RMB Fund

Portfolio Update: Third Quarter 2018

The RMB Fund (the "Fund") gained +6.97% net of fees in the third quarter of 2018, modestly behind the +7.71% increase in the S&P 500 Index for the same period. Year to date, the Fund gained +12.10%, ahead of the +10.56% increase in the S&P 500. From a traditional attribution perspective, the modest underperformance in the third quarter was driven mostly by stock selection given sector allocation was a positive contributor. Our stock selection in financials and information technology were the most noteworthy detractors from performance. We will discuss the impact of individual holdings on performance in a moment.

	Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception
RMBHX	+6.97%	+12.10%	+16.57%	+11.83%	+10.55%	+11.17%	+10.48%
S&P 500 Index	+7.71%	+10.56%	+17.91%	+17.31%	+13.95%	+11.97%	+11.43%
RMBHX (Load Adjusted)	+1.62%	+6.49%	+10.73%	+9.93%	+9.42%	+10.60%	+10.35%

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 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 third-quarter market environment had relatively low volatility, and the market moved significantly higher. When we penned you last quarter, we opined that a much choppier market environment could become the new norm in subsequent quarters, but this didn't play out at all in the third. Continuing the storyline from Q2, the escalating trade war between the U.S. and many of its key trading partners, most notably China, dominated domestic headlines. On a positive note, the U.S. came to an agreement with Mexico and Canada as the quarter closed out, cementing a replacement to NAFTA that should hopefully provide an amicable trade framework for years to come. However, the trade dispute with China doesn't seem to have a near-term resolution in sight as both parties appear far apart in negotiations and each continues to ratchet tariffs higher. The potential damage to global economic growth in a prolonged trade war should not be taken lightly, thus an eventual resolution to these disputes is important. The 10-year Treasury yield resumed an upward trend from 2.86% to 3.05% in the quarter and continues to move higher as we write this letter. The year-to-date dichotomy between the bond market and stock market is remarkable, with each sending opposite signals. The Fed has kept a hawkish bent with a third 25-basis point rate hike in September and signs of another hike in December with a bias toward three and potentially four increases in 2019. U.S. economic indicators remained fairly robust with GDP accelerating throughout the year, and strong job growth persisted despite unemployment hitting a 49-year low. By most accounts, the U.S. is at or near what most economists would consider "full employment" as it's getting harder to find qualified labor for available jobs. We'd be remiss not to mention that the third quarter also brought us the 10-year anniversary of the failure of Lehman Brothers and onslaught of the financial crisis, reminding us how far we've come from those dark days a decade ago.

Second-quarter earnings reports released in the third quarter remained quite strong, even when excluding the obvious benefit from lower corporate tax rates. Revenues and profit margins continue to surprise positively. We believe third-quarter earnings, which are soon to be reported as we write this letter, will continue to show strong growth (current consensus for the S&P 500 is 22% growth) and forward outlooks will remain relatively positive. That said, with stock prices high and sentiment bullish, the bar to hurdle to get prices even higher is not an easy one. We will watch closely for any change in management's tone toward demand for their products and services. This will be the second quarter where the tariff and trade issue will be front and center. Despite the uncertainty around global trade, domestic economic growth accelerated this year. Lower corporate and individual tax rates clearly helped, but also reduced government regulation and increased consumer and business confidence spurred rising estimates for GDP growth. On the negative side, we saw a slowdown in the U.S. housing market as unsustainable rates of appreciation cooled and demand softened moderately. Rising interest rates may be having an impact, although mortgage rates have kept fairly low compared to long-term norms. Outside the U.S., the upturn in growth in most major economies around the world lost momentum, hurting the goldilocks scenario of a synchronized global economy. The U.S. dollar also had a very strong run relative to most developed and emerging market currencies. The divergence in the U.S. and international stock markets is rather stark with the U.S. market dramatically outperforming.

Our message about equity valuations is unchanged from our previous letters as valuations still appear fairly full today, although not excessive given rapidly rising earnings estimates. In fact, despite the near 11% increase in our underlying benchmark year to date, price/earnings (P/E) multiples contracted moderately as earnings rose faster than prices. That said, the market is a forward discounting mechanism, and we have to ask ourselves if this is as good as it gets and are we nearing peak earnings in 2019 or 2020. This is difficult to answer with any degree of confidence, but we have a hard time seeing much P/E multiple expansion from current levels given it feels like we are getting late in the economic and market cycle. 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 that can grow their earnings for years into the future and earn attractive returns on invested capital. 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 Apple Inc. (AAPL) — a company that needs no introduction. The stock responded well to a better-than-expected second-quarter earnings report, which showed double-digit revenue growth and a positive outlook for the current quarter. They also debuted their new lineup of iPhones in September, which remain remarkably resilient despite a mature smartphone market. While the stock price reflects a lot of the current positive fundamentals, we continue to believe it can grind higher over time and return capital to shareholders given its large cash balance and substantial free cash flow. Apple remains one of the larger positions at quarter-end and has a substantial embedded capital gain. Cruise line operator Royal Caribbean Ltd. (RCL) was the second-largest contributor as a result of continued earnings growth from a strong demand for cruise experiences, bumping up the average price. Given a strong consumer, we anticipate healthy demand in the intermediate term, and the stock's valuation isn't demanding at 13x 2019 earnings estimates. Royal remains in the top third of the Fund's positions at quarter-end.

