

## Portfolio Update: Second Quarter 2023

During the second quarter ending June 30, 2023, the RMB Japan Fund (the "Fund" or "RMBPX") was up, +4.56%, net of fees. During the same period, the MSCI Japan Total Return Index (dividends reinvested), which represents large capitalization companies in Japan, was also up, +6.42% in USD.

	Quarter	YTD	1 Year	3 Years	5 Years	Since Inception (12/27/2017)
RMBPX (net of fees)	+4.56%	+12.35%	+15.94%	+4.44%	+1.97%	+1.26%
MSCI Japan Index	+6.42%	+13.00%	+18.14%	+5.70%	+3.13%	+2.43%

**Performance listed is as of June 30, 2023. 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 1.64% and the net expense ratio is 1.31%.**

**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 1.30% of the average daily net assets of the Class I shares (the "Expense Cap"). The Expense Cap is in effect until April 30, 2024 and cannot be terminated prior thereto without the approval of the Fund's Board of Trustees.**

## Overview of Second Quarter

Japanese equities continued their rally further in the second quarter, outpacing their counterparts in Europe and Emerging Markets. At the beginning of the quarter, the country's equity market joined the global relief rally, as investors quickly dismissed the risk of a banking crisis. From mid-May onwards, the country's relative outperformance became more pronounced, triggered by Warren Buffett's renewed bullish stance on Japanese equities. This prompted foreign investors to scramble to acquire more Japanese assets while taking advantage of the weak currency. Despite the -7.93% depreciation of the Japanese Yen during the quarter, the country's equity market achieved meaningful outperformance on a dollar basis.

However, the rally did not uniformly support all factors in the market. The weak currency primarily boosted the performance of larger export-driven stocks, while investors' enthusiasm for the growth opportunity of artificial intelligence (AI) centered on the semiconductor equipment industry. While the Tokyo Stock Exchange (TSE)'s new measures to encourage higher capital efficiency in corporate Japan were effective and improved valuations in the large-cap space, the overall excitement in the market has yet to reach the small-cap space. The Fund's structural overweight on the small-cap factor often makes it challenging to fully participate in a market rally in such an environment, resulting in weak quarterly returns compared to the overall market.

## Contributors and Detractors

Itochu Corp. (8001 JP) and Kansai Electric Power Co. Inc. (9503 JP) were two major contributors during the quarter.

Itochu Corp. is a prominent Japanese trading company that operates across diverse industries such as textile, machinery, metals, minerals, energy, chemicals, food, technology, and finance in Japan and overseas. Initially serving as corporate Japan's export channel, Japanese trading companies have evolved to become the resource-constraint island nation's solution for unstable input cost issues, through the acquisitions of natural resources and other assets overseas. Among the

first Japanese value names to be “discovered” by foreign investors, even before any significant value rotation began, were Itochu and four other major trading companies. This recognition was largely due to Warren Buffett's high-profile investment back in 2020. During the quarter, Itochu's stock demonstrated strong performance driven by robust quarterly earnings, sustained shareholder returns, and Warren Buffett's visit to Japan, where he communicated his renewed bullish stance on the company. Despite experiencing a multi-year rally starting in 2020, the stock still maintains an attractive price-to-earnings ratio of 10x and a 3% dividend yield. It is worth noting that the stock's strong long-term outperformance has been largely attributable to its unfairly low initial valuation. This makes Itochu an excellent example of our ability to identify a solid business at a significant discount before it garners excitement from other investors.

Kansai Electric Power Co. Inc. is a power company that operates in the Kansai region of Japan. The company holds the second largest operations in the country, following Tokyo Electric Power, and its power generation portfolio provides a significant exposure to nuclear power generation. When we initiated a position in the stock in 2022, our thesis was primarily driven by the belief that Japan's utility sector had long been underappreciated despite its crucial role in the country's economy. We also anticipated that nuclear power would continue to be a necessary power source, given the tight power supply in Japan and the limited alternatives available. Subsequently, events such as the war in Ukraine, rising inflation and energy security concerns that followed further accelerated the process of restarting nuclear reactors in Japan. As a result, Kansai Electric Power has emerged as the main beneficiary of this trend shift. During the quarter, the company reported better-than-expected quarterly earnings and provided positive guidance. The result was driven by a rising nuclear power factor, along with the stabilization of input costs for thermal power generation. While low input costs are beneficial for all power companies, we believe that Kansai Electric Power will maintain its position as the cost leader in the industry due to its substantial exposure to nuclear power and rising capacity factor, while the importance of nuclear power continues to grow in the country. As the stock price approached our target price, we adjusted the position size to reflect the stock's current risk and reward balance of the stock.

Murata Manufacturing Co. Ltd. (6981 JP) and Shionogi & Co. Ltd. (4507 JP) were two major detractors to Fund performance during the quarter.

Murata is a leading electronic component manufacturer and the largest supplier of multilayer ceramic capacitors (MLCC) with approximately 40% global market share. During the quarter, the company reported quarterly earnings and guidance that fell far below the consensus numbers. Orders have declined for three consecutive quarters as inventory adjustments continued across the industry, driven by weakening demand for PCs and smartphones. Despite the size of guidance shortfall, the stock's initial reaction to the result was relatively resilient, reflecting the market's risk-on sentiment at that time. However, the stock's performance throughout the quarter remained mediocre. We classify the company as a high-quality cyclical name and have set our expectations and position size accordingly. We remain constructive on the secular growth potential for the company's MLCC business and will continue to look for trading opportunities.

