RMB International Fund

RMB FUNDS

Portfolio Update: Fourth Quarter 2018

For the fourth quarter of 2018, the RMB International Fund (the "Fund") declined -18.89% net of fees, compared to its benchmarks, the MSCI EAFE Index and MSCI EAFE Small Cap Index, which lost -12.54% and -16.05%, respectively. For the full year, the Fund declined -21.73%, while the MSCI EAFE fell -13.79% and MSCI EAFE Small Cap lost -17.89%.

	Quarter	YTD	Since Inception
RMBTX	-18.89%	-21.73%	-21.52%
MSCI EAFE Index	-12.54%	-13.79%	-13.23%
MSCI EAFE Small Cap Index	-16.05%	-17.89%	-17.12%

Inception date: 12/27/17. 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 1.15%.

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.

We are not pleased with the Fund's returns. However, we believe that a retraction in prices of the Fund's holdings during the quarter was primarily driven by a combination of protracted macroeconomic concerns and tax-related year-end selling rather than a structural deterioration in the quality of the underlying businesses. Through 2018, the majority of the Fund's investments continued to grow their operations, sustained healthy balance sheets, and maintained—and in some cases—increased their margins and returns on capital.

At the end of December, the Fund was priced at an unusually wide 38.4% weighted average discount to intrinsic value of its holdings and an equally attractive 15.5% weighted average discount to its constituents' earnings power value (EPV). The discount to intrinsic value is an all-encompassing measure of the margin of safety. We derive our estimates of intrinsic value by utilizing a required rate of return between 8% and 12%, as well as conservative assumptions of normalized profit and growth. At year-end, the Fund held 35 positions with a 38.58% concentration in the top 10 names. Approximately 36.8% of the Fund was invested in foreign companies with market cap in excess of $10 billion USD, 35.4% was allocated to franchises sized between $3.5 billion and $10 billion USD, and 27.1% to companies with market cap of less than $3.5 billion USD. Our search for fundamentally sound, undervalued businesses with management teams focused on growing franchise value led to a higher concentration in the industrial and technology sectors. The Fund ended the quarter with relatively low exposure in financials, real estate, utilities, and communication services. Geographically, the Fund maintained its highest exposure in Japan with a 23.96% concentration, followed by France and Ireland at 15.75% and 11.11%, respectively. The Fund kept fairly low exposure in the U.K., with a 5.48% weight, compared to the MSCI EAFE's 16.94% weight.

The year was rattled with mounting investor nervousness over the state of the global economy and decelerating growth rates, rising interest rates following a decade of liquidity injections, geopolitical instability, and escalating trade disputes. Abundant headlines that accompanied the U.S.—the China tariff standoff, disagreements within the EU block, the Brexit saga, and the Chinese economic slowdown and its negative effects on the German, Japanese, and U.S. consumer and industrial export-oriented sectors—took a toll on global equities. Nervousness in early 2018 started to show in widening credit spreads and amplified global stock volatility, culminating in a broad global market sell-off by the end of the year.

U.S. equities fell sharply during Q4 with the S&P 500 Index (-13.52%) outperforming the small- and mid-cap Russell 2500 Index (-18.49%). Additionally, international equities of developed markets experienced one of their worst quarters in years, where small caps also lagged their large-cap peers. Japan was among the worst-performing global markets, with quarterly return of -17.13% in local currency as measured by the MSCI Japan Index, yet the loss was partially offset by the yen's strength, which continued to be viewed as a "safe-haven" currency. Emerging markets (EM) fared better than developed countries during the quarter, helped by the absence of further strengthening in value of the U.S. dollar versus the EM currency basket and a gain in Brazilian equities following Jair Bolsonaro's presidential election victory. Crude oil prices fell sharply on oversupply concerns and contributed to favorable equity performance of energy import-dependent countries, including India, the Philippines, and Indonesia, yet it was detrimental for oil exporters, such as Russia and Colombia. Elevated levels of risk aversion were reflected in falling global yields with the 10-year German Bund cut in half from 0.47% to 0.24% and the 10-year Gilt (the U.K.) declining from 1.57% to 1.28%. The U.S. 10-year Treasury yield stood at 2.69% at the end of Q4.

