RMB Fund

Portfolio Update: Second Quarter 2018

The RMB Fund (the "Fund") gained +4.62% net of fees in the second quarter of 2018, ahead of the +3.43% increase in the S&P 500 Index for the same period. Year to date, the Fund rose +4.80%, ahead of the +2.65% increase in the S&P 500 Index. From a traditional attribution perspective, outperformance in the second quarter was driven mostly by sector allocation. Our overweights in information technology and energy along with an underweight in consumer staples and financials were the most noteworthy in adding to relative performance.

	Quarter	YTD	1 Year	3 Years	5 Years	10 Years	15 Years	Since Inception
RMBHX	+4.62%	+4.80%	+14.81%	+7.30%	+10.34%	+8.55%	+8.21%	+10.37%
S&P 500 Index	+3.43%	+2.65%	+14.37%	+11.93%	+13.42%	+10.17%	+9.30%	+11.29%
RMBHX (Load Adjusted)	-0.60%	-0.44%	+9.05%	+5.48%	+9.21%	+7.99%	+7.84%	+10.24%

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 expense ratio is 1.29%.

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.

After a fairly volatile first quarter, the second quarter saw less volatility and the market ground higher with a modest sell off towards quarter end. When we penned you last quarter, we opined that a much choppier market environment could be with us for a while and we still think this could be the case going forward. On the domestic front, the dominating storyline of the second quarter was an escalating trade war between the U.S. and many of its key trading partners, most notably China. While the stock market was fairly dismissive of the initial rhetoric and first couple rounds of tariff announcements, it became much more concerned with the potential damage to global economic growth as tensions ratcheted higher and the initial tariffs went into effect. The 10-year Treasury yield pulled back from its recent peak of just over 3% to end the quarter at 2.86%, and the yield curve has become flatter, which echoes the stock market's concern that a trade war will dampen growth or even tip us into a recession. This is a marked change from the potential for a sustained period of accelerated growth post the tax reform bill. Thus far, the Fed has kept a hawkish bent with a bias toward more rate hikes than previously expected through 2019. This could change if the trade issues start to show they are having a real economic impact, which we have yet to see. In fact, most near-term U.S. economic indicators have remained quite robust.

First-quarter earnings reported in the second quarter continued to be strong with accelerating year-over-year growth with an obvious tailwind from lower corporate tax rates. We believe second-quarter earnings, which are soon to be reported, will continue to show strong growth and the outlook for 2018 will likely remain quite positive. However, we will be watching closely for a change in management's tone towards fundamentals as the tariffs could have direct and indirect repercussions on many companies. Despite this new cloud overhanging the market, domestic growth accelerated the past several months, and U.S. GDP growth still could hit the 3% mark if trade doesn't derail the momentum. Labor markets, housing, and consumer and business confidence all remain quite healthy. Outside the U.S., the upturn in growth in most major economies around the world seems to have lost some momentum recently, downplaying the goldilocks scenario of a synchronized global economy. Protectionist trade policies are clearly not positive for global growth in the short or long run.

Our message about equity valuations remains consistent with what wrote about the last few quarters as valuations still appear fairly full today, although by no means outlandish, especially given rising earnings estimates. We have a hard time seeing meaningful price-to-earning (P/E) multiple expansion from current levels given where we are in the economic and market cycle, such that earnings growth will have to be the dominant driver of additional stock appreciation going forward. As always, macro market predictions are very difficult to make with any hopes of being consistently accurate. We remain focused on bottom-up stock selection within a concentrated, yet diversified portfolio of high-quality individual companies. No matter what happens with the current market cycle, we strongly believe the strategy positions us to outperform over the long run without taking undue risk.

Contributors and Detractors

The Fund's largest contributor in the quarter was Servicemaster Global Holdings Inc., a provider of pest control services and residential home warranties. The stock reacted positively to a strong first-quarter earnings report and is also reacting well to the approaching catalyst of the planned spinoff of its American Home Services (AHS) segment scheduled for the third quarter. We await the public filings for AHS and will analyze what we plan to do with the new shares we will receive after the spinoff takes place. We continue to believe the stock trades at a discount to the sum-of-the-pieces value, although the gap has narrowed with the year-to-date appreciation. The second-biggest contributor in the quarter was energy pipeline operator Kinder Morgan. The stock performed well after a decent first-quarter earnings report and a subsequent announcement that it would sell its TransMountain Pipeline development project to the Canadian federal government. This project had been facing substantial environmental opposition from various parties and Kinder management (and shareholders) was frustrated with the inability to get the project underway. The sale allows Kinder to monetize the asset and refocus attention back on to smaller growth projects that have less risk and will require less capital. The removal of the overhang on the stock helped propel it higher in the quarter, and we feel that patience can be rewarded with additional upside and a growing dividend.

