RMB Mendon Financial Long/Short Fund

RMB FUNDS

Portfolio Update: First Quarter 2019

For the three months ended March 31, 2019, the RMB Mendon Financial Long/Short Fund returned +2.48% net of fees, while its benchmark, the KBW Bank Index, returned +9.88%.

	Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception
RMBFX	+2.48%	+2.48%	-19.88%	-2.20%	+1.17%	+7.71%	+6.63%
KBW Bank Index	+9.88%	+9.88%	-9.85%	+15.94%	+7.62%	+14.94%	+2.39%
RMBFX (Load Adjusted)	-2.62%	-2.62%	-23.88%	-3.86%	+0.14%	+7.16%	+6.27%

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 2.01%.

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.

During the quarter, the top contributors to the Fund's returns were Pinnacle Financial Partners Inc. and Independent Bank Group Inc. The Fund's top detractors for the period were FB Financial Corp. and Progressive Corp.

The volatility witnessed in the fourth quarter of 2018 continued to reverberate (for better and for worse) in the first quarter of 2019 as the solid fundamentals of the financial sector were once again overwhelmed by macro-driven sentiment trades driven by fund flows, positioning, and arbitrary responses to market inputs. January showed a sharp but narrow snapback rally as 5% of the Nasdaq Bank Index's constituents created 50% of the +10.95% return for the month, with the top three weightings FITB, HBAN, and SIVB up +13.98%, +11.07%, and +22.88%, respectively (needless to say, we were not long Midwest regional banks nor a venture-lending bank in California). February continued the positive trends as companies completed reporting earnings for year-end 2018. March was relatively quiet until the Fed changed course in its Federal Open Market Committee meeting, stating it would refrain from raising interest rates for the remainder of 2019 (a big divergence from December, where the Fed's rate path included two hikes for the year) and announced the end of its balance-sheet normalization. This caused upheaval in markets with the U.S. 10-year yield down 9 bps on the day, various Treasury spreads narrowing, and rate-sensitive regional banks down 4–5% during the day's session.

Oppenheimer analyst Christopher Kotowski captured the nature of the move well in his 1Q19 earnings preview:

> As we write this, bank stocks are once again under what seems like an algorithmic attack from computers that seem to have certainty in the idea that the only significant knowledge one needs about bank stocks is the shape of the yield curve and the rate on the ten-year bond. It is as though we were back in intro statistics, and there was one independent variable (i.e., the yield curve) and one dependent variable (i.e., bank stock relative performance) and nothing else mattered (i.e., things like bank's underlying profitability and balance sheet strength, valuation relative to book or earnings, growth, asset quality and share buybacks mattered). This, we will argue, is not the real world. It is a distortion of markets that investors should take advantage of.

Post the Fed announcement through the end of the quarter, this binary thought process resulted in popular strategies within the sector of long safety trades (P&C insurance, insurance brokers, and liability-sensitive banks) funded by selling/shorting rate-sensitive names (regional banks, community banks, and life insurance companies) and the continuation of growth outperforming value. A more simplistic response to yield curve concerns can be seen in the overall market, as financial services ETFs have had roughly $5 billion of outflows year to date, compared to $7.9 billion of outflows in all of 2018. Since

the 2016 election, financial services ETFs have had net inflows of $6.1 billon—41% of the inflows that technology ETFs garnered in the same time period ($15 billion). Market participants are seemingly placing a material premium on the perceived safety of popular sectors in the equity market and view bonds as an insurance policy against macro risk (as witnessed by the negative term premium in the yield curve).

Against the formulaic response witnessed last month to the Fed's decision, we will offer the following counterpoints that drive our long-term thinking:

1. Most importantly, interest-rate expectations have the most variability and room for revision of any input into bank earnings and valuation models. Loan growth, credit quality, and expense control—all factors more under management control—tend to be far more stable. As such, rallies and sell-offs tied to rates tend to be more short-lived as rates move and banks price revised levels into both the asset and liability side of the balance sheet. On the latter point, we would note some of the larger national banks have started lowering deposit rates since the Fed's decision, which moves counter to the late 2018 investor concern that faster deposit pricing risked driving down net interest margins (NIMs) amidst higher rates.
2. While we focus on the signaling effect of any partial curve inversion, we agree wholeheartedly with Jamie Dimon's recent annual letter comments that we should "not look at the yield curve and its potential inversion as giving the same signals as in the past. There has simply been too much interference in the global markets by central banks and regulators to understand its full effect on the yield curve." Global markets remain in a negative term premium environment with the ensuing distortions caused by differing strategies among the world's central banks.
3. What we think may prove more interesting than the fed funds rate path are the intended and unintended consequences created by the tapering of the Fed's balance sheet and the adjustment of its composition, essentially exiting its mortgage-backed securities (MBS) holdings. By allowing its MBS portfolio to run-off and reinvesting those proceeds in Treasuries consistent with U.S. government maturities (tilted to the front end of the curve), the outcome could result in curve steepening. Additionally, the Fed has left itself room to change the timing, which could further reduce the portfolio's duration.
4. While we have not heard any bottom-up evidence of credit issues, we were keeping an eye on the risk that the Fed overshot on its rate rises before and possibly ending this economic cycle. Our post-Fed takeaway is certainly that by pausing at a historically accommodative stance, the risk is to the upside for U.S. economic growth (read: loan growth), which we maintain has remained solid in the discrete geographies where we have significant portfolio concentration.

