

# RMB SMID Cap Fund

## Portfolio Update: Second Quarter 2021

During the Second quarter ending June 30, 2021, the RMB SMID Cap Fund (the "Fund" or "RMBMX") increased +8.70%, net of fees, compared to a +5.44% increase for the Russell 2500 Index.

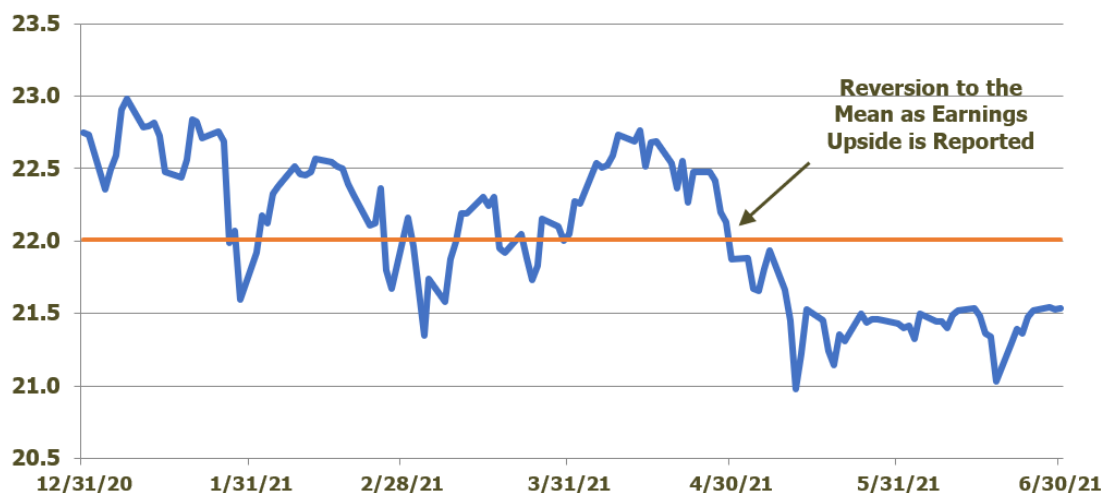
	Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception (12/31/2004)
RMBMX	+8.70%	+17.83%	+56.42%	+18.75%	+17.11%	+12.27%	+9.96%
Russell 2500® Index	+5.44%	+16.97%	+57.79%	+15.24%	+16.35%	+12.86%	+10.20%

*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 gross expense ratio is 0.90%.*

*The Fund's investment advisor, RMB Capital Management, LLC, has adapted a contractual expense limitation agreement for each fund through April 30, 2022, 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 quarter was defined by a robust economic recovery and 40% corporate earnings growth. Such a powerful earnings recovery is helping companies grow into elevated valuations.

### Exhibit 1. S&P 500 2021 P/E YTD



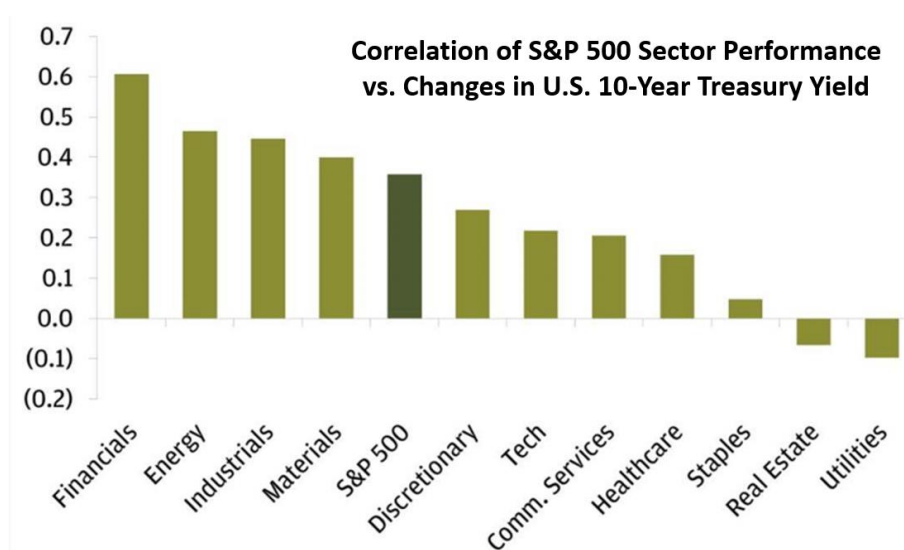
Source: RMB Capital; Data as of 6/30/21.