Over the recent year and a half, we grew increasingly concerned with the coexistence of rising interest rates, mounting macroeconomic and geopolitical uncertainties, and resilience of global equity markets. In particular, we found it perplexing how myopic optimism continued to support pockets of excessive valuations, with extreme examples being U.S. equities in general and the global "consensus quality" large caps in particular. As quality-oriented investors, we always look for structurally durable cash flows as well as management teams that grow such cash flows through value-accretive capital allocation policies. As value investors, we acquire such cash flows when the market undervalues their durability or their growth potential. While the presence of quality cash flows is a classic definition of a "quality company," the combination of quality cash flows and intrinsic undervaluation defines a "quality investment." There are times during the market cycle, particularly closer to a bull run's peak, when consensus-quality companies are no longer quality investments due to their underlying valuation risk. Quality investments can still be found at such a stage, yet their quality characteristics may not be as transparent and broadly agreed upon and may require a passage of time to become recognized by the mainstream. Navigating through the market cycle while staying true to our commitment to quality is one of our team's core strengths.

By the end of 2017, a dominant number of indicators suggested that the market has entered this late stage. The classic consensus-quality basket of well-known global businesses, which included the usual suspects, such as Nestle, Adidas, Nidec, Compass Group, and Experian, to name a few, was priced at 25-30 times earnings and free cash flows. At the same time, we continued to discover quality investments among large, durable companies that were either misunderstood or have experienced a near-term, non-structural operating challenge that required some time to navigate through. A few examples of such companies were Glanbia, Elekta, Olympus, and Fresenius SE—businesses with broad competitive moats, growing operations, and relatively inexpensive stock prices. Another outlier with an attractive combination of quality and value was quality cyclicals, including Heidelberg Cement, UPM-Kymmene, and Thales. Finally, the mid- and small-cap market spectrum offered even more attractively priced, quality investment candidates due to the under-researched and niche- and country-specific (less-known) nature of their businesses. We enhanced the Fund's margin of safety at that time by allocating to quality investments comprised of less-understood quality large caps, quality cyclicals, and less-discovered small and mid caps. We also avoided the majority of constituents of the overpriced consensus large-cap quality basket, which carried a significant price risk.

The year 2018 turned out different from the outcome anticipated by our mental framework. The consensus quality basket outperformed, while the stocks of smaller, less-known, quality companies and stocks of many large- and mid-sized quality businesses that require a long-term investment horizon to be understood and properly valued, have been battered. In similar fashion, despite growing top line, maintaining, and, in some cases, improving their margins and returns on capital, many of our investments were sold off during 2018. While we are disappointed with such results, we do not see the current situation in the quality universe persisting over the long term. In particular, with increasing risk aversion and rising probability of a global economic slowdown, how can investors continue to find comfort in global businesses valued at 25-30 times earnings? To put things in perspective, assuming a required annual rate of return of 6-8%, such businesses have to deliver perpetual annual growth rates between 5% and 10% in order to support their valuation. Under a slow-growth scenario, there are very few globally diversified, mature, and large operations that can generate such high perpetual growth rates without the support of a favorable macroeconomic environment. On the contrary, many of the Fund's holdings, despite their underlying quality and durable business models, have little-to-no future growth priced into their current stock prices. Our experience suggests that such anomalies correct over time, and we remain calm and patient while time arbitrage works in our favor.

RMB International Fund

Contributors and Detractors

The Fund's overweight in industrials turned detrimental for the quarterly performance; our partial allocation to smaller-cap companies, which experienced a sharp sell-off during the last few months of the year, has also negatively affected short-term results. Furthermore, holdings within consumer discretionary, health care, financials, and information technology also contributed negatively to quarterly performance. On the other hand, the return of our consumer staples, communication services, and utility investments provided downside support to the Fund during the quarter.

Two of the Fund's largest contributors for the quarter were Glanbia PLC ("Glanbia") and Tencent Holdings Ltd. ("Tencent").

Irish Glanbia is a global nutritional solutions and cheese and dairy packaged food company. It possesses a competitive advantage in fast-growing sports and a casual nutrition market with a leading position in whey and non-dairy proteins through one of the largest global performance nutrition brand portfolios. Management did an impressive capital allocation job over the recent decade by repositioning the business away from dairy commodity operations toward a higher-margin and higher-value branded consumer foods segment. As a result, the company has a high-ROIC (return on invested capital) and superior cash conversion business model that benefits from favorable long-term structural growth within the low-cyclical nutrition market. However, Glanbia's shares remain undervalued and sell at a discount to both our estimate of the company's EPV and intrinsic value. Glanbia was the Fund's largest holding since 2017 and one of the Fund's few investments that delivered a positive return in 2018, both in local currency and in U.S. dollar terms. Glanbia remains the Fund's largest holding today.

