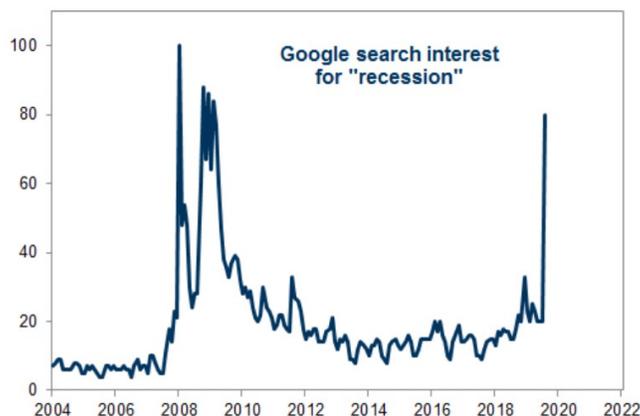


# RMB Mendon Financial Funds

## Commentary: August 2019

If one were to turn on the news recently, he or she would be convinced that a recession is not only forthcoming but maybe already here. Many reasons are given for this unceasing narrative, including the length of the current business cycle, global weakness, and uncertainty over tariffs, etc., yet GDP growth remains healthy. Bank of America Corp. (BAC)<sup>1</sup> CEO Brian Moynihan recently stated on Bloomberg TV, “We have nothing to fear about a recession right now except for the fear of recession...The average worker is working, getting paid more (and that) translates into good credit performance on the consumer side. The real risk for the U.S. economy is if the consumer slows down,” echoing Jamie Dimon’s sentiment that we need to be careful not to talk ourselves into a recession. Google searches for the word “recession” have spiked to the highs last seen during the financial crisis.



Source: Google, Goldman Sachs Global Investment Research

Domestically, various regions/states are performing materially better than others, a trend we have seen exacerbated by State and Local Tax (SALT) provisions contained in 2016 tax reform legislation limiting federal deductions of property and state income taxes. Our portfolio remains overweight banks in states that are pro-business, have low or no state income taxes, and have a manageable fiscal outlook; resulting in sizeable business and individual in-migration. *Chief Executive* magazine, in its “2019 Best and Worst States for Business” report, ranked the following top and bottom five (we added each state’s highest marginal state tax rate).

TOP 5	BOTTOM 5
1. Texas (0%)	46. Connecticut* (6.99%)
2. Florida (0%)	47. New Jersey* (8.97%)
3. Tennessee (0%)	48. Illinois (3.75%)
4. North Carolina (5.75%)	49. New York* (8.82%)
5. Indiana (3.3%)	50. California (13.3%)

*\*Those that work in NYC enjoy an additional 3.876% city income tax*

<sup>1</sup> BAC represents a 6.10% weight in the Mendon Financial Long/Short Fund

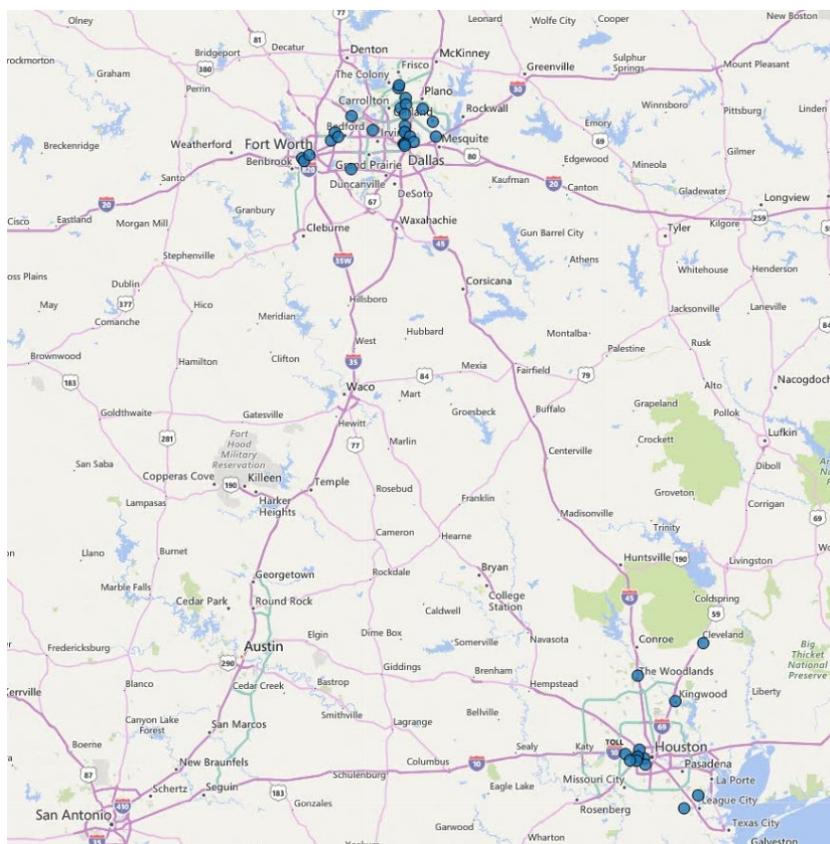
# RMB Mendon Financial Funds

The bottom five states represent about 25% weighting in the Nasdaq Bank Index, while our portfolios have a fraction of that. The top five states represent 14% weighting in the Nasdaq Bank Index, while our portfolios have around three times that amount of exposure.

A lot of our team’s time is spent meeting with managements and analyzing markets, looking for capitalistic management teams in robust markets. A perfect position for us is one that has multiple ways to win—a company that can increase shareholder value either by being a buyer, a seller, or a stand-alone company in an enviable market. A good example of these qualities can be found in Veritex Holdings, Inc. (VBTX)<sup>2</sup>, one of our top holdings. This Dallas, Texas-based bank is the result of a merger of equals with Houston-based Green Bancorp, Inc., creating an \$8 billion asset bank with offices in Dallas and Houston. Dallas is the number four metropolitan statistical area (MSA) in the country, and Houston is number five. We think highly of management, noting that its CFO—prior to joining—was CFO at Green Bancorp and Yadkin Financial Corp., both of which were holdings before being sold.

Shares roughly trade just under 10x 2020 estimates (relative to its forward ROTCE<sup>3</sup> of 16–17% and 34% year-over-year earnings growth). We like the company’s strong Texas demographics, franchise, organic growth profile, shareholder-oriented management team, and valuation. The company demonstrates the optionality we seek—it has increased its footprint via acquisition, it is benefiting from a strong Texas economy in a standalone capacity, and has scarcity value if another financial institution were to seek meaningful market share via acquisition in two of the country’s best MSAs.

### Veritex Holdings Inc. (VBTX): Current U.S. Branches



<sup>2</sup> VBTX represents a 10.49% weight in the Mendon Financial Services Fund and 8.37% weight in the Mendon Financial Long/Short Fund

<sup>3</sup> Return on Average Tangible Common Shareholders’ Equity

# RMB Mendon Financial Funds

---

*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 letter 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 party without the permission of RMB Capital.*

***Investors should consider the investment objectives, risks, charges, and expenses carefully before investing. For complete information about the funds, 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 read 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.*

*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*