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The excessive risk taking observed in the first quarter dissipated to some degree in the second quarter, as highly speculative stocks, SPAC<sup>1</sup>s, and cryptocurrencies came back to earth, while broader equity and credit markets delivered more “normal” returns. However, underneath the apparent tranquility of the equity market’s new highs lies much greater volatility than meets the eye. The primary issues driving intra-market volatility beneath the surface include: inflation vs. deflation, growth vs. value, meme stocks vs. short sellers, and resulting higher dispersion. Our thoughts on these topics and what it means for the Fund are below:

**Inflation vs. deflation:** Inflation is running hot at 5% of the Consumer Price Index (CPI), well above the Federal Reserve’s target 2%. The Fed assures us this is transitory, but many investors believe the Fed is behind the curve. Further complicating matters is the varying definition of “transitory” between market participants. Industries and companies that are sensitive to changes in real interest rates and inflation are experiencing greater volatility.

**Exhibit 2. S&P 500 Sector Sensitivity to Changes in Rate**



Source: Bloomberg Financial L.P. Data is as of April 29, 2021. Correlation analysis based on changes in S&P 500.

**Growth vs. value:** Value stocks (+22.68%) continued to outperform growth stocks (+8.67%) for 2021.<sup>2</sup> Value tends to perform better in a robust economic and rising inflation environment, whereas growth tends to perform better in a slower economic and disinflationary environment.

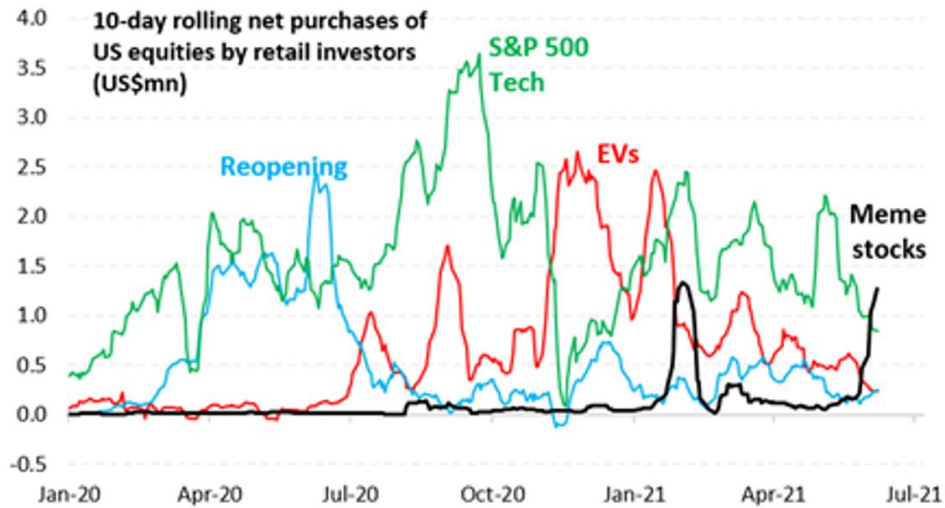
**Meme stocks vs. short sellers:** The meme stock phenomena is still with us. Our internal risk software, Alphacuity, indicates that the difference between the performance of the Russell 2000 and the Russell 3000 was largely due to company specific risk from the following meme stocks:<sup>3</sup> AMC Entertainment Holdings, Inc. (AMC), GameStop Corp. (GME), Plug Power Inc. (PLUG), Novavax, Inc. (NVAX), and Caesars Entertainment, Inc. (CZR). MEME stocks have now become their own “risk” category and GME was one of the largest market caps in the Russell 2000. We find this simply incredible.

<sup>1</sup> A special purpose acquisition company (SPAC) is a company with no commercial operations, formed strictly to raise capital through an initial public offering (IPO) for the purpose of acquiring an existing company.

<sup>2</sup> Russell 2500 Value Index and Russell 2500 Growth index, respectfully, year to date returns as of 6/30/21.

<sup>3</sup> As defined by Reddit.