RMB International Fund
FOURTH QUARTER 2018 CONTRIBUTION REPORT
Ranked by Basis Point Contribution

	Basis Point Contribution	Return
Top Contributors		
Glanbia PLC (GLB ID)	+43	+9.23%
Tencent Holdings Ltd. (700 HK)	+16	+6.90%
Nokia Oyj (NOKIA FH)	+10	+3.63%
Rubis SCA (RUI FP)	0	-1.17%
Seven & I Holdings Co. Ltd. (3382 JP)	-3	-1.35%
Bottom Detractors		
Luxoft Holding Inc. Class A (LXFT US)	-132	-35.66%
On The Beach Group PLC (OTB LN)	-125	-33.69%
Fresenius Medical Care AG & Co. KGaA (FME GR)	-125	-37.49%
NGK Spark Plug Co. Ltd. (5334 JP)	-113	-30.78%
Axactor SE (AXA NO)	-99	-29.63%

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 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.

Shenzhen-based Tencent is the Fund's most recent addition. It is an investment holding company with a focus on mainland China's online and mobile-related consumer applications and services, including online advertisement, games, payments, and cloud services. Tencent owns and operates China's largest mobile and online social and communication ecosystems Weixin and WeChat with over one billion monthly active users, which present a rare ability to monetize various parts of the platform at near-zero subscriber-acquisition costs. The combination of a broad competitive moat and the business model's long-term compounding characteristics makes the current valuation attractive. We acquired Tencent after a steep retraction in its share price from 2017's peak. Recent positive performance may be the beginning of an anticipated longer-term recovery.

The Fund's largest detractors from quarterly performance were Luxoft Holding ("Luxoft") and On The Beach Group PLC ("OTB").

Swiss-domiciled Luxoft is a custom software developer and IT consultant for mission-critical applications with well-recognized solutions within the financial services, automotive, and telecommunications sectors. One of Luxoft's core advantages is its global delivery model, which allows the company to deploy highly skilled program engineering talent located primarily in Eastern and Central Eastern Europe to complex projects performed for North American and Western European clients. Luxoft shares remained volatile through the year—from being the Fund's top detractor in Q1 to becoming the largest contributor during Q3 and, again, one of the Fund's bottom performers in Q4. The volatility was primarily rooted in periodic shifts of investors' attention from the company's fast-growing and durable underlying business model in the long term to near term, temporary margin pressure, and a deceleration in growth, caused by the wind down in IT spending at Deutsche Bank and UBS, two of Luxoft's historically largest and most profitable customers. Luxoft was a classic time arbitrage opportunity: as the market's myopic bias prevailed through 2018 and escalated toward the end of the year, we continued to increase our investment position in the company. As we write this letter, on January 7, 2019, Luxoft was acquired by Palo Alto, California IT services company DXC Technology, and the shares rose almost 90% from their December-end close. DXC's rational for Luxoft's takeover closely resembles our long-term investment thesis: possession of distinct IP and digital transformation expertise, structural double-digit growth, and a structurally higher margin level that was distorted by near-term developments at UBS and Deutsche Bank.

Manchester, U.K.'s On the Beach ("OTB") is a disruptor in the travel and leisure segment. It focuses on short-haul beach destination vacations, primarily targeting U.K. consumers and recently expanding into the Scandinavian region. Its online platform is built around a proprietary algorithm that allows instantaneous, dynamic construction and pricing of custom vacation packages from a broad selection of airfare, hotel, and local transfer options. On the Beach is well positioned for long-term, profitable, structural growth derived from customer migration to its online offering due to its convenience and value proposition. An online platform with centralized fixed operating and procurement costs creates attractive operating leverage with further margin expansion potential, which is expected to be realized with an increase in scale. We attribute quarterly weakness in OTB's stock price to a few factors, including an unusually warm U.K. and Northern European summer that had temporarily reduced demand for beach vacations, as well as a broad sell-off in U.K. small- and mid-sized equities, driven by the fear of a 'no-deal' Brexit. As long-term, fundamental investors, we find structural appeal in OTB's business model. With its stock selling near our estimate of the company's no-growth, EPV, we gradually increased our position in OTB throughout the year.

Portfolio Activity

During the fourth quarter, we divested three existing holdings and added one new name to the Fund. The French aerospace and defense national champion Thales was sold on valuation grounds after strong appreciation in its share price. We exited the position in Japanese chemical conglomerate DIC once we reached the conclusion that the company possessed limited self-help capacity to offset a potential reversal in the chemical cycle. Finally, the proceeds from the sale of the German healthcare holding company Fresenius SE were used to further increase weight in Fresenius Medical, the global dialysis services provider that is 30.5% owned by Fresenius SE. We consider dialysis a quality, durable, and growing business with high barriers to entry and long-term value compounding characteristics. Recent weakness in share prices led to a more attractive risk-reward and allowed us to gain further direct exposure to Fresenius Medical instead of its indirect ownership through the holding structure.

