RMB Small Cap Fund

RMB FUNDS

Portfolio Update: Third Quarter 2022

During the third quarter ending September 30, 2022, the RMB Small Cap Fund (the "Fund" or "RMBBX") returned -4.61%, net of fees, compared to a -2.19% return for the Russell 2000® Index.

	Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception (8/30/2002)
RMBBX	-4.61%	-28.15%	-23.73%	+3.74%	+5.41%	+8.40%	+9.40%
Russell 2000® Index	-2.19%	-25.10%	-23.50%	+4.29%	+3.55%	+8.55%	+8.91%

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 1.06%.

The Fund's investment advisor, RMB Capital Management, LLC, has adapted a contractual expense limitation agreement for each fund through April 30, 2023, 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 witnessed extreme volatility as the Russell 2000® Index increased 18% from July through mid-August, only to give it all back and then some through September. The rally was sparked by better-than-expected inflation data and solid corporate earnings. It was extinguished by Fed Chairman Powell's Jackson Hole comments that stated, "inflation was still too high", and "the Fed will accept some pain to households and businesses to get it under control." Then the Fed followed up hawkish rhetoric with another 75bp increase to the Fed Funds rate. These actions raised concerns that a deep recession will be the path to 2% inflation.

For the third quarter in a row, portfolio holdings reported mostly solid fundamental quarters and outlooks, but macro fears of higher interest rates, tighter liquidity conditions, slower economic growth, and increased odds of a recession over the next 12 months trumped solid fundamentals. Forward looking investors understand that earnings typically contract 20% during recessions and that analysts and companies are typically behind the curve. Often, stock prices fall in advance of negative earnings revisions. Fear of earnings contraction was greatest among industries related to housing as mortgage rates shot up from all-time lows of 2.65% at the start of 2021 to 6.70% on September 30![1] Single Family Housing Permits declined a seasonally adjusted 15.3% year-over-year.[2] Many housing related businesses underperformed despite strong quarterly results and now appear priced for a recession. Energy and Aerospace businesses held up relatively better reflecting earnings acceleration/resilience due to geopolitical risk associated with the Ukraine war.

While the equity market is beginning to price a recession, the credit market appears more sanguine. Credit spreads have increased from historical lows of 3.77% to 5.74%, which is slightly above the long-term average of 5.36%, but well below recessionary levels that typically reach 10%.[3] We suspect this contradiction to get resolved either through a surge in the equity market if the Fed engineers a soft landing while taming inflation, or a widening of credit spreads as the recession deepens.

[1] Source: Factset.

[2] Source: https://www.census.gov/construction/nrc/pdf/newresconst.pdf

[3] Source: ICE BofA Single-B U.S. High Yield Index Option-Adjusted Spread

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Contributors and Detractors

Contributors were diversified by industry and life cycle.

Devon Energy Corp. (DVN, +11.58%) continued to benefit as the energy sector was one of the best performing sectors during the quarter. DVN posted strong Q2 2022 results across all metrics. We believe the disciplined returns-driven strategy, operational excellence, balance sheet strength, and high-quality asset base position DVN for sustainable value creation throughout the commodity cycle.

BioLife Solutions Inc. (BLFS, +64.74%) continued its recovery from oversold conditions in May and June and the company reported very strong 2Q results. The core cell media preservation (46% organic growth) is benefiting from clinical trials moving into Phase II and III along with label expansions among its approved customers in the Cell and Gene Therapy (CGT) market. In addition, BLFS has made significant progress in resolving supply chain and quality control issues at its Stirling cold-storage technology business. This turnaround has driven margins higher.

Stock Yards Bancorp Inc. (SYBT, +14.18%) is another high-quality small cap bank, which has a Kentucky footprint augmented by additional beachhead in Cincinnati and Indianapolis. SYBTs competitive advantage lies in its conservative credit culture, high touch service model, and consistent approach in serving the top 25% of performers across industries. SYBT reported a strong second quarter with accelerating loan production, net interest margin expansion reasonable expense discipline, and the banks offense and defense characteristics are well suited for later cycle dynamics.

RMB Small Cap Fund
THIRD QUARTER 2022 CONTRIBUTION REPORT
Ranked by Basis Point Contribution

	Basis Point Contribution	Return
Top Contributors		
Devon Energy Corp.	+56	+11.58%
BioLife Solutions Inc.	+39	+64.74%
Stock Yards Bancorp Inc.	+36	+14.18%
Valmont Industries Inc.	+33	+19.83%
Repligen Corp.	+26	+15.22%
Bottom Detractors		
Catalent Inc.	-94	-32.56%
Argo Group International Holdings Ltd.	-69	-45.36%
Omnicell Inc.	-53	-23.49%
West Pharmaceutical Services Inc.	-51	-18.57%
Neogen Corp.	-45	-42.01%

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.

Valmont Industries Inc. (VMI, +19.83%) is benefiting from strong pricing and end market strength driving growth in its agriculture and infrastructure segments, as well as successful company-led efforts to expand margins through operational excellence, despite the challenge of higher steel costs. A record backlog from previously awarded long-dated infrastructure projects is helping to add visibility in an uncertain market.

Detractors were negatively impacted by company specific mostly temporary headwinds. Three detractors were in the healthcare sector.

Despite an in-line quarter, Catalent Inc. (CTLT, -32.56%) was weak on lower than expected initial 2023 guidance primarily due to FX headwinds and a significant reduction in COVID revenues (-66% reduction in COVID volumes). However, management still called for 25%+ growth excluding COVID (drive by cell and gene therapy and capacity expansion across Biologics and Bettera) and raised long-term revenue growth targets from 8%-10% to 8%-12%, largely due to higher growth in the Pharma / Consumer Health segment.

