RMB
FUNDS

RMB MENDON FINANCIAL SERVICES FUND

Portfolio Update: 2017

For the year ended December 31, 2017, the RMB Mendon Financial Services Fund rose +11.99% in comparison to a gain of +5.44% for its benchmark, the NASDAQ Bank Index.

	YTD	Quarter	1 Year	3 Years	5 Years	10 Years	15 Years	Since Inception
RMBKX	11.99%	2.51%	11.99%	20.50%	21.38%	11.66%	11.09%	13.81%
NASDAQ Bank Index	5.44%	2.33%	5.44%	16.54%	18.66%	6.48%	6.37%	6.69%
RMBKX (Load Adjusted)	6.40%	-2.61%	6.40%	18.46%	20.14%	11.09%	10.72%	13.49%

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 1.41%.

2017 marked the beginning of several themes we anticipate will provide tailwinds to the U.S. financial services sector for years to come. We discussed these often during the year and saw them finally coalesce with the passage of corporate tax reform. In addition to tax reform, we witnessed substantial momentum in consolidation, deregulation, and higher rates, which we detail below.

Most important to the group was the passage of corporate tax reform. Banks, on average, are the highest tax payer of the S&P industries. They pay close to statutory rates as there are no real offsets for plain-vanilla, domestic bank earnings. By reducing corporate tax rates to 21%, there is significant room for profit improvement, even if the full benefit doesn't drop to the banks' bottom line. Importantly, there is now a path for banks to return to historical returns on equity with larger (safer) capital bases.

M&A also continues to be a major theme for the group, quietly accelerating from 2016 levels in both number and valuation. There were 254 transactions in the year, up from 240 in 2016; the average price to tangible book value was 164.7%, compared to 136% for 2016. Notably, 4.3% of the industry consolidated in 2017, in line with recent trends. Further, only four new bank charters were granted (to put this in perspective, 178 charters were granted in 2006). In addition to higher currencies allowing for more accretive deals, the importance of scale remains paramount. Although onerous bank regulation is easing, technology and cybersecurity spending remains robust, requiring banks to have a larger footprint over which to spread these costs. We often refer to the banking "food chain" where larger banks continually "eat" the smaller banks. Interestingly, we now see an increase in smaller banks merging with each other in order to have reasonable scale for continued operations or to be relevant in the food chain.

Deregulation is ongoing, both on an agency and legislative basis. On the agency side, since the presidential election, seven of nine agency voting members of the Financial Stability Oversight Council (FSOC) have, or will have, turned over. They include: Secretary of the Treasury (Mnuchin), Chairman of the Board of Governors of the Federal Reserve System (nominee: Powell), Comptroller of the Currency (Otting), Director of the Bureau of Consumer Protection (Mulvaney), Chairman of the Securities and Exchange Commission (Clayton), Chairperson of the Federal Deposit Insurance Corporation (nominee: McWilliams), and Chairperson of the Commodity Futures Trading Commission (Giancarlo). Legislatively, Congress is working to change the Systemically Important Financial Institution (SIFI) threshold from $50 billion in assets to $250 billion. If passed, it would result in a material reduction in regulation and provide management teams with a greater ability to intelligently manage capital return. In addition, M&A should benefit from removing the artificial regulatory asset levels, resulting in larger companies potentially returning to the market as buyers and creating some compelling transactions with powerful synergies and cost savings. This is the type of deregulation that makes the most sense to us – that is, not the wholesale repeal of Dodd-Frank or other post-crisis legislation, but the shift from "one size fits all" to more thoughtful, size- and risk-appropriate regulation.

As it pertains to rates, the fed funds rate was lifted three times in 2017, and the Fed's dot plot suggests three more hikes in 2018. The market is not fully giving credit to three rate increases, but we think it should. The spread between the 2- and 10-year U.S. Treasury varied greatly throughout the year and we believe its narrowing at times was due to externalities rather than a precursor of an economic downturn. Banks' earnings streams are much more sensitive to short-term rates than the shape of the yield curve. In addition to loan yields, we are spending a great deal of time analyzing banks' deposit bases, knowing that the more short-term rates rise, the greater the pressure on deposit competition.

Our largest contributors were, not surprisingly, both headquartered in the Southeast. FB Financial Corporation (FBK), headquartered in Nashville, TN, successfully used its multiple to acquire a local competitor during the year, vastly enhancing its earnings power and franchise value. First Bancorp (FBNC) is now the largest community bank in North Carolina after the recent mergers in the state. Our position in the stock increased over time as it acquired several of our holdings. We also added to the position in the open market during the year after realizing the unique opportunity available to the bank. Both of these positions demonstrate the optionality we look for in our holdings – companies that can increase value on a stand-alone basis resulting from markets and strong management, or benefit from being on either side of an acquisition.

Detractors were OceanFirst Financial Corp. (OCFC) and Opus Bank (OPB), both of which we believe have significant upside not currently recognized by the market.

Consolidation, deregulation, rising rates, and tax reform provide a constructive backdrop as we enter 2018. These tailwinds, coupled with a growing economy, make us enthusiastic about the opportunity set ahead. We continue to meet with management teams every chance we get, resulting in over 500 meetings last year. This emphasis on local intelligence provides us with broad investible themes and insights on the differences of U.S. regions.

We look forward to an environment where there is less correlation, one in which fundamentals matter and good businesses are rewarded. Our research-intensive approach is well-suited for such an environment. We truly appreciate your continued support.

Sincerely,

Anton Schutz
Portfolio Manager

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TOP 10 HOLDINGS AS OF 12/31/17	
Company	**% of Assets**
FB Financial Corp. (FBK)	7.07%
First Bancorp NC (FBNC)	5.03%
Pacific Premier Bancorp Inc. (PPBI)	4.02%
Pinnacle Financial Partners (PNFP)	3.82%
South State Corp. (SSB)	3.81%
Triumph Bancorp Inc. (TBK)	3.74%
Live Oak Bancshares Inc. (LOB)	3.05%
Fidelity Southern Co. (LION)	3.04%
Seacoast Banking Corp. of Florida (SBCF)	2.75%
Equity Bancshares Inc. Class A (EQBK)	2.62%

The KBW Bank Index [BKX; PHLX/KBW Bank Index] is an unmanaged index comprised of 24 geographically diverse stocks representing national money center banks and leading regional institutions. One may not invest directly in an index.

The NASDAQ Bank Index includes securities of NASDAQ-listed companies classified according to the Industry Classification Benchmark (ICB) Banks.

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.

Foreside Fund Services, LLC, Distributor