The Fund's new addition, Tencent Holdings, is our first equity holding in the portfolio with a 100% underlying Chinese operation. Since some time ago, we have identified a set of global compounders with attractive business models and patiently waited for the right entry point. Due to a 40% retraction in its share price during 2018, we were able to initiate a position in Tencent with an attractive risk-reward balance. Tencent was also among the top contributors to the Funds' performance during the quarter.

Outlook

We expect to experience elevated levels of volatility and risk aversion as investors will likely remain fearful of a difficult macroeconomic environment, European politics, and trade disputes, and, ultimately, they may worry more over equity valuations. Our philosophy and process is tuned to discover undervalued, quality cash flows and take advantage of the market's myopic behaviors through an extended investment horizon and deep, fundamental analysis. Today, we see opportunities in the global small and mid caps and emerging market equities. A select number of large-cap quality companies have also emerged on our screens after their stock prices deviated from performance of the large-cap consensus quality basket during 2018. In Q4, our team met with management of many foreign businesses, both in our California and Chicago offices and overseas, including Europe and Asia.

RMB International Fund

At December 2018, the Fund's holdings continued to offer a healthy level of normalized ROIC and return on equity (ROE), low financial leverage, and attractive implied earnings and cash-flow growth when compared to both the large- and small-cap international equity universe. Yet, the Fund has an even broader margin of safety when compared to a year ago. We own a broad range of franchises of different sizes across various geographies—ranging from a Chinese social media giant to a global operator of dialysis centers to a Japanese industrial waste treatment company and a distributor of petroleum products in France, Haiti, and Madagascar. Such company mix provides the Fund with a respectable diversification by type of business, company size, regional source of cash flows, and types of catalysts. The Fund remains well positioned from a quality and valuation standpoint and offers an unusually high margin of safety.

Thank you for your continued confidence and support for RMB and the RMB International Fund in this turbulent environment.

We wish you a happy and prosperous 2019.

Cordially,

Egor N. Rybakov

Egor N. Rybakov, CFA
Portfolio Manager

TOP 10 HOLDINGS AS OF 12/31/18

Company	% of Assets
Glanbia PLC (GLB ID)	5.91%
Rubis SCA (RUI FP)	4.44%
Fresenius Medical Care AG & Co. KGaA (FME GR)	3.75%
SKF AB Class B (SKFB SS)	3.69%
NGK Spark Plug Co. Ltd. (5334 JP)	3.66%
Luxoft Holding Inc. Class A (LXFT US)	3.64%
Seven & I Holdings Co. Ltd. (3382 JP)	3.51%
Ryanair Holdings PLC (RYAAY US)	3.37%
Aeon Delight Co. Ltd. (9787 JP)	3.31%
Olympus Corp. (7733 JP)	3.30%

Holdings are subject to change.

RMB International Fund

The opinions and analyses expressed in this letter are based on RMB Capital Management, LLC's ("RMB Capital") research and professional experience, and are expressed as of the date of our mailing of this letter. Certain information expressed represents an assessment at a specific point in time and is not intended to be a forecast or guarantee of future performance, nor is it intended to speak to any future time periods. RMB Capital makes no warranty or representation, express or implied, nor does RMB Capital accept any liability, with respect to the information and data set forth herein, and RMB Capital specifically disclaims any duty to update any of the information and data contained in this letter. The information and data in this newsletter does not constitute legal, tax, accounting, investment or other professional advice. Past performance is not indicative of future results, and there is a risk of loss of all or part of your investment. This information is confidential and may not be reproduced or redistributed to any other part without the permission of RMB Capital.

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.

An investment cannot be made directly in an index. The index data assumes reinvestment of all income and does not bear fees, taxes or transaction costs. The investment strategy and types of securities held by the comparison index may be substantially different from the investment strategy and types of securities held by your account. MSCI Europe, Australasia, and Far East (EAFE®) Index is an equity index, which captures large- and mid-cap representation across Developed Markets countries around the world, excluding the U.S. and Canada. With 924 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country. The MSCI EAFE Small Cap Index is an equity index which captures small-cap representation across Developed Markets countries* around the world, excluding the U.S. and Canada. With 2,301 constituents, the index covers approximately 14% of the free float-adjusted market capitalization in each country.*

** Developed Markets countries include: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the U.K.*

Foreside Fund Services, LLC, Distributor