# RMB Fund

## Portfolio Update: First Quarter 2022

The RMB Fund (the "Fund") decreased, -7.50% net of fees in the first quarter of 2022, behind the -4.60% total return for the S&P 500 Index for the same period.

| | Quarter | 1 Year | 3 Years | 5 Years | 10 Years | Since Inception |
|---|---|---|---|---|---|---|
| RMBHX | -7.50% | +13.22% | +17.58% | +16.18% | +11.92% | +10.85% |
| S&P 500 Index | -4.60% | +15.65% | +18.92% | +15.99% | +14.64% | +11.72% |
| RMBHX (Load Adjusted) | -12.13% | +7.56% | +15.60% | +14.99% | +11.34% | +10.73% |

***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 1.23%.***

***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 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.***

Divergence in underlying sector returns was quite high, as inflationary hedges, such as Energy and Commodities, performed very well and with more conservative sectors, such as Utilities and Consumer Staples, also being bright spots. Style wise, value stocks outperformed growth stocks by a substantial margin. Neither of these two major quarterly trends played to the strengths of the Fund's strategy, as we orient towards high quality companies with secular growth prospects and generally avoid commodity oriented, highly cyclical businesses. While our style and strategy has performed well over the past several years, there will certainly be quarters and even years where it is out of sync with what's working in the market, and the first quarter of 2022 was one of those time periods. For what it's worth, the Fund's performance looked favorable relative to other funds in Morningstar's Large Cap Growth universe, although we've long thought that category isn't necessarily a great fit for the Fund. Looking at quarterly performance from a traditional attribution perspective, the Fund's underperformance was relatively balanced between sector allocation and stock selection. Our weightings and holdings in the Energy, Industrials, and Materials were notable negative contributors to performance, partially offset by positive contribution from the Communication Services, Information Technology, and Health Care sectors. We will discuss individual holdings impact on first quarter performance in a moment.

In just three short months, the first quarter of 2022 saw quite a bit of change in both financial markets and geopolitics. To say the quarter was eventful is an understatement. Interest rates surged, with the yield on the 10-year U.S. Treasury increasing from 1.51% to 2.32%. The surge was driven by high inflation, as the Consumer Price Index (CPI) rose approximately 8% year over year in the quarter. Oil prices, already climbing before the Russian invasion of Ukraine, surged further as the conflict unfolded, although closed well off their intra quarter highs. The Fed has become much more hawkish over the last few months and is messaging several more Fed Fund rate hikes over the course of the year to try and dampen widespread inflation. Domestic unemployment has declined dramatically to the point where available labor has become scarce and job openings significantly outweigh job seekers. It's clear that the domestic labor market has fully recovered from the pandemic induced recession. On a positive note, labor force participation has been improving from its pandemic lows, which can be part of the solution for employers unable to find qualified workers. That said, upwards pressure on wages is an issue most businesses will continue to face, and workers have more bargaining power today than they've had in many years. The Great Resignation has been a real phenomenon, as workers look to make change in their careers and employment, resulting in turnover levels not seen in a generation. The Fed now faces the difficult task of raising rates to dampen inflation without significantly hurting economic growth, which will be a very tough act to pull off. It's become obvious that they waited too long into the recovery to stop quantitative easing and start raising rates. This policy mistake has increased the risk of recession in 2023. With overall interest rates rising, the bond market has also seen a flattening and in some cases inverted yield curves, as short-term rates rise faster than long-term rates. In the past, inverted yield curves have been a signal of a looming recession.

As if a wobbly global economy, surging oil prices, supply chain disruptions, and a rising interest rate environment weren't enough, the first quarter saw the beginning of the largest land war in Europe since the end of World War II. The wide-ranging impacts of the war in Ukraine only exasperate this heightened level of uncertainty. The human costs are staggering and the longer-term ramifications on the world are still in the early innings of playing out. Europe's economy was weak prior to the war breaking out, which, along with extraordinarily high energy costs, will very likely tip the Eurozone into recession. While a lot of negative developments occurred during the first quarter, on a positive note, COVID-19 case counts have declined dramatically. China is a glaring exception, as it struggles to contain an Omicron wave with its "zero COVID" policy. There is a strong case for optimism that after two years we will finally be able to move from pandemic to endemic and be able to live with a dramatically less disruptive virus.

