RMB Mendon Financial Services Fund

Portfolio Update: Third Quarter 2019

For the three months ended September 30, 2019, the RMB Mendon Financial Services Fund (the "Fund") returned +1.55% net of fees, while its benchmark, the Nasdaq Bank Index, returned -0.75%.

	Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception
RMBKX	+1.55%	+11.09%	-10.76%	+8.58%	+11.92%	+10.63%	+12.10%
NASDAQ Bank Index	-0.75%	+12.91%	-8.00%	+8.81%	+10.19%	+10.26%	+5.80%
RMBKX (Load Adjusted)	-3.52%	+5.55%	-15.22%	+6.73%	+10.78%	+10.06%	+11.81%

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 Old Line Bancshares Inc., which sold during the quarter, and FB Financial Corp., which announced a small acquisition during the quarter. The Fund's top detractors for the period were positions in Veritex Holdings Inc. and Byline Bancorp Inc.

It's becoming harder and harder to encapsulate what happened in a quarter when markets are measuring time in tweets instead of discrete fiscal periods. In July, banks reported 2Q19 earnings, which provided few surprises as management teams did a good job managing things under their immediate control—loan growth, expense control, higher fee income from mortgages, robust stock repurchases, and mostly benign credit were all positives against softer net interest margins (NIMs). Additionally, with markets' volatility quelled during the second half of the month, 16 mergers were announced with a total value of more than $2.4 billion, marking the busiest two-week period in recent memory.

August experienced a crisis of confidence, caused by the economic narrative (less so the data), which, in a historically low-volume month, lacked any pressure-relief mechanisms as concerns flared unabated around issues where resolution possibilities remain unclear or elusive: U.S./China trade, Brexit, U.S. slowdown, etc. For the month, the group basically traded in lockstep with the 10-year U.S. Treasury yield. Further exacerbating this economic uncertainty is the reoccurring theme of systematic trading creating distortions in the information content of many historical economic relationships. JP Morgan's Marko Kolanovic, PhD and Bram Kaplan, CFA wrote the following during the month (emphasis ours):

> Last week brought another surge in market volatility driven by Trump's trade war and the related sharp drop in bond yields. Many investors asked to what extent the magnitude of moves in bond yields and equities reflect fundamentals or technical drivers. In other words, how much of the move can be attributed to increased recession risk vs. technical flows in an environment of poor liquidity? Our colleagues in interest rate research estimated that **more than half of the recent move in interest rates and inversion of the yield curve was caused by technical drivers**—i.e., convexity hedging of mortgages, bank portfolios, and variable annuities in poor liquidity conditions—and **less than half of the move can be explained by fundamentals such as the growth, inflation and monetary policy outlook**. This is an important data point for equity investors, as moves in rates (e.g., yield curve inversion) significantly impact investment sentiment. By looking at various systematic flows in equity markets, we find similar results—i.e., that **more than half of equity moves were driven by systematic rather than fundamental trading**.

Potentially skewed inputs causing an increased market reaction, which risks reverse causation, contributed to the above-mentioned economic narrative that may not 100% accurately reflect actual conditions. Many market relationships are reaching extremes (value vs. growth, cyclicals vs. defensives, negative yielding debt exceeding U.S. total mortgage debt outstanding, etc.), which would normally indicate extremely high confidence in these outcomes, but this confidence seems shaky at best and ignores the extremely high risk of being on the wrong side of a very crowded trade.

In mid-September, the market witnessed a reversal of these crowded trades in what could be a preview of things to come when factors violently rotated. On September 12, value stocks saw their biggest daily gain against growth peers since at least 2008 (according to Bloomberg), while investors took profits in higher-growth tech stocks. Bank stocks in the U.S. had their best day since last December, aided by this meaningful rotation, as the U.S. 10-year Treasury yield started the month at 1.50%, reached as high as 1.90%, before closing out the month at 1.68%. Also in September, the FDIC released its Summary of Deposits, which is its annual survey of branch office deposits for all FDIC-insured institutions. For the fifth year in a row, it reported small- and mid-sized banks taking share from the universal banks, countering the narrative that large banks' technology budgets are making community banks obsolete. We continue to believe that the value of banks can be found in their stable/sticky funding bases and that small- and mid-cap banks will outperform large-cap banks over time.

If one were to look past the tweets and the Dr. Jekyll and Mr. Hyde trade negotiation tendencies from both the U.S. and China, banks continue to open for business daily, and business remains good. Bank management teams would like higher rates and wider spreads but are effectively playing the hand they are dealt. As mentioned above, loan growth remains healthy (up 5.7% annualized for small banks in 3Q19), expense control continues to benefit operating leverage, and the industry is returning record amount of capital between dividends and buybacks. Contrary to popular belief and current market narratives, there are positives to lower rates as mortgage volumes meaningfully accelerate, floating rate debt burdens lessen, the credit cycle extends, and deposit costs drop. The market currently is focused solely on the negative impact of lower rates on loan yields but, for some reason, is ignoring that input costs (deposits) also are reduced.

The group remains out of favor, under-owned, and "out of style" for a market enamored with growth stocks. Relative and absolute valuations are compelling, and, as stated above, business is good. As financial services investors with a 20+ year tenure, we have successfully invested through all parts of the business and rate cycle and certainly do not believe that this time is different. We remain committed to our process of identifying investable themes within the group and profitably isolating long-term winners and losers.

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

Sincerely,

Anton Schutz
Senior Portfolio Manager

RMB FUNDS

TOP 10 HOLDINGS AS OF 9/30/19

Company	% of Assets
FB Financial Corp.	9.88%
Veritex Holdings Inc.	9.49%
Ameris Bancorp	8.51%
Equity Bancshares Inc.	5.75%
Carolina Financial Corp.	5.55%
Live Oak Bancshares Inc.	4.60%
First Bancorp	4.43%
The First Bancshares Inc.	3.92%
Origin Bancorp Inc.	3.61%
Old Line Bancshares Inc.	3.49%

Holdings are subject to change. The above is a list of all securities that composed 59.21% of holdings managed as of 9/30/2019 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.

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 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