## RMB Japan Fund SECOND QUARTER 2023 CONTRIBUTION REPORT (in USD<sup>1</sup>)

Ranked by Basis Point Contribution

	Basis Point Contribution	Return
<b>Top Contributors</b>		
Itochu Corp.	+138	+21.75%
Mitsubishi UFJ Financial Group Inc.	+112	+15.66%
Subaru Corp.	+89	+17.71%
Sanyo Shokai Ltd.	+62	+13.21%
Kansai Electric Power Co. Inc.	+60	+28.78%
<b>Bottom Detractors</b>		
ONO Pharmaceutical Co. Ltd.	-43	-8.96%
Nippon Steel Corp.	-24	-11.34%
Murata Manufacturing Co. Ltd.	-21	-5.67%
Shionogi & Co. Ltd.	-20	-6.49%
Kao Corp.	-19	-5.75%

<sup>1</sup> All return figures above are lower than the returns in local currency due to the -7.93% appreciation 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 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.*

Shionogi is a high-quality pharmaceutical company in Japan focused on its core therapeutic areas of infectious diseases, notably anti-HIV franchise and influenza treatment Xofluza. The company also specializes in treatments for pain and central nerve system disorders. Since the beginning of the pandemic, Shionogi's stock performance has largely been driven by its progress in developing COVID-19 vaccines and treatments. However, the stock performed poorly during the quarter, as investors were skeptical about management's plan to generate 100bn yen in sales from COVID-19-related treatments and vaccines by securing approvals in Korea and China this year. While the target certainly appears ambitious, we also question whether investors are overly fixated on incremental sales of its COVID-19 products. Instead, we would argue that the stock still appears undervalued relative to the value of the company's growing HIV franchise and other promising pipeline drugs, including the non-GLP-1 obesity treatment candidate. We continue to believe that the stock is attractively valued to provide a favorable risk-reward balance.

## Portfolio Activity

During the quarter, we initiated positions in Kyocera Corp. (6971 JP), a manufacturer of electronic equipment and components including ceramic components and MLCCs; and Takeda Pharmaceutical Co. Ltd. (4502 JP), a prominent diversified pharmaceutical drug company in Japan. We also reentered Nintendo Co. Ltd. (7974 JP), a global video game developer best known for its franchises such as Mario, Zelda, and Pokemon.

We fully exited Ono Pharmaceutical Co. Ltd. (4528 JP), a pharmaceutical company known for its cancer treatment drug Opdivo, as the drug's sales growth has not met our initial expectations. We also exited our remaining position in Fast Retailing Co. Ltd. (9983 JP), a Japanese fashion retailer of Uniqlo, as we believed that the stock achieved its fair value.

## Outlook

The second quarter was another strong period for global equity markets. However, we maintain caution regarding the macroeconomic outlook as the repercussions of the Federal Reserve's rapid rate hikes, which are yet to fully materialize in the real economy. The Fed's commitment to prioritizing inflation control over economic growth and reducing aggregate demand may continue to test highly leveraged areas in the global financial system.

Nevertheless, we continue to believe that Japan's economic outlook appears relatively favorable in comparison to other developed economies, and global investors are becoming increasingly aware of this fact. As we have consistently emphasized in our previous letters and comments, we believe that the country is approaching a significant turning point, marking the beginning of a multi-generational shift away from the long-standing deflationary trend of the past 30 years. Our recent visit to Japan further solidifies this thesis, as we witnessed bustling retail shops, restaurants, and shopping malls filled with both Japanese customers and inbound tourists. The tight labor market, increasing wages, companies' willingness to raise prices, and customers' acceptance of them all indicate that today's Japan is far from an economy plagued by structural deflation.

Furthermore, we continue to observe a dramatic change in the corporate culture of the country. During our visit in Japan, we were pleasantly surprised by the commitment of corporate Japan to enhance capital efficiency and profitability, rather than pursuing undisciplined business expansions. This change in mindset was evident even at companies that are perceived as more conservative or old-fashioned. It reaffirmed our belief that these changes are irreversible, structural, and more than a short-lived hype.

As we highlighted in the last quarterly letter, the positive market outlook in Japan has garnered attention from global investors including Warren Buffet, who visited Japan in April and expressed his intention to increase investments in the country. With more allocators redirecting their focus away from the U.S. towards other regions, including Asia, Japan emerges as an attractive first destination due to its improving economic activities, stable yet rising inflation, low valuations, and favorable policy support.

Despite its recent relative outperformance, Japan's equity market continues to be undervalued, both compared to other developed market counterparts and its own historical levels. Given the growing economic momentum within the country, we believe that investing in Japan presents an appealing risk-reward profile throughout the current market cycle. We

remain committed to identifying and investing in attractively valued stocks that possess the potential to outperform over a full market cycle.

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

Sincerely yours,



Masakazu Hosomizu, CFA  
Partner, Portfolio Manager



Ilhwa Lee, CFA  
Portfolio Manager

## TOP FIVE HOLDINGS AS OF 6/30/23

Position	% of Assets
Mitsubishi UFJ Financial Group Inc.	7.99%
ITOCHU Corp.	7.57%
Sanyo Shokai Ltd.	5.40%
Subaru Corp.	4.10%
Hitachi Ltd.	3.98%

*Holdings are subject to change. The above is a list of all securities that composed 29.04% of holdings managed as of 6/30/2023 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 6/30/2023. 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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**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 Fund invests in foreign securities which may be less liquid, subject to currency-rate fluctuations, be in areas with political and economic instability and be subject to less strict regulation of the securities markets.

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.

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 approximately 320 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in Japan.

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