Global stock markets, including the U.S., have not reacted well to the changing macro environment. As we penned in our last quarterly letter, stocks ended 2021 at relatively high valuations by historical measures, which didn't allow for much of a margin of safety when the factors that influence equity valuations get worse. The U.S. market sold off substantially through March 14th, with the S&P 500 off -12%, then rallying into quarter-end to finish off only -4.6%. As we write this letter in early April, stocks have sold off further and we expect volatility in both directions to be with us for the intermediate future. Volatility can be the friend of the long-term investor, as it can give you opportunities to buy great companies at attractive prices and also let go of names where we have less confidence or see less attractive risk-rewards embedded in valuations. Rising rates are typically a headwind for stocks as discount rates rise and P/E multiples fall. We feel that there could be more downside for market indices should interest rates rise further. That said, as bottom-up equity investors, we always have some hesitation to opine on "the market" as if it's one single entity. While we are not finding bargains in individual companies to be exceptionally abundant, the selloff in our quality growth universe has us finding some better opportunities than we were seeing last quarter. Macro market predictions are very difficult to make with any hopes of being consistently accurate, so we'll remain "macro aware" but keep our efforts principally focused on bottom-up stock selection. We have built a concentrated, yet diversified, portfolio of high-quality individual companies that can grow their earnings for years into the future and earn attractive returns on invested capital. No matter what happens with the current market cycle, we strongly believe the Fund is positioned to outperform over the long run without taking undue risk.

RMB FUNDS

## Contributors and Detractors

**RMB Fund**
**FIRST QUARTER 2022 CONTRIBUTION REPORT**
*Ranked by Basis Point Contribution*

| | Basis Point Contribution | Return |
|---|---|---|
| **Top Contributors** | | |
| Jack Henry & Associates Inc. | +25 | +18.32% |
| Chubb Ltd. | +23 | +10.65% |
| Catalent Inc. | +20 | +13.47% |
| S&P Global Inc. | +19 | +7.18% |
| Union Pacific Corp. | +14 | +8.48% |
| **Bottom Detractors** | | |
| Fortune Brands Home & Security Inc. | -88 | -30.29% |
| Microsoft Corp. | -56 | -8.14% |
| IHS Markit Ltd. | -54 | -18.14% |
| Avery Dennison Corp. | -47 | -19.34% |
| Home Depot Inc. | -45 | -28.82% |

*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.*

Jack Henry & Associates Inc. (JKHY +18.32%), a provider of technology and processing services to small and mid-sized financial institutions, was the Fund's largest contributor in the first quarter. The stock benefited from the fact that it has almost no economic sensitivity, as it is a mission critical provider to its customer base. Jack Henry tends to grow on a "slow and steady" basis during good and bad economic times and benefits from the increasing adoption of technology by its customer base, as they try and keep up with larger financial institutions. Despite very little change in near term fundamentals, the stock played to our advantage as it appreciated. We continue to like the long-term outlook for the company but did take some trims in the position size shortly after quarter end. Property and casualty insurance giant Chubb Ltd. (CB +10.65%) was the second largest contributor. Chubb continues to report solid quarterly earnings and is a beneficiary in the long run of higher interest rates on the earnings generated from its fixed income portfolio. The P&C industry is also seeing substantial increases in insurance rates, as it passes on the loss cost inflation of the past few years in what is known as a "hardening market". We continue to like the outlook for Chubb and it's positioned in the top half of the portfolio at quarter end.

