

# RMB Japan Fund

## Portfolio Update: First Quarter 2019

For the first quarter of 2019, the RMB Japan Fund (the "Fund") was up +6.18% net of fees. During the same period, the MSCI Japan Index was up +6.66% in the U.S. dollar, and the Japanese yen depreciated -0.88%.

	3 Months	YTD	1 Year	Since Inception
RMBPX	+6.18%	+6.18%	-8.69%	-6.90%
MSCI Japan Index	+6.66%	+6.66%	-7.84%	-5.76%

*Inception date: 12/27/17. Performance over one year is annualized. 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 expense ratio is 1.30%.*

*RMB Capital Management, LLC (the "Adviser" or "RMB") has contractually agreed to reduce its compensation due from and/or assume expenses of the Fund to the extent necessary to ensure that the Fund's operating expenses (excluding interest, taxes, brokerage commissions and other transaction costs, expenditures that are capitalized in accordance with generally accepted accounting principles, acquired fund fees and expenses, short sale dividends, and extraordinary expenses not incurred in the ordinary course of business) do not exceed 1.55% and 1.30% of the average daily net assets of the Fund's Investor Class and Class I shares, respectively (the "Expense Cap"). The Expense Cap is in effect until May 1, 2019 and cannot be terminated prior thereto without the approval of the Fund's Board of Trustees.*

## Overview of First Quarter

Japanese stocks started the quarter with a strong recovery from massive selloffs at the end of 2018. The strong market performance was primarily driven by a risk-on sentiment in the global stock market responding positively to the Federal Reserve's ("the Fed") shift to a more dovish stance as well as progress in U.S.-China trade talks. The country's market largely remained flat for the rest of the quarter, however, as improved market expectations around the U.S.-China trade discussions were offset by concerns over the slowing global economy, affected by a series of new market developments, such as an inverted U.S. yield curve, deadlock over Brexit, and growing political and financial uncertainties led by emerging-market countries.

## Contributors and Detractors

The largest contributors during the quarter were Rakuten Inc. (4755 JP) and Softbank Group Corp. (9984 JP).

Rakuten is the largest online retailer and e-commerce service provider in Japan through its core marketplace e-commerce site "Rakuten Ichiba." The company's services include e-commerce, online cash-back, travel booking, digital content, and financial technology services, including internet banking, securities, life insurance, and credit card services. The company holds portfolios of investments in technology companies, including Lyft, and is also looking to enter the mobile carrier service industry in fall 2019. The company's stock performed poorly for the most part of 2018 as investors were concerned about its plan to enter the mobile carrier business, which is highly competitive and much more capital intensive compared to its core e-commerce business. Investors' pessimism began to fade in the beginning of this year as they started to evaluate the company's competitive advantage to be a cost leader in the industry. Moreover, the company's sizable investment portfolios started to draw more attention in the market as Lyft's IPO date was approaching, further sustaining the momentum.

SoftBank Group is a major IT conglomerate in Japan, providing various internet and telecommunication services, such as a mobile carrier, high-speed internet, e-commerce, and internet-based advertising services. The company holds a diversified portfolio of investments, primarily in the IT and telecommunication spaces, using its own balance sheet and through the SoftBank Vision Fund and Delta Fund. Most notable holdings include Alibaba, Yahoo Japan, ARM Holdings, and Sprint. After massive selloffs following poor performance in the global technology sector in 4Q18, the stock saw a strong recovery in

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the beginning of 2019 as market sentiment toward the technology sector started to recover. The rally was further supported by the company's announcement to buy back its shares up to JPY 600 billion. As mentioned in our previous letters, the company has sizable exposure to the technology sector through its investments, and we believe the stock's high sensitivity to the sector movement is likely to continue going forward.

Nippon Gas Co. Ltd. (8174 JP) and Sony Co. Inc. (6758 JP) were the largest detractors during the quarter.

Nippon Gas is one of Japan's largest retail suppliers of liquefied petroleum gas (LPG) with a strong presence in Japan's Kanto (Greater Tokyo) region. The company also distributes natural gas through a pipeline to residential areas in the region under its City Gas business. The stock had a strong start to the quarter based on declining LPG import costs; however, it returned to lower levels in the second half of the quarter after earnings were released—an expected guidance revision did not happen as a result of lower-than-anticipated sales volume from the impact of high temperatures. The stock price has now returned to our initiation price (we purchased the stock in 4Q), but we remain constructive on the company's solid fundamentals and positioning to benefit from deregulation of the industry, which should allow it to take market share in the Kanto region.

Sony is a large-Japanese conglomerate primarily manufacturing consumer electronic devices, such as gaming consoles, TVs, video cameras, audio equipment, and mobile phones. The company's other business units include semiconductor manufacturing, music labels, film, digital networks, and insurance. The stock was sold off during the quarter after reporting weak earnings as investors started to worry about growth deceleration across the company's business segments, particularly in games, music, and pictures. Management's recent announcement to merge the mobile business with other businesses, such as camera, TV, and audio units, further disappointed investors hoping to see management divest the money-losing business. Although some concerns are valid, we still believe the stock is attractively valued even with the revised lowered growth prospects. Additionally, we remain positive on the company's video game business, which is now entering a profit-harvesting cycle, as well as the likelihood of increased market demand for high-end image sensors in the mid to long term.

