half of the year was highlighted by the United Kingdom (UK) voting to leave the European Union (EU) (Brexit), which was unanticipated by most prognosticators. Of particular interest was the majority view that the UK would not vote to leave the EU, and if they did, that it would have a large negative effect on global equities. However, after the results were announced, and an initial decline, there was a groundswell of interest from market participants that stepped in to buy the dip. The second half of the year brought another unanticipated event. Polling of the U.S. presidential election placed Hillary Clinton as the frontrunner to win the presidency and the majority view was that a Trump victory would be a disaster for markets. However, much like Brexit, following a significant decline as markets absorbed the unexpected news of President-elect Trump, US futures reversed course to launch what has been a historical rally for the markets and the financial services sector in particular.

Of course presidential elections are about the new administration policies more broadly. As President-elect Trump began making his presidential appointments, the market quickly responded to the nomination of certain notable business persons to key positions. Many of the nominees have significant experience in banking, including Mr. Mnuchin (Treasury), Mr. Ross (Commerce) and Mr. Cohn (Director of the National Economic Council), with a growing list behind them. With visibility increasing around who the decision makers will be in Washington for the next four years, it became clear this could be a significant inflection point for financial services companies in terms of both fundamentals and valuations. The list of potential tailwinds is long and includes corporate tax reform, a rollback of some parts of Dodd-Frank, delayed implementation of new Department of Labor rules, and minimizing the reach of the Consumer Financial Protection Bureau (CFPB). In addition, this optimism has led to increased expectations for further rate hikes, which have been reflected in the sharp move higher in 10-year treasury yields. While we don't believe the entire list mentioned above will be actualized, given the significance of each of the items, we believe there will be a sustained tailwind for the financial sector.

Since mergers and acquisitions (M&A) remain an important theme in the sector, we will also touch on a few key points as we exit 2016. There were a total of 246 transactions in 2016 versus 292 transactions in 2015. One reason for the decline in total transactions, in our view, was the significant uncertainty as we approached the presidential election. Post-election, however, the M&A environment has changed. With the increase in valuations, buyers who utilize their stock for a deal are able to pay higher prices while still driving the same return on investment. Over the course of 2016, eight companies in our portfolio were sold, the most notable being Yadkin, one of our top positions since September of 2013. The sale price was 2.2 times tangible book value and 14 times 2017 earnings estimates, well above the average of 1.36 times tangible book value paid in 2016.

Our largest contributors for the year included Yadkin Financial (mentioned above) and another bank based in the Carolina market, BNC Bank. Since Yadkin was acquired by FNB, BNC Bank is one of the largest independent banks left in the Carolinas. It is no surprise two of the largest contributors are geographically located in the Southeast, especially the Carolinas. We believe that area continues to be an attractive region to larger institutions.

Our largest detractors included two short positions, Washington Federal and Cullen Frost. Both stocks participated in the ''Trump Bump'' that many financials experienced which led to their detraction as short positions.

Generally speaking, the fundamentals of the sector have continued to be reasonable. Credit remains a focal point and there is a significant variance in the quality of underwriting across institutions nationwide. We see increasing examples of loose underwriting as the lending environment remains very competitive, but we also see many examples of banks staying disciplined and maintaining their conservative balance sheet management. This divergence in management styles creates opportunities over time and establishes premium multiples for those that can survive and thrive throughout a cycle. We remain focused on those institutions that will operate businesses and maintain balance sheets in order to be opportunistic regardless of the regulatory or interest rate environment. As it relates to credit, we have started to see some spread widening on commercial real estate loans. This is the result of regulatory constraints regarding the level commercial real estate can represent as a percentage of bank capital in addition to increased conservatism as higher interest rates begin putting pressure on cap rates. We are concerned about the hospitality and multifamily sectors in certain markets, as supply has been coming online faster than demand in many areas, which bears watching. It is worth noting again that a rising interest rate environment helps a lot of banks. However, as interest rates rise, banks with weaker underwriting are exposed quickly because debt service coverage becomes pressured and collateral coverage weakens as cap rates increase. For those banks that have not evaluated the quality of their cash flows, their balance sheets can be impaired quickly.

We look forward to an environment where there is less correlation, one in which fundamentals matter and good businesses are rewarded. Our research-intensive approach is well-suited to such an environment, and we are excited about the opportunities in front of us. We truly appreciate your continued support.

Sincerely,

Anton Schutz
Portfolio Manager

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TOP 10 HOLDINGS AS OF 12/31/16	
Company	**% of Assets**
BNC Bancorp	7.54%
Citizens Financial Group, Inc.	4.73%
Bank of America Corp.	4.56%
Synchrony Financial	4.21%
Opus Bank	4.18%
Atlantic Capital Bancshares, Inc.	3.72%
United Financial Bancorp, Inc.	3.60%
Astoria Financial Corp	3.56%
First Foundation, Inc.	3.27%
Triumph Bancorp, Inc.	3.11%

* *The KBW Bank Index [BKX; PHLX/KBW Bank Index] is an unmanaged index comprised of 24 geographically diverse stocks representing national money center banks and leading regional institutions. One may not invest directly in an index.*