On the negative side of the performance ledger, we had names adversely affecting the Fund's overall return, both relative and absolute. Fortune Brands Home & Security Inc. (FBHS -30.29%), a manufacturer of various branded products that are used in residential home construction and repair and remodeling projects, was the largest detractor. Pretty much any housing related stock got hit hard in the quarter, as the market assumed rising mortgage rates will cool the red-hot housing market. We tend to agree that the strength in housing that the U.S. saw in 2021 was unsustainable, particularly as measured by price appreciation. A more normalized, but still healthy housing market is a more likely scenario, unless mortgage rates increase a lot more from here, or a full-blown recession ensues. The U.S. has underbuilt single family homes for well over a decade in the aftermath of the Great Recession, which argues for a healthy new construction market for years to come. Fortune Brands portfolio of products is more geared to the repair and remodel market, which benefits from the increase in average age of U.S. homes, which requires reinvestment. The Millennial generation has also become the largest purchaser of single-family homes and they have much different aesthetic tastes and desires, which requires remodeling projects. We think the stock remains a good value at just 11x this year's earnings estimates. Microsoft was the second largest basis point detractor in the Fund. While the stock only declined 8%, a very modest underperformer to the overall -4.6% market decline and about in line with Information Technology sectors performance, it was the second biggest detractor because it's the Funds largest position. Microsoft Corp. (MSFT -8.14%) makes up nearly 6% of the S&P 500's weighting, so to have an active position requires an even larger position in the Fund. While we could write several paragraphs about the "tyranny of the passive indexes", the fact is the S&P 500 has become increasingly dominated by a handful of mega capitalization companies over the past few years. We do our best to avoid getting sucked into the benchmark comparison trap, preferring to own companies that we truly believe can compound value for shareholders over many years. In the case of Microsoft, we still believe the fundamental outlook remains strong for the next several years and own the name offensively based on its long-term appreciation potential. It remains the Fund's largest position at quarter end.

## Portfolio Activity

The Fund bought four new names in the quarter and fully exited one. We also had our long time holding in IHS Markit Ltd. (IHS) close its tax-free stock swap merger with S&P Global Inc. (SPGI). S&P Global is a company that has long been our "wish list" to own and given our high degree of confidence in the combined entity we plan on continuing to own the stock going forward. The Fund purchased a starter position in Walt Disney Co. (DIS) after the stock declined to what we believe was an attractive entry point for a long-term investor. Our thesis is that earnings power is substantially higher a few years from now as the Parks & Experiences segment recovers post COVID and the Direct-to-Consumer media business (largely the Disney+, Hulu, and ESPN streaming services) goes from a current operating loss to breakeven or better. We also purchased off-price apparel and home goods retailer TJX Companies Inc. (TJX) at what we believe was an attractive price. Similar to Disney, we think TJX also has substantial earnings power in the post pandemic recovery and is emerging in a stronger competitive position than prior to the recession. Many of its peers and competitors closed retail locations over the past couple of years while TJX has been able to slow and steadily grow its store base. The value and treasure hunt-based experience that TJX provides its loyal customer base is quite unique in an otherwise highly competitive retail landscape. First Republic Bank (FRC), a niche high-end private bank that serves an upper income client base, was added to the Fund. We believe FRC has a highly differentiated franchise and employee culture that provides superior customer service. The stock has been a fantastic long-term compounder and we were eager to add it to the Fund after a significant pullback from recent all-time highs. Catalent Inc. (CTLT) is a leading provider of drug delivery technologies for the development and manufacturing of pharmaceuticals, biologics, and cell and gene therapies, as well as over the counter health products. As a "picks and shovel" provider, we think ownership is a way to take advantage of the attractive secular growth in the biologic space, without having to pick who the end customer biotech winners and losers will be. Starbucks Corp. (SBUX), a company that needs no introduction, was sold to fund our purchase of TJX, as we felt TJX had better risk-reward characteristics and were concerned about the management change and capital allocation decisions going on at Starbucks.

## Outlook

From when we last wrote you three months ago, market and macro conditions have changed substantially, and the level of forward-looking uncertainty has risen. The stock market never likes uncertainty and the negative start to 2022 isn't surprising. U.S. corporate earnings, which is the biggest long-term driver of stock prices were strong in the fourth quarter (reported in Q1) and forward estimates have continued to be revised higher, although much less than what we saw in 2021 when the Street took time to catch up to the massive earnings recovery from 2020. Earnings look set to grow a healthy high single digit percentage in 2022, although we think there is increasing risk to these estimates from the rapidly changing macro environment. We will be eagerly listening to this quarter's corporate earnings calls for signals about the future, particularly for how individual companies are handling inflation in their cost bases and any slowing of demand. Currently we've seen most U.S. companies can raise prices or cut costs to offset inflationary pressures, but this is only becoming more challenging. U.S. corporate profit margins are at all-time highs, also giving credence that they could come down over the next one to two years, impacting earnings power. Negative revisions to earnings estimates are rarely good for stocks and the potential for forward corporate earnings to be peaking has grown this quarter.