**Exhibit 3. Meme Stock Inflows Exceed Other Sectors/Industries, including S&P Tech Sector**

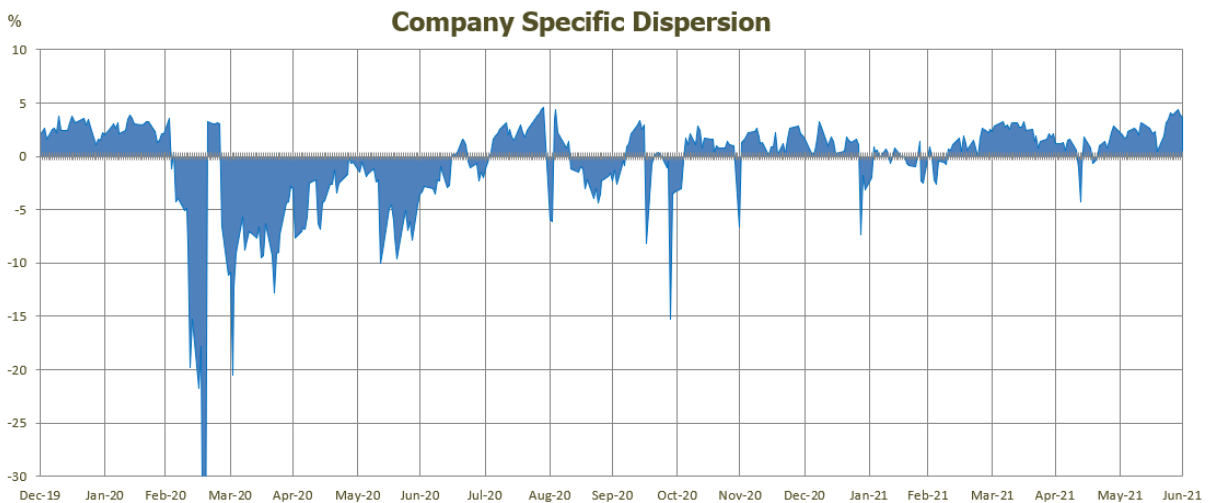


Source: Vanda Track, via the Irrelevant Investor Blog

We have noticed that during early Q1 and late Q2, periods where retail investors were buying meme stocks, our performance lagged because our bias for quality prevents us from owning these stocks, but excess performance returns when investors stop buying these high-flyers.

**Higher dispersion:** Dispersion measures how closely stocks move together vs. apart. Low dispersion (together) occurs when excess liquidity created by the Fed balance sheet expansion dominates stock prices. The concept is captured eloquently by Warren Buffett’s financial take on JFK’s quip “a rising tide lifts all boats.” Higher dispersion occurs when the liquidity cycle shifts from excess to neutral. We are starting to see this occur now as the Fed contemplates reducing the number of mortgage purchases as well as other financial assets.

**Exhibit 4.**



Source: FactSet. Company Specific Dispersion derived from the S&P 500 Index.

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So, what does all of this mean for Fund performance? Our dual diversification portfolio construction process (by lifecycle and sector) helps deal with the uncertainty and volatility associated with growth vs. value and/or inflation/deflation. While the meme phenomena can temporarily create headwinds/tailwinds, it does not present a longer-term challenge. Finally, given portfolio construction risk controls, factors out of our control are intentionally minimized, isolating idiosyncratic risk, which is in our control. Thus, higher dispersion creates more opportunity for our process to add value from company specific stock selection.

## Contributors and Detractors

Last quarter, contributors and detractors were clearly divided between value and growth stocks. This quarter, contributors and detractors were more company specific, which is consistent with our observation of higher dispersion. West Pharmaceutical Services Inc. (WST +27.51%) is a long time holding, selling “picks and shovels” to the companies driving the biotech revolution. WST reported a very strong quarter, confirming rapid adoption of higher margin new products. Strong contributions from companies represented by different factors (growth, value, quality, inflation, interest rates) demonstrates how efficiently diversified portfolios can add value when volatility and dispersion increase within the market. Copart Inc. (CPRT, “Copart”, +21.38%), a leader in vehicle remarketing services, focusing primarily on vehicles deemed a “total loss” by insurance companies, also delivered a bullish quarter. Damaged vehicles are increasingly being totaled, as the cost of repairing vehicles continues to increase. The company has an owner-operator mindset with a knowledge-building culture that we believe will continue to deliver high economic returns and long-term asset reinvestment, distinctly greater than current stock market expectations.

