RMB Mendon Financial Services Fund

Portfolio Update: First Quarter 2021

For the three months ended March 31, 2021, the RMB Mendon Financial Services Fund (the "Fund") returned +30.14% net of fees, while its benchmark, the Nasdaq Bank Index, returned +28.59%.

	Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception (6/7/1999)
RMBKX	+30.14%	+30.14%	+113.70%	+6.50%	+13.91%	+13.67%	+12.78%
NASDAQ Bank Index	+28.59%	+28.59%	+91.64%	+6.67%	+13.92%	+12.05%	+6.70%
RMBKX (Load Adjusted)	+23.63%	+23.63%	+103.02%	+4.69%	+12.75%	+13.08%	+12.52%

Inception date: 6/7/1999. 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 1.28%.
The Fund's investment advisor, RMB Capital Management, LLC, has adapted a contractual expense limitation agreement for each fund through June 30, 2021, reducing the applicable Fund's operating expenses. This may be continued from year to year thereafter if agreed upon by all parties. In the absence of such waivers and/or reimbursements, the applicable Fund's total return and yield would be lower. The Funds have a maximum front-end sales charge of 5.00%. Sales charges are waived for clients of investment intermediaries, or for those who purchase shares via no-transaction-fee platforms.

Looking at contributors to the quarter's return, two factors that we are intentionally overweight continue to have a meaningful positive impact: financial technology (fintech) embedded in banks and banks with Small Business Administration (SBA) lending operations. Interestingly, our largest position, Live Oak Bancshares Inc. (LOB), which was up +43.38% for the quarter and contributed 300 bps, has both of the above-mentioned attributes and is worth taking a deeper dive to understand how banking and technology are converging and how our process is well-suited to find and properly position outlier companies in what many perceive is a commoditized industry.

First, the basics on Live Oak: It was founded in Wilmington, NC in 2008 by Chip Mahan, whom we knew from his prior financial technology companies, and other partners. It was started with the premise that traditional, branch-heavy banks were essentially "broken" (their words, not ours) and decided to become a niche lender that specialized in offering SBA loans (which, given their government guarantees, are very technical and compliance heavy) to veterinary practices nationwide. This was the first vertical of what is now roughly 30 industry verticals, from bio-renewable energy to chicken farming. Once the company decides on a new vertical, based on credit characteristics and other factors, it then hires a sales staff that are experts in that particular field. The underlying premise behind each of these verticals is scalability combined with excellent customer service, and customer empowerment through technology. Today, it is the largest SBA lender in the country and has been for some time.

Our relationship with the company goes back to when it was a private company, as we were invited to meet with the company early in its lifecycle, giving potential investors more time to understand its distinctive nature. When it did IPO in 2016, the stock was still not fully understood. During this time, they launched Live Oak Ventures, which we will get into shortly, but it was not paid nearly as much attention as its core SBA lending business. SBA lending involves federal guarantees of loans to small businesses. The most popular program, the 7(a) program, historically guaranteed 75% of the loan balance (now 90% with the recent stimulus bill) up to $5mm. The USDA has similar programs that Live Oak utilizes, but we will stick to the SBA for our purposes. As one can imagine, the paperwork and compliance regimes to make these loans are extremely onerous and if any errors are made, the loan is no longer guaranteed by the SBA, but by the lender. Live Oak's model was initially an "originate and sell" model where the company would make the loans at SBA market rates and then sell the guaranteed portion for a sizeable premium, as the buyer was receiving the full faith and credit backing of the U.S. government at much higher rates than could be found in any treasury market. Live Oak internally generated software that made this process much more user-friendly for the lender and borrower, which has now been spun out into the public market as nCino. This model hasn't been without its issues, as rates went down and the premiums for SBA paper significantly declined, which led to the company making the decision, announced in the third quarter of 2018 to start portfolioing SBA loans if the net present value of the loans was higher by keeping them on the balance sheet. This resulted in a much more predictable earnings stream over time at the cost of materially lower near-term earnings, causing analysts to reset their estimates lower and resulting in the stock basically being cut in half in 2018.

While all this was going on, the company was dedicating significant resources to its Live Oak Ventures, which was founded in 2016 with the intent of investing in fintech businesses that could better differentiate Live Oak's offerings from its competitors. KBW analyst Michael Perito, recently wrote, *"As it relates to value creation for LOB, we believe the active investment strategy serves several purposes for the bank, including 1) early access to ground-breaking technologies in certain cases, with the best example being nCino which is now being adopted by a growing number of regional and community banks across the country, 2) the potential to generate core capital to self-fund its high growth strategy, which reduces the risk of dilution for current equity shareholders, and finally 3) positioning LOB to be considered an "industry leader" in the banking sector as technology further evolves how banks transact."*

The bank has several primary venture investments today that include Finxact, a cloud-based core processing system for banks; Greenlight, a smart debit card for children; Payrailz, a digital payments platform; Savana, a digital mortgage platform; and Apiture, a digital banking services provider, which can be seen in the graphic below from a recent presentation. These venture investments, as well a separate venture fund investment named Canapi, continue to garner perceived value, as fintech and banking converge, and banking and technology partnerships become more common.

