

RMB Mendon Financial Long/Short Fund

Portfolio Update: First Quarter 2018

For the three months ending March 31, 2018, the RMB Mendon Financial Long/Short Fund (the “Fund”) gained +2.21% (net of fees), outpacing the +0.29% return of the long-only KBW Bank Index. Over the last several quarters, our options portfolio had a drag on performance. However, as we have mentioned in previous letters, our options strategy is used to minimize downside in weaker markets and even benefit from large market dislocations. As we saw volatility spike in the first quarter, that defensive positioning paid off, with our options adding value while our long positions posted considerable returns.

	Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception
RMBFX	+2.21%	+2.21%	+1.23%	+6.21%	+10.55%	+9.04%	+8.85%
KBW Bank Index	+0.29%	+0.29%	+18.05%	+16.29%	+15.97%	+5.23%	+3.34%
RMBFX (Load Adjusted)	-2.90%	-2.90%	-3.83%	+4.40%	+9.41%	+8.49%	+8.44%

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 2.11%.

The Fund's investment advisor, RMB Capital Management, LLC, has adapted a contractual expense limitation agreement for each fund through April 30, 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.

During the quarter, the top two contributors to the Fund's returns were located in the Southeast – Triumph Bancorp, Inc. (TBK) and Live Oak Bancshares, Inc. (LOB).

The Fund's top detractors for the period were a business services corporation short and Bank of America Corp. (BAC).

The quarter ending March 31, 2018 was the first negative quarter for the S&P 500 Index (SPX) since the third quarter of 2015. During February and March of this year, the SPX had +/- 1% or greater moves on 21 trading days. Three consecutive days in late March saw moves of +/- 2%. In contrast, eight trading days in all of 2017 had +/- 1% moves, which we view as an anomaly. As a point of reference, 2016 had 48 days. Our research-intensive process, long tenure in the sector, and portfolio construction allowed us to outperform both the KBW Bank Index (BKX) and Nasdaq Bank Index (CBNK) for the quarter. As evidenced by these returns, we have built a portfolio to not only capture upside performance, but to minimize and capitalize on broader market drawdowns, which can affect the financial services sector greater than the overall market.

The quarter began with 4Q17 earnings announcements in mid-January. More interesting than the reported numbers were the management discussions detailing their collective outlook regarding the impact of tax reform on their business and customers. The benefits will be material and as we have discussed before, the domestic banking sector is one of the largest beneficiaries as it generally paid the highest tax rate of any S&P industry. Some of the gains will be reinvested and some could be competed away (depending on the nature of the product), but overall we are extremely positive about the effects of tax reform on the financial sector and the economy in general.

On the legislative front, the Senate passed S.2155 in March with healthy bi-partisan support. The bill would exempt banks between \$50 billion and \$250 billion in assets from heightened Fed oversight (SIFI, CCAR, etc....). The \$50 billion asset threshold has been material for banks; since the enactment of Dodd-Frank, two banks have crossed the \$50 billion threshold while the number of banks between \$20 billion and \$50 billion in assets has doubled. Of the 38 banks subject to this heightened oversight, only 12 are greater than \$250 billion in assets. If enacted, the bill would allow much greater capital flexibility for banks under \$250 billion and open up other strategies for those banks that had purposefully been staying under \$50 billion for regulatory purposes.

On March 21, Fed Chairman Jerome Powell presided over his first Federal Open Market Committee (FOMC) meeting and press conference. From the meeting, the “dot plot” indicated that the Fed is conservatively sticking to its December forecast of three rate hikes this year; however, they now plan on three additional hikes in 2019 and two in 2020. The FOMC's post-meeting statement said that “the economic outlook has strengthened in recent months.” We agree that the economy remains strong

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and think that four increases in 2018 could be possible, but like that the newly minted Chair is preserving flexibility and keeping his options open.

In terms of M&A, 1Q18 had 53 whole bank transactions compared to 59 for the same period last year. Despite the lower absolute numbers, valuations are materially higher. The average price-to-tangible-book value in the first quarter was 182.65% compared to 164.32% one year prior. An interesting transaction occurred at the very end of the month with Tupelo, Mississippi-based Renasant Corp. (RNST) acquiring Brand Group Holdings (PRIVATE), materially increasing its presence in the Atlanta, GA MSA. The transaction was notable as it is an interesting case study into current bank merger dynamics. Brand received 95% stock and 5% cash in consideration for its \$453 million sale. The transaction was valued at 235.5% of tangible book value and 38.1x earnings, according to S&P Global Market Intelligence. It will result in RNST moving from 18th to 9th in deposit market share in the Atlanta MSA, where pro-forma, 27% of its franchise will be located. RNST expects 35% of Brand's non-interest expenses to be cut; resulting in low double-digit EPS accretion, tangible book value earn-back of three years or less, and a 20%+ IRR.

In closing, robust tailwinds in the financial services sector persist, despite the amount of "noise" evident in daily trading. A strengthening economy is pushing the credit cycle out, regulation is moving away from a one-size-fits-all mentality, interest rates are behaving in a manageable fashion, consolidation is ongoing, and the reduction in corporate tax rates will add meaningful profitability to the group. Importantly, banks now have a path to return to historical returns on equity on higher (safer) capital bases.

While these attributes seem incontrovertible to us, the market continues to not fully price them in, resulting in very reasonable valuations and a full opportunity set going forward.

Sincerely,



Anton Schutz
Senior Portfolio Manager

TOP 10 HOLDINGS AS OF 3/31/18

Company	% of Assets
Triumph Bancorp Inc. (TBK)	9.61%
South State Corp. (SSB)	6.93%
Opus Bank (OPB)	6.47%
Pinnacle Financial Partners (PNFP)	5.47%
First Foundation Inc. (FFWM)	5.17%
Live Oak Bancshares Inc. (LOB)	4.98%
Atlantic Capital Bancshares (ACBI)	4.83%
Independent Bank Group Inc. (IBTX)	4.44%
FB Financial Corp. (FBK)	3.97%
CenterState Bank Corp. (CSFL)	2.93%

Holdings are subject to change.

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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 KBW Bank Index performance data quoted above are total return numbers.

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.

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