Detractors were also more company specific and diversified across multiple factors. Bright Horizons Family Solutions Inc (BFAM, “Bright Horizons”, -14.20%) provides childcare and early education services to more than 1,000 employers, including Fortune 500 companies, which helps improve business productivity and employee retention. The company had a lukewarm quarter given UK lockdowns caused temporary re-closure of several centers. We believe the issue is transitory and expect the company to improve EBITDA margins 50–100 bps annually and grow high-single to low-double digits. Importantly, their number one market position has helped develop a strong competitive moat, and there are over 15,000 future potential employers and 120,000 childcare centers that will support organic and acquisitive growth over the next 5–10 years.

## Portfolio Activity

In previous letters, we have indicated that the team feels great about the companies we own and the portfolio structure in terms of the balance between growth and value. Most activity during the second quarter involved minor adds or trims to keep idiosyncratic risk aligned with our conviction. To that end, we added to BioLife Solutions Inc. (BLFS), CRISPR Therapeutics AG

### RMB SMID Cap Fund SECOND QUARTER 2021 CONTRIBUTION REPORT *Ranked by Basis Point Contribution*

	Basis Point Contribution	Return
<b>Top Contributors</b>		
West Pharmaceutical Services Inc.	+59	+27.51%
American Financial Group Inc.	+52	+22.60%
Copart Inc.	+48	+21.38%
Steel Dynamics Inc.	+46	+18.66%
Bio-Techne Corp..	+41	+17.98%
<b>Bottom Detractors</b>		
Bright Horizons Family Solutions Inc.	-12	-14.20%
PotlatchDeltic Corp	-12	+0.63%
Columbia Sportswear Co.	-9	-6.43%
Algonquin Power & Utilities Corp.	-9	-4.99%
MKS Instruments Inc.	-7	-3.92%

*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 of RMB’s calculation methodology and a list of all holdings with contribution analysis, please contact your service team. The data provided is supplemental. Please see important disclosures at the end of this document.*

(CRSP), Editas Medicine Inc. (EDIT), Columbia Sportswear Co. (COLM), and PotlatchDeltic Corp. (PCH) after reviewing the quarterly results, gaining greater conviction in the companies, and the stock prices hitting attractive purchase levels.

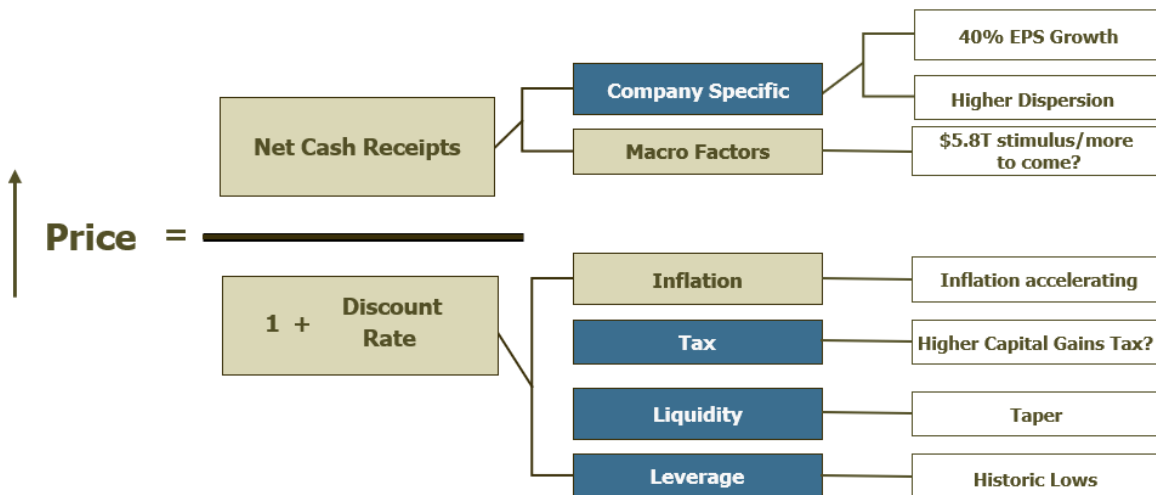
Sonos Inc. (SONO) was a new purchase. We have been following SONO since its IPO and have been trying to evaluate whether it is just a hardware company or potentially a software platform with scalable intangible capital. After several conversations with management, and following it for several quarters, we believe Sonos is building a platform, dominating streaming music and will leverage that brand into other platform-based streaming services like E-sports/ Gaming/ Virtual reality and will gain important technological knowledge into blockchain/ AI and IoT. The market underappreciates the upside and, like ROKU, when the market understands the value of the platform and intangible capital, we believe the shares will break out significantly higher. Also, mechanistic selling of growth stocks in the quarter gave us the opportunity to leverage our knowledge inventory and establish new positions in Five9 Inc. (FIVN), NeoGenomics Inc. (NEO), and Helen of Troy Ltd. (HELE).