Even after the first quarter pull back, valuations on stocks remain on the expensive side compared to history. Today the market is trading at 19.9x 2022 and 18.1x 2023 earnings estimates versus a very long-term average around 16x. This is down about a point and a half from where we ended the fourth quarter, a reflection of increased discount rates being factored into P/E's from rising interest rates and growing macro risk. Long-term expectations for interest rates influences, the discount rate on which stocks are valued, with P/E multiples being loosely defined as the inverse of the long-term discount rate, adjusted for a 3-4% equity risk premium. As we pen this letter in early April, interest rates have risen further at the start of the quarter, as the Fed's tone has grown even more hawkish as it tries to subdue inflation. A 50-basis point hike in May looks increasingly likely. As always, while we may opine on our view of the overall market, we do not pretend to have any ability of predicting where the market is heading in the short or intermediate term. It's a very difficult, if not impossible, task to add value by timing the market so we remain fully invested at all times, focusing the Fund's efforts on bottom-up, individual company analysis with a long-term ownership mindset. Our investing style focuses on "quality growth" with a valuation discipline ("growth at a reasonable price"). While we were disappointed that the Fund underperformed its passive benchmark this quarter, we believe it was largely our style being out of step with what was working in the market. Nearly all of our individual holdings continue to see their underlying businesses perform reasonably well and are growing their intrinsic value in the long run. We will continue to focus on owning companies with good secular growth prospects, strong economic moats, underleveraged balance sheets, and superior management teams. If we are right more than we are wrong with these assessments, these companies may compound value for shareholders for years into the future. The opportunities to find high-quality growth companies selling at attractive valuations has become a bit more achievable that just three months ago, but in general valuations are still not softballs down the middle of the plate. We will continue to optimize the Fund, adhering to a disciplined investment process and managing portfolio risk. We aim to continue to add value to market returns in subsequent years. We sincerely thank you for the continued trust you place in us to manage your assets. If you have any questions, please do not hesitate to contact us.

Sincerely,

Todd Griesbach
Portfolio Manager

**TOP 10 HOLDINGS AS OF 3/31/22**

| Company | % of Assets |
|---|---|
| Microsoft Corp. | 7.73% |
| Alphabet Inc. | 6.69% |
| Apple Inc. | 3.74% |
| Visa Inc. | 3.70% |
| UnitedHealth Group Inc. | 3.43% |
| Danaher Corp. | 3.38% |
| Dollar General Corp. | 3.35% |
| Keurig Dr Pepper Inc. | 3.05% |
| Booking Holdings Inc. | 2.75% |
| Analog Devices Inc. | 2.73% |

*Holdings are subject to change. The above is a list of all securities that composed 40.54% of holdings managed as of 3/31/2021 under the RMB 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 3/31/2020. 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.*

*The opinions and analyses expressed in this letter are based on RMB Capital Management, LLC's ("RMB Capital") research and professional experience 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 party of your investment. This information is confidential and may not be reproduced or redistributed to any other part without the permission of RMB Capital.*

*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 S&P 500® is widely regarded as the best single gauge of large-cap U.S. equities. There is over USD 7.8 trillion benchmarked to the index, with index assets comprising approximately USD 2.2 trillion of this total. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.*

*High-quality stocks are those that we believe offer greater reliability and less risk. The quality assessment is made based on a combination of soft (e.g., management credibility) and hard (e.g., balance sheet stability) criteria.*

***Basis Point (bps)** is a unit that is equal to 1/100th of 1% and is used to denote the change in a financial instrument.*

***The Consumer Price Index (CPI)** is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.*

*The **price-earnings ratio** (**P/E ratio**) relates a company's share price to its earnings per share. A high P/E ratio could mean that a company's stock is over-valued, or else that investors are expecting high growth rates in the future.*

***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 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.*

*Foreside Fund Services, LLC, Distributor*