

RMB SMID Cap Fund

Portfolio Update: Fourth Quarter 2019

During the fourth quarter, the RMB SMID Cap Fund (the "Fund") increased +6.76%, behind the Russell 2500 Index's increase of +8.54%. Many things went right this quarter. Brexit uncertainty was clarified. A preliminary trade deal was agreed to between China and the U.S., GDP, employment, and wage growth continued to surprise to the upside. All these events contributed to a strong finish to the year for equities.

Perhaps the most dramatic boost to equities came from the massive market stimulus by the Federal Reserve to smooth out liquidity issues that negatively impacted the Repo market¹. The Fed added \$100 billion per month to their balance sheet which, at the current pace of purchases, will effectively reverse two years' worth of balance sheet normalization by March. This sparked a powerful "risk-on" rally in the market.

Exhibit 1.



Source: Zerohedge.com, "Is The Market Up This Week? Just Ask The Fed's Balance Sheet" 12/13/2019

While the Fed claimed the repo liquidity provisions are not quantitative easing (QE), credit spreads plummeted, liquidity increased, and high risk assets out-performed low risk assets in typical QE induced "risk-on" fashion. Consistent with our thesis in last quarter's paper "When Quality Lags", lower quality stocks outperformed higher quality and provided a significant headwind for the Fund this quarter. However, for the year, the Fund increased +31.63%, outperforming the +27.77% return for the Russell 2500 despite the powerful "risk-on" rally in the fourth quarter, which we believe was temporary.

	Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception (12/31/2004)
RMBMX	+6.76%	+31.63%	+31.63%	+12.48%	+9.63%	+11.48%	+8.21%
Russell 2500® Index	+8.54%	+27.77%	+27.77%	+10.33%	+8.93%	+12.58%	+8.79%

Performance over one year is annualized. 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 net expense ratio is 0.96%.

¹ A *repo* refers to one party lending out cash in exchange for a roughly equivalent value of securities, often Treasury notes, creating a *market* to allow companies that own securities, but are short on cash, to cheaply borrow money.

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The Fund's investment advisor, RMB Capital Management, LLC, has adapted a contractual expense limitation agreement for each fund through June 24, 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.

Contributors and Detractors

The biggest contributors to performance were Fair Isaac Corp. (FICO, +23.47%) and First Republic Bank (FRC, +21.70%). FICO is a financial technology software company with a powerful network effect and intangible assets. They have acquired a lot of proprietary data over decades, which cannot be easily duplicated. With the massive technology leaps with big data, computing power, the cloud, and artificial intelligence, FICO has been undergoing an "innovation renaissance" over the last decade. Positioned as a natural monopoly, it is empowering organizations to automate, improve, and connect credit decisions across their business. FICO delivered another solid quarter driven by acceleration in their innovative Scores business which helps businesses more quickly approve credit for customers. First Republic Bank is a private bank with a specialty in jumbo mortgages, commercial lending, and wealth management. Management delivered a strong third-quarter driven by record loan originations and indicated that its loan pipeline remains "very strong", and that investors should expect more of the same for the fourth quarter. At the company's recent Investor Day, management highlighted other impressive outcomes of its "disruptively superior client service" including 98% retention of all existing clients and tangible book value per share CAGR (after dividends) of 15% for the last decade. Moreover, the credit quality record is exceptional – since 1985, the company's cumulative net loan losses have been 0.13% of loans, and its average annual net loan losses since 2000 have been about one-seventh of the average of the top-50 banks. We expect the company's track record of wealth creation will persist and exceed stock market expectations given the high managerial skill of First Republic and the company's exceptional client service culture.

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FOURTH QUARTER 2019 CONTRIBUTION REPORT
Ranked by Basis Point Contribution

	Basis Point Contribution	Return
Top Contributors		
Fair Isaac Corp.	+50	+23.47%
First Republic Bank	+47	+21.70%
WPX Energy Inc.	+44	+29.91%
Copart Inc.	+40	+13.67%
ITT Inc.	+35	+21.16%
Bottom Detractors		
ServiceMaster Global Holdings Inc.	-25	-30.67%
SAGE Therapeutics Inc.	-23	-46.82%
Tabula Rasa Healthcare Inc.	-20	-12.36%
Acadia Realty Trust	-15	-8.24%
Proofpoint Inc.	-14	-10.99%

The performance presented above is sourced through Factsset Research Systems Inc. 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 Fund. Holdings listed might not have been held for the full period. 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.