West Pharmaceutical Services Inc. (WST, -18.57%) reported a strong quarter but sold-off intra-quarter, similar to many pick and shovel healthcare peers, as investors continue to be concerned with the potential of a COVID "cliff." While management did lower expected COVID revenue, this is largely offset by higher base business revenue growth resulting in organic constant currency growth targets in-line with long-term targets. We are comfortable with the transition from COVID related revenue growth to non-COVID / base business revenue growth.

Omnicell Inc. (OMCL, -23.49%) reported a largely in-line quarter but was weak following the subsequent investor day. Management re-affirmed its 2025E outlook for revenue despite the macro environment, as OMCL's products and services are viewed as increasing hospital productivity and efficiency. However, adjusted EBITDA margin guidance for 2025E was reduced due to inflation headwinds and investments in software and tech-enabled services. We believe that these are appropriate investments to drive long-term growth and eventual margin expansion.

One detractor violated our investment thesis. Argo Group International Holdings Ltd. (ARGO, -45.36%) a Property & Casualty company, surprised us and the market by entering a very expensive loss portfolio transfer (a reinsurance treaty in which an insurer cedes policies and the loss reserves to pay them to a reinsurer) with Enstar, along with announcing adverse development in its second quarter results. This comes after they had a third-party reserve review at year end, which is what was so surprising. We were losing confidence in the company and the changing leadership led us to sell some stock ahead of the quarter. We sold the remaining position during the quarter.

Portfolio Activity

Portfolio activity remained low, given our high conviction in the names we own and the mostly solid quarterly results they reported. We reduced our positions in Devon Energy Corp. (DVN), Stock Yards Bancorp Inc. (SYBT), American Financial Group Inc. (AFG), and Chart Industries, Inc. (GTLS). We started accumulating starter positions in ServisFirst Bancshares Inc. (SFBS), Veritex Holdings, Inc. (VBTX), Triumph Bancorp, Inc. (TBK), Range Resources Corp. (RRC), Matador Resources Co. (MTDR), and Chesapeake Utilities Corp. (CPK). We added to our positions in PotlatchDeltic Corp. (PCH) and Community Healthcare Trust Inc. (CHCT). We sold Argo Group International Holdings Ltd. (ARGO) due to a thesis violation.

Outlook

We don't know when the bear market will end, but it will. Even so, here is our best guess as to how things might play out. In our last outlook, we estimated that we were at least halfway through the bear market. The average bear market has been approximately 16 months accompanied by a 41% decline. The current bear market for the Russell 2000® is 11 months, with a 32% decline from the peak. Further downside is possible, given the Fed's commitment to 2% inflation and the economic pain and earnings contraction potentially associated with achieving that objective. Playing the averages, a reasonable guess might be another 10%-15% to the downside if a deep recession takes hold. More downside if the Fed goes too far and breaks something, or Russia goes nuclear. Maybe less downside if inflation falls toward 2% faster than the Fed expects. It is even possible the bottom is in, if the Fed pivots under pressure from President Biden, with friendly trading partners suffering from dollar strength or the credit market malfunctioning. As always, more things can happen than will happen. We simply cannot know for sure, which is why the portfolio is diversified by industry and lifecycle to help manage risks we can't know or control while remaining concentrated enough to allow for the company specific value creation to drive longer-term excess return.

Given elevated risks and wide potential outcomes, we expect volatility to remain high. Rallies will be fueled by the Fed skeptics who are convinced the Fed pivot is just around the corner. Declines or new lows will be driven by deteriorating economic and earnings data into an unwavering hawkish Fed. The silver lining to where we find ourselves in the current investment environment is that a lot of negative news is priced in. Despite all the negative economic and inflationary news this quarter, the portfolio only dropped 4.61%. Perhaps most of the damage of this bear market is behind us. A lot will depend on how corporate earnings/cash flows hold up/deteriorate from here.

Regardless of which scenario plays out, we believe investors should be preparing to increase their equity allocations over the next 3-9 months. Note, smaller cap stocks often lead the way out of bear markets as historically they have been more sensitive to changes in liquidity and credit spreads.

As always, we believe the companies we aim to invest in demonstrate high managerial skill in capital allocation and adaptability, which we believe can create value for customers, employees, communities, and shareholders.

RMB Small Cap Fund

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

Sincerely,

Chris Faber
Portfolio Manager

TOP 10 HOLDINGS AS OF 9/30/22

Company	% of Assets
Devon Energy Corp.	4.86%
TriCo Bancshares	4.30%
Seacoast Banking Corp. of Florida	3.42%
EastGroup Properties Inc.	3.31%
Repligen Corp.	3.11%
Kadant Inc.	3.00%
Stock Yards Bancorp Inc.	2.85%
Eagle Materials Inc.	2.69%
Pool Corp.	2.65%
West Pharmaceutical Services Inc.	2.57%

Holdings are subject to change. The above is a list of all securities that composed 32.76% of holdings managed as of 9/30/2022 under the RMB Small 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 9/30/2022. 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.

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 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index. The index does not reflect investment management fees, brokerage commissions, or other expenses associated with investing in equity securities.

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

***EV/EBITDA:** Enterprise multiple, also known as the EV multiple, is a ratio used to determine the value of a company. The enterprise multiple, which is enterprise value (Market capitalization + Total debt – Cash and cash equivalents) divided by earnings before interest, taxes, depreciation, and amortization (EBITDA), looks at a company the way a potential acquirer would by considering the company's debt. What is considered a "good" or "bad" enterprise multiple varies by industry.*

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. There can be no assurance that the Fund will achieve its investment objective. Investments in smaller companies involve additional risks such as limited liquidity and greater volatility.

Foreside Fund Services, LLC, Distributor