Exhibit 1.

Roadmap of How Technology Platform and Investments Provide Value to LOB Shareholders and Clients

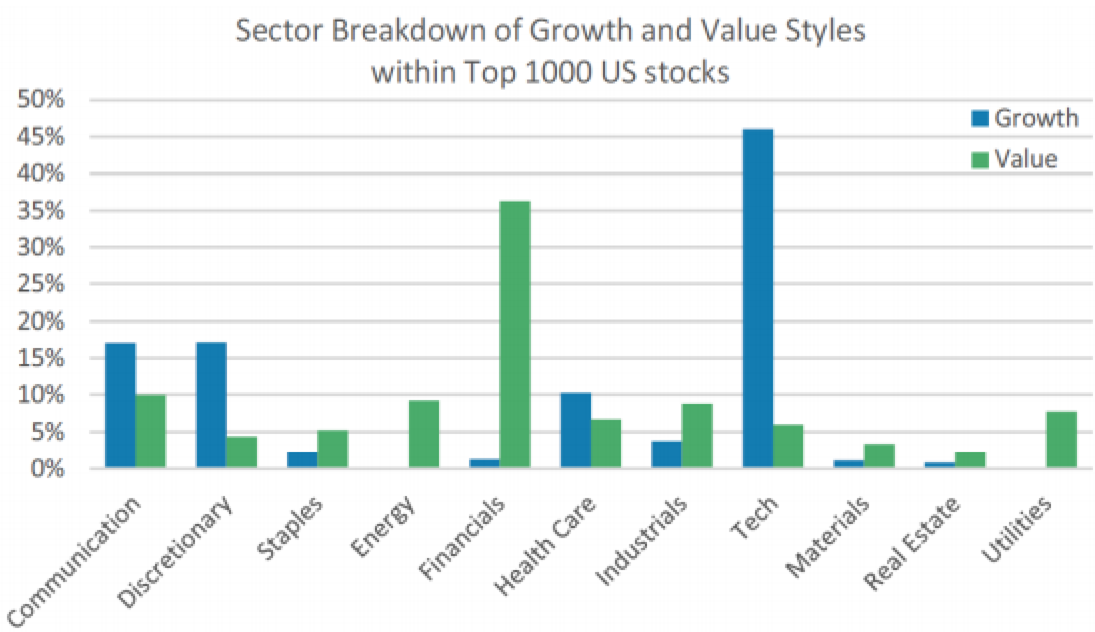
Source: Live Oak Ventures Company January 2020 Investor Presentation

By providing an overview of just one company in our portfolio, we hope it provides insight into some of the more interesting aspects occurring in banking, which many people falsely believe is becoming a relic. We own many other companies that are taking advantage of this convergence, including Triumph Bancorp Inc. Silvergate, and Signature Bancorp, among others. The recent SBA modifications to guarantee 90% of 7(a) loans will drive earnings growth among the government guaranteed lenders and we are appropriately positioned to take advantage of this change.

Overall, we remain positive on the group, as the overall economy continues to improve, the yield curve widens, loan losses remain low, and M&A snaps back after a tepid 2020. Additionally, if we continue to see a growth to value rotation, banks may be one of the greatest beneficiaries of this move as seen below:

Exhibit 2.

Financials Account for 36% of the Value Names Among the Top 1,000 Largest U.S. Stocks



Source: ClariFi, Morgan Stanley Research; Data date 3/23/2021.

As always, we welcome your feedback, comments, and questions.

Sincerely,

Anton Schutz
Senior Portfolio Manager

RMB Mendon Financial Services Fund

TOP 10 HOLDINGS AS OF 3/31/21

Company	% of Assets
Live Oak Bancshares Inc.	9.72%
Veritex Holdings Inc.	5.41%
Equity Bancshares Inc.	5.09%
FB Financial Corp.	4.84%
The First Bancshares Inc.	4.84%
Spirit of Texas Bancshares Inc.	4.26%
CIT Group Inc.	4.00%
Signature Bank	3.95%
Byline Bancorp Inc.	3.91%
First BanCorp/Puerto Rico	3.72%

Holdings are subject to change. The above is a list of all securities that composed 49.74% of holdings managed as of 3/31/2021 under the RMB Mendon Financial Services 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 3/31/2021. 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.