RMB Mendon Financial Services Fund

RMB FUNDS

Portfolio Update: Fourth Quarter 2018

For the three months ended December 31, 2018, the RMB Mendon Financial Services Fund (the "Fund") declined -19.67% net of fees, while its benchmark, the NASDAQ Bank Index, returned -18.52%. For the full year, the Fund fell -17.02% net of fees, while the NASDAQ Bank declined -16.17%.

	Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception
RMBKX	-19.67%	-17.02%	-17.02%	+6.43%	+10.04%	+11.36%	+11.98%
NASDAQ Bank Index	-18.52%	-16.17%	-16.17%	+6.84%	+6.85%	+7.20%	+5.37%
RMBKX (Load Adjusted)	-23.69%	-21.17%	-21.17%	+4.63%	+8.91%	+10.79%	+11.69%

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 1.33%.

The Fund's investment advisor, RMB Capital Management, LLC, has adapted a contractual expense limitation agreement for each fund through May 1, 2019, 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.

The top contributors for the month were Fidelity Southern Corp. (LION) and Investar Holding Corp. (ISTR). LION was acquired by one of our top detractors, Ameris Bancorp (ABCB). The combined company will result in a $16 billion asset bank with 36% of its deposits in metro Atlanta, GA, 27% of its deposits in Florida, and the remaining deposits sourced from Alabama, Georgia, and South Carolina. Through organic growth and acquisitions, the company is expected to grow 2018 earnings per share (EPS) by 32% over 2017 and 2019 EPS by 26% over 2018 (4Q earnings have not yet been reported as of this writing). Despite this, as of December 31, the stock was down -33.87% for the year, trading at under 8x 2019 EPS. Our other detractor also was an acquirer earlier in the year as it continued to expand its historical Texas-based footprint into the Denver, CO market. Independent Bank Group, Inc. (IBTX) completed the acquisition of Guaranty Bancorp, Inc. (formerly GBNK), one of the two remaining community banks in Denver (the other also sold in 2018). IBTX now has $14 billion of footings in Austin, TX; Dallas, TX; Denver, CO; and Houston, TX—some of the strongest MSAs in the country. Eerily similar to ABCB, the stock was down -32.23% for the year, trading at year-end at under 9x 2019 estimates and is expected to grow EPS 32% in 2018 and 15% in 2019.

The fourth quarter of 2018 was one of the more difficult quarters for financials in recent memory. In 2018, the Nasdaq Bank Index underperformed the S&P 500 Index by 1179 bps. While the underperformance spanned the market-cap range, the worst performers were $10–50 billion asset-sized banks as they underperformed by around 1700 bps. From a regional perspective, the West and Southeast regions underperformed the most in direct contrast with their highly favorable growth prospects and superior long-term demographics. As we have penned often, we are heavily weighted in the Sun Belt due to its growth prospects, which certainly hurt the Fund at the end of 2018.

The market constantly sought a narrative to explain the negative price action, and we are not sure it has found one yet. During the quarter, we witnessed multiple waves of selling from different market participants with very few fundamental buyers to be found. Whether it be market-neutral funds, trend-following models, passive fund flows, or tax-loss selling, there were many price-insensitive sellers in the market that directly affected sentiment toward the group. Quoting Citigroup's Michael Corbat, "We see the biggest risk in the global economy is one of talking ourselves into the next recession, as opposed to the underlying fundamentals taking us there."

Looking back, the quarter was reasonably eventful with 3Q earnings reports, mid-term elections, and a wide variance of forward rate expectations. Concerns over trade, the yield curve, and the overall duration of the current business cycle resulted in a much-changed valuation framework for the group without a coincident change in underlying fundamentals, presenting extremely interesting opportunities for us to put money to work at multi-year lows.