On the negative side of the performance ledger, we had a few names whose prices underperformed, adversely affecting the Fund's overall return. Microchip Technology Inc. (MCHP), a developer and manufacturer of semiconductors, declined after a weak fiscal first-quarter report and increasing concerns that the overall industry could face a cyclical headwind soon. Historically, Microchip's management team has had strong execution, and we think the near-term issues they are having with their acquisition of Microsemi Corp. are fixable in the next few quarters. If we are

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

	Basis Point Contribution	Return
Top Contributors		
Apple Inc. (AAPL)	+89	+22.38%
Royal Caribbean Cruises Ltd. (RCL)	+85	+26.09%
Microsoft Corp. (MSFT)	+81	+16.43%
Edwards Lifesciences Corp. (EW)	+75	+19.60%
Middleby Corp. (MIDD)	+64	+23.87%
Bottom Detractors		
Microchip Technology Inc. (MCHP)	-41	-12.86%
Signature Bank (SBNY)	-28	-9.74%
MarketAxess Holdings Inc. (MKTX)	-24	-9.59%
TE Connectivity Ltd. (TEL)	-15	-6.00%
Chevron Corp. (CVX)	-9	-2.36%

The performance presented above is sourced through the Factset. 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 Fund. 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.

correct and the down cycle isn't severe, the stock can rerate materially higher. Signature Bank (SBNY), a New York-based commercial bank, was the second-largest detractor in the quarter. The stock suffered (along with other banks) as its second-quarter earnings report was underwhelming and guidance for net interest margin was weak. We still see value in the name and think patience in this unique franchise could be rewarded in the long run.

Outlook

From when we last wrote you three months ago, market conditions feel like they reverted back to 2017's low volatility, "melt up" environment. It's hard to say how long this resumption of exuberance can last, and the first few trading days of the fourth quarter brought more volatility. The upcoming corporate earnings report season that is about to kick off will refocus the market back on individual company fundamentals, which will likely remain healthy for U.S. companies. As a result of inflationary pressures from a tighter labor market, commodity, energy, and transportation costs will stay in focus as companies with pricing power look to protect margins. From a revenue growth perspective, near-term U.S. economic data points have remained quite positive, which should create a solid demand environment. U.S. employment is extremely healthy with unemployment hitting 18-year lows and several pockets of scarcity for skilled labor in various industries becoming more common. Real wage growth should be positive for consumer spending, particularly for lower-income consumers, which haven't seen much benefit the last several years. Rising wages present a challenge for corporate margins however, which are already operating at peak levels. High levels of business and consumer confidence persist, and we've seen an increase in capital investment after several years of stagnant spending. The benefits of tax reform lowering both individual and corporate rates are continuing to filter into the U.S. economy as well. If the trade war with China doesn't become too impactful, the intermediate U.S. economic outlook has strong momentum. Inflation remains an area of concern to keep an eye on as it's been years since we've seen any extended period of sustained inflation that would cause the Fed to get more aggressive raising interest rates.

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 stock market already, such that we don't see a margin of safety should earnings have a whiff of disappointment. 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 never catch major inflection points, but the market seems to understand this phenomenon. The overall market multiple currently sits 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 true skill in predicting where the market is heading in the short or intermediate term. Market timing is a very difficult, if not impossible task to add value with. 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 value for shareholders for years into the future. 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 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 Griesbach

Todd Griesbach
Portfolio Manager

RMB Fund

TOP 10 HOLDINGS AS OF 9/30/18	
Company	**% of Assets**
Microsoft Corp. (MSFT)	5.43%
Alphabet Inc. Class A (AMT)	4.78%
Edward Lifesciences Corp.	4.53%
ServiceMaster Global Holdings Inc.	4.49%
American Tower Corp.	4.46%
Apple Inc.	4.36%
Visa Inc.	4.12%
Snap-On Inc.	4.01%
IHS Markit Ltd.	3.97%
Cooper Companies Inc.	3.94%

Holdings are subject to change.

The S&P 500® is widely regarded as the best single gauge of large-cap U.S. equities. There is over USD 7.8 trillion benchmarked to the index, with index assets comprising approximately USD 2.2 trillion of this total. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

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 Fund invests in larger, more established companies, which may not respond as quickly to competitive challenges or have higher growth rates than smaller companies might have during periods of economic expansion. There can be no assurance that the Fund will achieve its investment objective.

Foreside Fund Services, LLC, Distributor