

RMB MENDON FINANCIAL FUNDS

Commentary: May 2017

M&A continued to be active in May, particularly with the acquisitions of Xenith Bankshares, Inc. (XBKS) by Union Bankshares Corporation (UBSH) and ASB Bancorp, Inc. (ASBB) in North Carolina by First Bancorp (FBNC). These acquisitions demonstrate our thesis around the growth and scarcity value in the southeast. In such a short period of time, we have seen Bank of North Carolina (BNCN), Yadkin Financial Corporation, Park Sterling Corporation (PSTB), and now Xenith Bankshares, Inc. sold to sizable acquirers trying to solidify their market share before it is too late.

We remain enthusiastic about the opportunity set in front of us and continue to hold many of the companies that have recently announced mergers, as we see the value generated by the proposed combinations not being recognized by the market. In some cases, we think that investors have been using the liquidity created by these announcements as a source of funds. We continue to believe that although the pace has slowed a bit, the industry continues to have regulatory tailwinds as well as improved risk-adjusted returns as credit spreads start to widen modestly. The value of good deposit franchises as well as those that are in the southeast region continue to increase in value as the number of scale targets continue to dwindle.

The surfacing of former FBI director James Comey's memo created a downdraft in the market. On May 17th, both the S&P 500 Index and Dow Jones Industrial Average slipped 1.8% and the Nasdaq Composite was down 2.6%. Bonds and gold rose. The VIX Index, widely considered the best gauge of market fear, jumped to 15 after hovering around 10. However, it appears the volatility was short-lived and the market is shaking off political turbulence. Near month-end, the S&P 500 Index and Nasdaq Composite each hit new all-time highs, gold fell, and the VIX Index fell to around 10. It is uncertain if the dubbed Comey Effect will have a lasting impact, but from the aftermath of his June testimony, investors are signaling that it will not hinder the market's rise.

It is hard not to compare the current political situation in the U.S. to Brazil, which evolved almost simultaneously. While President Trump faced allegations of misusing his power and influencing elections, the Brazilian president, Michel Temer, faces bribery allegations as a result of a contested recording of his seemingly admitted corruption. In Brazil, Temer was on the verge of pushing through some much needed austerity measures, including a critical pension reform package, while in the U.S., we have much anticipated tax and regulatory reform. The day the scandal broke, the Bovespa was down nearly 11% from its peak, whereas the U.S. only saw just shy of a 2% decline after Comey's memo surfaced. This is quite the difference. Unlike Temer, there is little concrete evidence supporting the allegations against Trump, creating ambiguity. This ambiguity seems to have slowed the reaction by U.S. markets, leading investors to remain optimistic for tax reform, deregulation, and infrastructure spending.

As we continue to grow our business, our infrastructure is vital to building a strong portfolio that investors can feel comfortable and confident with. With that, we would like to take this opportunity to welcome our three summer interns; two are based in Rochester and one in New York City. They will engage in projects that will further enhance our research process, adding value to them as well as us. We appreciate this opportunity to teach, develop their skills, and share our experiences. Interns are very important to our firm as they bring novel perspectives, fresh ideas, and specialized skill sets. We have been professional investors for a long time but we are constantly learning and refining our skills.

Again, we want to thank all of our partners for your continued trust and support. As always, feel free to reach out with any questions or comments.

The KBW Bank Index is an unmanaged index comprised of 24 geographically diverse stocks representing national money center banks and leading regional institutions. The index includes dividends reinvested.

The NASDAQ Bank Index includes securities of NASDAQ-listed companies classified according to the Industry Classification Benchmark (ICB) as Banks. The index includes dividends reinvested.

Investors should consider the investment objectives, risks, charges and expenses carefully before investing. For complete information about the Fund, including a free prospectus, please contact RMB Investors Trust at 855-280-6423, or visit the website at www.rmbfunds.com. The prospectus contains important information about the funds, including investment objectives, risks, management fees, sales charges, and other expenses, which you should consider carefully before you invest or send money.

All investing involves risk including the possible loss of principal. The RMB Mendon Financial Services Fund and the RMB Mendon Financial Long/Short Fund are sector funds. These types of funds may be susceptible to factors affecting their industries, and the funds' net asset values may fluctuate more than a fund that invests in a wider range of industries. Because these funds concentrate their investments in one sector of the economy (financial services) and invest in derivative securities (currently RMB Mendon Financial Long/Short Fund engages in short sales of equities), investors should consider the risk that the funds may experience greater volatility than funds that invest across several sectors.

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