

# RMB Mendon Financial Services Fund

## Portfolio Update: Second Quarter 2019

For the three months ended June 30, 2019, the RMB Mendon Financial Services Fund (the “Fund”) returned +5.49% net of fees, while its benchmark, the NASDAQ Bank Index (CBNK), returned +4.91%.

	Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception
RMBKX	+5.49%	+9.40%	-15.42%	+11.14%	+11.06%	+11.78%	+12.17%
NASDAQ Bank Index	+4.91%	+13.76%	-8.85%	+12.70%	+9.39%	+11.40%	+5.91%
RMBKX (Load Adjusted)	+0.21%	+3.94%	-19.65%	+9.26%	+9.92%	+11.20%	+11.88%

*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 1.27%.*

*The Fund’s investment advisor, RMB Capital Management, LLC, has adapted a contractual expense limitation agreement for each fund through May 1, 2020, 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 FB Financial Corp. (FBK) and Veritex Holdings Inc. (VBTX). The Fund’s top detractors for the period were Equity BancShares Inc. (EQBK) and CBTX Inc. (CBTX).

Summing up the narrative for the quarter, it was all about the relationships between central banks, rates, and trade. The tidy, mid-single-digit return for the quarter masks the underlying monthly volatility (monthly total returns for the benchmark were +7.04, -8.14%, and +6.69%, respectively). In May, the Fund’s bank index benchmarks were down four consecutive weeks in response to President Trump’s May 5 tweet escalating trade tensions with China. Almost all of this move can be traced to the overall market’s “risk off” posture and the ensuing ~35 bp decrease in the 10-year U.S. Treasury yields to levels not seen since September of 2017. The end of June saw the G20 Meeting in Japan with an agreement to keep negotiating.

Market expectations for interest rate cuts materially changed during the quarter with three 2019 cuts being called for by the end of June. During this marking period, we believe the Fed became simultaneously cognizant that the neutral level of interest rate was lower than they had previously believed, along with larger domestic concerns when Trump threatened tariffs with Mexico for political—not economic—reasons, potentially throwing more multi-national supply chains into limbo. These two factors, among others, have led the Fed to become more dovish. As such, we believe the ensuing cut(s) that the market expects are more of an “insurance” nature, meant to cushion against potential economic headwinds tied to the China trade war and other global macro/political uncertainties, not as a result of a material domestic economic slowdown. Fed Chair Jerome Powell reinforced this belief in the Q&A session of the Federal Open Market Committee (FOMC) press conference, stating, “It’s really trade developments and concerns about global growth that are -- that are on our minds. So we’re not exclusively focused on one event or one piece of data, risks seem to have grown. In the meantime, we have incoming data in the United States that’s been pretty good, particularly for the consumer.” Interestingly, at a June regional bank conference hosted by KBW, not a single bank CEO we met with thought that cutting fed funds was necessary to backstop their local economies (the banks were all located in the Southeast). We grant that this is a biased group desirous of a Goldilocks-type rate environment, but with the outlook for lower short rates, most Treasury spreads have widened and likely will continue to do so, helping to reduce pressure on net interest margins.

We think it is a useful exercise to look at one of these strong Southeastern markets where one of the quarter’s top performers (FBK) is headquartered to illustrate a current theme of our portfolio—that is, the in-migration of people and businesses into lower-tax, pro-business states from higher-tax states. It’s no secret that Nashville, TN has been a great success story, but

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what is interesting is the ongoing momentum that the city enjoys. In May, it had the highest year-over-year percentage growth of employed workers of any metropolitan statistical area (MSA) over 750,000 people at 4.4% vs. the national average of 1.1% (Source: Bureau of Labor Statistics). At the end of June alone, the city announced several major job additions. The first was the relocation of Mitsubishi Motors' North America headquarters from California, resulting in roughly 200 jobs throughout its corporate ranks. Also announced was Xtend Healthcare LLC's intent to invest \$1.3 million and create 200 new jobs. Lastly, San Francisco-based Pilot.com Inc. will create 450 jobs in Nashville as part of the company's new account-management headquarters, housing Pilot.com's finance and customer support operations, as well as software engineers. These announcements follow other recent corporate relocations to the middle TN area, including AkzoNobel, AllianceBernstein, Dell Technologies, Caterpillar Financial, Ford Motor Credit, and Nissan North America. One research analyst, in commenting on the recent Nashville announcements, wrote, "Our simple takeaway is that while middle TN has been a positive outlier against the backdrop of a strong economy nationwide, the gap could become even more pronounced should momentum in middle TN continue, against the backdrop of a slowing national economy. This would seem to augur well for growth opportunities (as growth likely slows elsewhere) for those banks that we follow that we consider to be pure plays on the middle TN economy." We would say the same regarding the select MSAs where the Fund has concentration, such as Atlanta, Baltimore-DC, Charlotte, Dallas, Greenville, Houston, Raleigh, etc.

Our intentional geographic concentration (consisting of both emphasizing and avoiding certain markets), early identification of superior management teams, and ability to correctly analyze balance sheet value and opportunistically act when intrinsic value and market value materially diverge have led to our historical outperformance. This current market, where financials' valuations tend to be more influenced by macro factors (i.e., value vs. growth, cyclical vs. defensive, small cap vs. large cap), presents outstanding opportunities for those investors focused on company fundamentals.

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

Sincerely,



Anton Schutz  
Senior Portfolio Manager

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## TOP 10 HOLDINGS AS OF 6/30/19

<b>Company</b>	<b>% of Assets</b>
Veritex Holdings Inc. (VBTX)	9.77%
FB Financial Corp. (FBK)	9.71%
Fidelity Southern Corp. (LION)	5.69%
First Bancorp (FBNC)	4.96%
Carolina Financial Corp. (CARO)	4.85%
Triumph Bancorp Inc. (TBK)	4.85%
Equity Bancshares Inc. (EQBK)	4.76%
Independent Bank Group Inc. (IBTX)	4.35%
Ameris Bancorp (ABCB)	4.20%
Old Line Bancshares Inc. (OLBK)	3.99%

*Holdings are subject to change. The above is a list of all securities that composed 57.13% of holdings managed as of 6/30/2019 under the RMB Mendon Financial Services 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 6/30/2019. 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.*

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***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](http://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 NASDAQ Bank Index includes securities of NASDAQ-listed companies classified according to the Industry Classification Benchmark (ICB) Banks. The NASDAQ Bank Index performance data quoted above are total return numbers.*

*Foreside Fund Services, LLC, Distributor*