We believe the current environment is likely to result in a "soft" landing similar to that of 1995–1998 and is unlikely set to end in another financial crisis. As we have written in several of our recent updates, the underlying fundamentals remain healthy and are sharply diverging from the price action caused by macro concerns (late-cycle, recession, flat yield curve). Furthermore, tangible results from recent catalysts (tax reform, deregulation, and M&A) are benefiting the group's profitability, even as multiples dwindle. The Fed pausing at current rate levels should help extend the domestic economic expansion and be positive for both loan growth and credit quality. Capital levels remain at 70-year highs and returns on that capital are strong, allowing for healthy dividends and buybacks, all while being able to reinvest in technology and people. Looking at our Fund specifically, our concentration in the Sun Belt continues to improve in quality as not only are businesses and individuals migrating to business-friendly, faster-growing metropolitan statistical areas (MSAs) and lower tax regimes, but we now have the added multi-year tailwinds created by the BB&T Corp. (BBT)/SunTrust Banks Inc. (STI) merger. By our calculations, our holdings have around 1,000 branches within one mile of a BBT or STI branch.

To close, we remain frustrated with the performance of our long positions in the Fund and the overall lack of attention being paid to the fundamentals of the group as it still trades below 2016 presidential election valuation levels. The top five U.S. banks have roughly the same amount of pretax net income as the FAANGs ($137 billion and $146 billion in 2018, respectively) but have a combined market cap of just over one-third that of the FAANGs. This is not as extreme as prior to the 2000 tech meltdown but remains worth watching. As noted above, our Fund is intentionally positioned to capitalize on demographic shifts in geographies, industry trends, and specific catalysts recognizable to us from our 20+ years of experience; we

acknowledge this will result in mismatches versus broader bank indexes that will have more diverse market caps and geographic exposures, but this independent, active management style has served us well over time. We remain positive on the domestic economic backdrop in our select markets but believe the overall U.S. economy needs the certainty created from a trade deal with China. We continue to follow global economies closely to determine the harm or benefit that comes from a more connected world. Domestically, the principal determinants for bank valuations remain steady and positive [capitalization, capital management, credit quality, expense management, loan growth, regulation, return on average tangible common shareholders' equity (ROTCE), and M&A], while valuation parameters remain highly volatile. The noise of the market can become paralyzing; however, our deep sector knowledge and experience gives us the confidence and perspective to reduce the noise and focus on the fundamentals.

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

Sincerely,

Anton Schutz
Senior Portfolio Manager

TOP 10 HOLDINGS AS OF 3/31/19

Company	% of Assets
Triumph Bancorp Inc. (TBK)	10.30%
FB Financial Corp. (FBK)	9.75%
Independent Bank Group Inc. (IBTX)	8.86%
Ameris Bancorp (ABCB)	7.43%
Pinnacle Financial Partners Inc. (PNFP)	6.71%
Veritex Holdings Inc. (VBTX)	6.53%
Origin Bancorp Inc. (OBNK)	5.67%
Atlantic Capital Bancshares Inc. (ACBI)	4.77%
Bank of America Corp. (BAC)	4.51%
Silvercrest Asset Management Group Inc. (SAMG)	3.76%

Holdings are subject to change. Holdings are subject to change. The above is a list of all securities that composed 68.29% of holdings managed as of 3/31/2019 under the RMB Mendon Financial Long/Short Fund ("Fund") of RMB Capital Management, LLC ("RMB Capital") based on the aggregate dollar value. This list is provided for informational purposes only and may or may not represent the current securities managed. It does not represent all of the securities purchased, sold, or recommended for advisory clients (under the Fund or otherwise) during the calendar quarter ending 3/31/2019. The reader should not assume that investments in the securities identified and discussed were or will be profitable. For a complete list of historical recommendation for the Fund, please contact RMB Investors Trust at 855-280-6423.

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 party 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 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.

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. 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.

Foreside Fund Services, LLC, Distributor