

# RMB Mendon Financial Funds

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## Commentary: August 2018

This missive is shorter than normal as August is typically a quiet month, with very little trading volume or activity due to the large amount of market participants taking leave during the month. That being said, there was reasonable capital markets activity as companies continued to raise equity to fund future growth.

Elsewhere, moves of 2-4 bps in the yield curve were covered extensively by the financial press as there was little else happening that was newsworthy other than the continued march of the FAANG stocks. We are closely watching the behavior of the yield curve in September as the deadline for companies to fund defined benefit pension plans and receive the previous 35% tax deduction expires on September 15. We think it's possible that many corporations are adding funding to their plans before the deduction reverts to 21% and believe those funds have been deployed in the longer-dated parts of the curve. We have no way to quantify the amount, but as we said, we are watching carefully for any changes the removal of this distortion causes.

In closing, we remain excited about the opportunities in front of us. Increased profitability from tax reform, higher rates, and deregulation coupled with accelerating M&A should provide a powerful investment backdrop for the group, much of which is not currently being properly valued by the market. We continually source new ideas as the banking landscape evolves. We greatly value your support and look forward to working hard for you going forward.

As always, we welcome your feedback, comments, and questions.

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