Two of the biggest detractors were Tabula Rasa Healthcare Inc. (THRC, -12.36%) and Proofpoint Inc. (PFPT, -10.99%). THRC provides a highly valuable service that is aligned with current healthcare trends of moving toward quality of care and away from fee-for-service. After demonstrating its value-add in the PACE program (which is still growing significantly), we think THRC can expand into new markets (commercial payers, Medicare), with strong barriers to entry, high recurring revenue and retention rate and a scalable model. The stock reacted negatively to a quarterly earnings miss associated with the cancellation of a contract that resulted from the merger between CVS and Aetna. The contract was never part of our longer term thesis and we believe the market over-reacted to earnings noise and THRC will fight back as the market refocuses growth opportunities in adjacent markets. PFPT develops e-mail security software and has been recognized by Gartner as the dominant player for the Secure E-mail Gateway market. Although the company delivered a strong quarter across key metrics (revenue, billings, operating margin and free cash flow), the stock was weak in response to guidance for 2020 which was

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slightly below analyst expectations. Management has a track record of being conservative when providing initial fiscal year guidance and we remain bullish on the company.

Portfolio Activity

Portfolio turnover is low. We believe low turnover is an outcome of being early with genuine company insights and having a patient temperament. Moreover, low turnover allows for deferred tax gains to compound in an efficient manner. With that being said, we do sell when there is an investment thesis violation or when the risk reward profile is no longer attractive. Thesis violations were encountered with SAGE Therapeutics Inc., ServiceMaster Global Holdings Inc., and ABIOMED Inc. and the holdings were sold opportunistically. Ionis Pharmaceuticals Inc. and Littelfuse Inc. were sold when their risk reward profiles became compressed during the stock markets ascent, so we took advantage of the “risk on” environment. We reallocated the proceeds of all the sales to higher conviction holdings in the Fund. The net effect of our sells and buys modestly reduced the average market cap of the Fund as well as reduced the growth relative to value mix of the Fund to keep the Fund more aligned with the core mandate.

Outlook

In terms of market outlook, we are more comfortable thinking in terms of decades rather than quarters due to our unwavering confidence that, over the long-term, the pursuit of legitimate wealth creation within the capitalist system has a built-in market mechanism which incentivizes capital allocation to fund advances in productivity and innovation. When functioning properly, this leads to higher standards of living for all. Companies that deliver on this promise tend to create wealth for their shareholders. Those that do not tend to cease to exist, leaving the system stronger and people healthier and wealthier on average.

As we begin a new decade, it is important to recognize that greater global economic freedom and the broader adoption of market-based economies have continued to deliver rising standards of living over the past ten years. According to the World Bank,² “The gap in basic living standards is narrowing, with an unprecedented number of people in the world escaping poverty, hunger and disease.” During this decade “extreme world poverty fell more than half, from 18.2% to 8.6%.” Additionally, “Global life expectancy increased by more than 3 years. Death rates from air pollution declined by almost a fifth.” This has been the track record of capitalism since the beginning of the industrial revolution. Our outlook for the next decade remains as optimistic as ever and we believe equities will reflect wealth created with positive returns for equity owners and particularly owners of higher quality equities.

So, for 2020, we anticipate something more down to earth than the +31.63% gain of last year. Our market derived discount rate research tells us we should expect something close to 7% from smaller companies, though returns may be higher or lower depending on how much gas is left in the tank for the economy and corporate earnings. Returns will also get bounced around by further trade negotiations, details around Brexit, election year rhetoric, and Fed policy as it relates to balance sheet growth and interest rates. We believe the quantitative easing in the fourth quarter was temporary as it related specifically to the challenges of the Repo market. We suspect regulations may be modified so that the Fed is not put in a position to engage in QE activities while the economy and the rest of the markets are functioning fine. As Fed operations revert to normal, we would expect recent gains from lower quality, less liquid companies to give back some of their performance providing an environment for higher quality companies to resume their outperformance.

² *The Wall Street Journal*, “The 2010s Have Been Amazing”, <https://www.wsj.com/articles/the-2010s-have-been-amazing-11576540377>

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Thank you for your commitment to the Fund. Should you have any questions regarding your investment, please do not hesitate to reach out to us.

Sincerely,



Chris Faber
Portfolio Manager



Jeff Madden
Portfolio Manager

TOP 10 HOLDINGS AS OF 12/31/19

Company	% of Assets
American Financial Group Inc.	3.21%
Equity Commonwealth	2.63%
Markel Corp.	2.63%
West Pharmaceutical Services Inc.	2.62%
Copart Inc.	2.62%
Fair Isaac Corp.	2.57%
First Republic Bank	2.46%
Vail Resorts Inc.	2.39%
Teledyne Technologies Inc.	2.33%
Jack Henry & Associates Inc.	2.27%

Holdings are subject to change. The above is a list of all securities that composed 25.71% of holdings managed as of 12/31/2019 under the RMB SMID Cap 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 12/31/2019. 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.

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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 part without the permission of RMB Capital.

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 Russell 2500 Index measures the performance of the 2,500 smallest companies in the Russell 3000 Index. The Russell 3000 Index measures the performance of the 3,000 largest U.S. companies based on total market capitalization. The index does not reflect investment management fees, brokerage commissions, or other expenses associated with investing in equity securities.

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. There can be no assurance that the Fund will achieve its investment objective.

Foreside Fund Services, LLC, Distributor