To fund the above purchases and adds, we exited our entire Ultragenyx Pharmaceutical Inc. (RARE) position, after the company successfully met its value creation milestones and reached our estimate of full valuation. Also, we sold FLIR Systems Inc. (FLIR) as it was acquired at a significant premium. Also, we took advantage of the flight to safety trade during the quarter to sell Equity Commonwealth (EQC) given a compressed risk-reward profile. In addition, we took trims in the following holdings given less attractive pay-off structures: Martin Marietta Materials Inc. (MLM), Steel Dynamics Inc. (STLD), and Old Dominion Freight Line Inc. (ODFL).

## Outlook

We remain cautiously optimistic. The pricing equation is helpful to understand how our outlook has shifted:

Exhibit 5.



Source: RMB Capital

EPS growth based on the annual percent change in the 12 month forward EPS expectations of the S&P 500 Index, 9/29/2000 – 7/9/2021.

We suspect the heavy lifting in terms of higher market valuations is shifting from the denominator (Federal Reserve excess liquidity) to the numerator (company specific capital allocation). As the impact from excess liquidity moderates from excessive to neutral, dispersion should continue to increase. Higher dispersion is good for active managers who invest in the right businesses.

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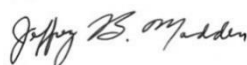
As always, the companies we invest in demonstrate high managerial skill in capital allocation, which creates value for customers, employees, communities, and shareholders.

Thank you for your commitment to the Fund. Should you have any questions regarding your investment, please do not hesitate to reach out to us.

Sincerely,



Chris Faber  
Portfolio Manager



Jeff Madden  
Portfolio Manager

## TOP 10 HOLDINGS AS OF 6/30/21

Company	% of Assets
Pinnacle Financial Partners Inc.	2.55%
West Pharmaceutical Services Inc.	2.55%
Bio-Techne Corp.	2.53%
Copart Inc.	2.46%
Teledyne Technologies Inc.	2.46%
Vail Resorts Inc.	2.42%
American Financial Group Inc.	2.42%
ServisFirst Bancshares Inc.	2.38%
Catalent Inc.	2.36%
Repligen Corp.	2.32%

*Holdings are subject to change. The above is a list of all securities that composed 24.45% of holdings managed as of 6/30/2021 under the RMB SMID Cap 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 6/30/2021. 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.*

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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 letter 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.*

*Diversification does not assure a profit or protect against a loss in a declining market.*

*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 your account. The Russell 2500 Index measures the performance of the 2,500 smallest companies in the Russell 3000 Index. The Russell 3000 Index measures the performance of the 3,000 largest U.S. companies based on total market capitalization. The index does not reflect investment management fees, brokerage commissions, or other expenses associated with investing in equity securities. The Russell 2500 Value Index tracks the performance of companies with lower price-to-book ratios, which shows a company's market price relative to its balance sheet. The Russell 2500 Growth Index is a subset of companies with higher price-to-book ratios, or those expected to have higher growth values in the future. The S&P 500 is widely regarded as the best single gauge of the United States equity market. It includes 500 leading companies in leading industries of the U.S. economy. The S&P 500 focuses on the large cap segment of the market and covers approximately 75% of U.S. equities.*

*The **price-to-earnings (P/E) ratio** is defined as a ratio for valuing a company that measures its current share price relative to its per-share earnings.*

***Earnings per share (EPS)** is calculated as a company's profit divided by the outstanding shares of its common stock. The resulting number serves as an indicator of a company's profitability.*

***Correlation** is a statistic that measures the degree to which two securities or indices move in relation to each other.*

***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. There can be no assurance that the Fund will achieve its investment objective.*

*Foreside Fund Services, LLC, Distributor*