RMB Fund
SECOND QUARTER 2018 CONTRIBUTION REPORT
Ranked by Basis Point Contribution

	Basis Point Contribution	Return
Top Contributors		
ServiceMaster Global Holdings Inc. (SERV)	+73	+16.95%
Kinder Morgan Inc. (KMI)	+53	+18.80%
Visa Inc. Class A (V)	+50	+10.90%
Alphabet Inc. Class A (GOOGL)	+49	+8.88%
Apple Inc. (AAPL)	+47	+10.76%
Bottom Detractors		
Morgan Stanley (MS)	-51	-11.73%
Signature Bank (SBNY)	-32	-9.91%
Royal Caribbean Cruises Ltd. (RCL)	-31	-9.96%
MarketAxess Holdings Inc. (MKTX)	-25	-8.82%
SS&C Technologies Holdings Inc. (SSNC)	-15	-3.11%

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 Portfolio. 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.

On the negative side of the performance ledger, we had a few names whose prices underperformed, adversely affecting the Fund's overall return. Morgan Stanley was our biggest detractor, as large-cap banks underperformed in the quarter as the yield curve flattened, creating a potential headwind to near-term earnings power. We still like Morgan Stanley's long-term prospects for growth in its wealth management business and ability to continue to grow its dividend, and we believe the stock is undervalued here. Signature Bank, a mid-sized, New York-based bank was the Fund's second-largest detractor. Signature faced the same macro headwinds from a flattening yield curve along with some additional asset write-downs in its loan portfolio that lends based on the value of taxi cab medallions. Signature has taken its pain in writing down the value of these loans, which are now a very small part of its overall loan book. We remain confident in the rest of its portfolio, and we think the stock can appreciate now that this specific issue is largely behind it. This has been central to our ownership thesis on the name.

Outlook

From when we last wrote you three months ago, market conditions haven't changed all that much as 2017's low volatility and complacency has been replaced by somewhat higher volatility and greater macro sensitivity in 2018. The upcoming corporate earnings report season will once again refocus the market back on individual company fundamentals, but expect questions around tariffs and trade to be highly prevalent on quarterly conference calls. We are also likely to hear about some inflationary pressures that may start perking up as the labor market tightens and transportation and energy prices increase. From a revenue growth perspective, near-term U.S. economic data points have remained quite positive, which should create a solid demand environment. The U.S. employment market continues to be quite healthy with unemployment hitting 18-year lows and pockets of scarcity for skilled labor becoming more evident. Real wage growth is positive for consumer spending, particularly for consumers with lower income levels, but presents a challenge for corporate margins, which are already operating at peak levels. Business and consumer confidence remain at very high levels, and we've seen some early signs of real capital investment starting to pick up after several years of stagnant spending. The housing market recovery appears to be steadily on track, and we think demand for housing should have room for growth unless interest rates were to spike meaningfully. The benefits of tax reform lowering both individual and corporate rates should continue to filter into the U.S. economy as well. The wildcard amongst all this good economic news is the escalating trade war, which could kill all of this positive momentum. Economic cycles don't typically die of old age, rather it is usually an unforeseen shock that tips the scales, and a full-on trade war or accelerating inflation are areas of concern to keep an eye on.

Overall, we continue to be quite constructive on the momentum in U.S. corporate earnings growth, which is the biggest long-term driver of stock prices. However, much of this seems to be priced into the market already such that we do not see much margin of safety should earnings disappoint. Earnings growth in 2019 mathematically will slow dramatically as the lower corporate tax rate anniversaries, but could still be above long-term average growth if the economic cycle cooperates. Wall Street earnings estimates more than a year out are often too optimistic and rarely catch major inflection points, but the market seems to understand this phenomenon. The overall market multiple is currently sitting modestly above its long-term average. As always, we may opine on our view of the market, but we do not pretend to have any competitive advantage in predicting where the market is heading in the short- or intermediate-term. We continue to focus the Fund's efforts on owning companies with good secular growth prospects, strong economic moats, underleveraged balance sheets, and superior management teams. These are companies we believe can compound shareholder value for years to come. While the opportunities to find high-quality growth companies selling at attractive valuations are not abundant, we continue our "bottom-up" search to optimize the Fund. Our disciplined investment process focuses more on individual company fundamentals and less on the overall market. We also believe that a strategy focused on high-quality companies can distinguish itself in a more volatile market environment. Thank you for the continued trust you place in us to manage your assets. If you have any questions, please do not hesitate to contact us.

Sincerely,

Todd M Griesbach

Todd Griesbach
Portfolio Manager

RMB Fund

TOP 10 HOLDINGS AS OF 6/30/18	
Company	**% of Assets**
American Tower Corp. (AMT)	5.09%
Alphabet Inc. Class A (GOOGL)	5.06%
Microsoft Corp. (MSFT)	4.89%
ServiceMaster Global Holdings Inc. (SERV)	4.50%
Cognizant Technology Solutions Corp. (CTSH)	4.29%
IHS Markit Ltd. (INFO)	4.26%
Visa Inc. Class A (V)	4.18%
Apple Inc. (AAPL)	3.97%
Edwards Lifesciences Corp. (EW)	3.96%
Morgan Stanley (MS)	3.81%

Holdings are subject to change.