Despite the material benefits from tax reform and more tailored regulation, it is notable that financials are now trading at lower valuations than the period prior to the presidential election in 2016. Capital levels are at 70-year highs, and profitability is approaching historical levels on this higher capital base. Credit is benign for now, and while credit costs will normalize, we do not see an imminent recession that financials are currently pricing in. Interesting in the fourth quarter was the surge in buyback announcements from small- and mid-cap banks, joining their larger-cap brethren. At last count, there were 41 separate SMID-cap buyback announcements since 3Q earnings releases, and we expect many more with 4Q earnings announcements. At current valuations and when capital is growing faster than loans, we view stock buybacks as a prudent risk-adjusted source of earnings growth.

Shifting to M&A, the environment continued to improve. In 2018, 260 U.S. bank and thrift deals were announced, up from 256 in 2017. Total deal value climbed to $29.87 billion from $26.44 billion, and the median deal value-to-tangible common equity ratio rose to 169.9% from 159.5%. Although the market has not been kind to announced mergers on the whole, we think that in several cases, the combined companies' value creation potential is among the highest in the group.

To close, we want to address some of the fundamental concerns mentioned above. As it pertains to trade, we like the smaller-cap, domestic focus of the sector in which we operate. We do not like the uncertainty the trade wars have generated, but we do not think it will go to the point of derailing an otherwise healthy economy. In addition, any resolution will be accretive to both the domestic and international markets. Next, a popular issue in the financial press continues to be the compression of the yield curve, specifically the spread between 2- and 10-year U.S. Treasurys. To be clear, banks do not gather deposits at the 2-year Treasury rate and lend at the 10-year Treasury rate, the yield curve has yet to invert, and we believe the yield curve has lost some of its predictive power as the world has become much more interconnected. Historically when the curve inverts, it indicates that the Federal Reserve ("the Fed") has made a policy error that can cause a recession in the near to immediate term. In the fourth quarter, Fed Chairman Powell walked back future rate hike expectations, reducing the possibility for future policy errors. We truly believe that the Fed is data dependent and hope it is a student of history. Lastly, as investors in levered enterprises, we remain hyper-vigilant in looking for excesses or signs that the current expansion is changing course. We continue to view the economy as healthy and think it unlikely we see two consecutive quarters of negative GDP that would define a recession in the near term. The rate of economic growth in the U.S. may well have peaked, but that doesn't necessarily mean that economic growth is over. As one sell-side firm titled a note in December, "Less Good Does Not Mean Bad." We agree, are positioned accordingly, and are comforted by the wide margin of safety that today's valuations provide.

Sincerely,

Anton Schutz
Senior Portfolio Manager

TOP 10 HOLDINGS AS OF 12/31/18

Company	% of Assets
FB Financial Corp. (FBK)	10.06%
First Bancorp (FBNC)	5.75%
Triumph Bancorp Inc. (TBK)	5.55%
Veritex Holdings Inc. (VBTX)	5.53%
Equity Bancshares Inc. Class A (EQBK)	4.86%
Ameris Bancorp (ABCB)	4.41%
Fidelity Southern Corp. (LION)	4.13%
Carolina Financial Corp. (CARO)	3.53%
Independent Bank Group Inc. (IBTX)	3.42%
Old Line Bancshares Inc. (OLBK)	3.02%

Holdings are subject to change.

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 newsletter 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.

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 Mendon Financial Services Fund and the RMB Mendon Financial Long/Short Fund are sector funds. These types of funds may be susceptible to factors affecting their industries, and the funds' net asset values may fluctuate more than a fund that invests in a wider range of industries. Because these funds concentrate their investments in one sector of the economy (financial services) and invest in derivative securities (currently RMB Mendon Financial Long/Short Fund engages in short sales of equities), investors should consider the risk that the funds may experience greater volatility than funds that invest across several sectors.

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 NASDAQ Bank Index includes securities of NASDAQ-listed companies classified according to the Industry Classification Benchmark (ICB) Banks. The NASDAQ Bank Index performance data quoted above are total return numbers.

Foreside Fund Services, LLC, Distributor