## Portfolio Activity

During the quarter, we reentered Opt Holding Inc. (2389 JP), an internet advertisement agency, and Daiichi Sankyo Co. Ltd. (4568 JP), a large pharmaceutical company in the process of transforming itself from a generic drug-focused business model into a technology leader in oncology leveraging its antibody drug conjugation (ADC) franchise, because we believe their stock prices dipped far below their fair value after massive selloffs last year. We also initiated positions in Daikyo Nishikawa Corp. (4246 JP), an auto component manufacturer focused on plastic parts, such as instrument panels, door trims, and bumpers; Mitsubishi Corp. (8058 JP), the largest general trading company in Japan with improving shareholder returns; Itochu Corp. (8001 JP), one of the major general trading companies specialized in non-natural resource businesses, such as textile, apparel, retail, and food; Nomura Research Institute Ltd. (4307 JP), a leading IT consulting firm in Japan; and Ryohin Keikaku

### RMB Japan Fund FIRST QUARTER 2019 CONTRIBUTION REPORT (in USD)\* *Ranked by Basis Point Contribution*

	Basis Point Contribution	Total Return
<b>Top Contributors</b>		
Rakuten Inc. (4755 JP)	+98	+41.44%
SoftBank Group Corp. (9984 JP)	+83	+45.86%
Daiichi Sankyo Co. Ltd. (4568 JP)	+72	+39.39%
SMC Corp. (6273 JP)	+57	+23.90%
Keyence Corp. (6861 JP)	+54	+22.91%
<b>Bottom Detractors</b>		
Nippon Gas Co. Ltd. (8174 JP)	-51	-24.07%
Sony Corp. (6758 JP)	-41	-13.65%
Seven & I Holdings Co. Ltd. (3382 JP)	-33	-13.64%
Ajinomoto Co. Inc. (2802 JP)	-30	-14.63%
Dai-ichi Life Holdings, Inc. (8750 JP)	-22	-11.35%

\* All return figures above are lower than the returns in local currency due to the 0.88% depreciation of the Japanese yen during the quarter. *The performance presented above is sourced through Factset Research Systems Inc. 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 Fund. Holdings listed might not have been held for the full period. To obtain a copy RMB's calculation methodology and a list of all holdings with contribution analysis, please contact your client service team.*

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Co. Ltd. (7453 JP), a retailer and wholesaler of MUJI lifestyle brand products.

We sold Toei Co. Ltd. (9605 JP), a major entertainment house in Tokyo that produces and distributes movies, animations, and TV programs, because its price reached our target. We liquidated our positions in Sysmex Corp. (6869 JP), an integrated supplier of instruments, reagents, and software that are essential to testing processes performed during health checkups, treatment, and ongoing disease management; and Ajinomoto Co. Inc. (2802 JP), a major manufacturer of food products, including seasonings, processed foods, and beverages in Japan, because our initial investment these appeared unlikely to pan out in the foreseeable future.

## Outlook

Though Japanese stocks showed a modest rebound in the first quarter, we still believe they are undervalued at around 1.1x its book value, which is a decent discount from stocks in other developed countries in light of Japan's improving capital efficiency. We believe the current valuation is not fully appreciating the dynamic changes of Japanese companies on the back of corporate governance improvement since the Abe administration took office. As fiscal year-end earnings are released next quarter, we believe companies will exhibit solid earnings and announce enhanced shareholder return in the form of dividends and share repurchases.

As always, thank you for your support and trust in the Fund. I look forward to updating you next quarter.

Sincerely yours,



Masakazu Hosomizu, CFA  
Partner, Portfolio Manager

## TOP FIVE HOLDINGS AS OF 3/31/19

Position	% of Assets
Toyota Motor Corp. (7203 JP)	4.45%
Recruit Holdings Co. Ltd. (6098 JP)	3.06%
Nomura Research Institute Ltd. (4307 JP)	3.02%
Nidec Corp. (6594 JP)	3.01%
Mitsubishi UFJ Financial Group Inc. (8306 JP)	3.01%

*Holdings are subject to change. The above is a list of all securities that composed 16.55% of holdings managed as of 3/31/2019 under the RMB Japan Fund ("Fund") of RMB Capital Management, LLC ("RMB Capital") based on the aggregate dollar value. This list is provided for informational purposes only and may or may not represent the current securities managed. It does not represent all of the securities purchased, sold, or recommended for advisory clients (under the Fund or otherwise) during the calendar quarter ending 3/31/2019. The reader should not assume that investments in the securities identified and discussed were or will be profitable. For a complete list of historical recommendation for the Fund, please contact RMB Investors Trust at 855-280-6423.*

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*The opinions and analyses expressed in this letter are based on RMB Capital Management, LLC's ("RMB Capital") research and professional experience, and are expressed as of the date of our mailing of this letter. Certain information expressed represents an assessment at a specific point in time and is not intended to be a forecast or guarantee of future performance, nor is it intended to speak to any future time periods. RMB Capital makes no warranty or representation, express or implied, nor does RMB Capital accept any liability, with respect to the information and data set forth herein, and RMB Capital specifically disclaims any duty to update any of the information and data contained in this letter. The information and data in this newsletter does not constitute legal, tax, accounting, investment or other professional advice. Past performance is not indicative of future results, and there is a risk of loss of all or part of your investment. This information is confidential and may not be reproduced or redistributed to any other part without the permission of RMB Capital.*

***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](http://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 Fund invests in larger, more established companies, which may not respond as quickly to competitive challenges or have higher growth rates than smaller companies might have during periods of economic expansion. There can be no assurance that the Fund will achieve its investment objective.*

*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 the Fund. The MSCI Japan Index is designed to measure the performance of the large- and mid-cap segments of the Japanese market. With 321 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in Japan.*

*Foreside Fund Services, LLC, Distributor*