RMB Mendon Financial Services Fund

RMB FUNDS

Portfolio Update: First Quarter 2020

For the three months ended March 31, 2020, the RMB Mendon Financial Services Fund (the "Fund") returned -42.59% net of fees, while its benchmark, the Nasdaq Bank Index, returned -37.93%.

	Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception (6/7/1999)
RMBKX	-42.59%	-42.59%	-32.02%	-13.91%	+0.13%	+4.93%	+9.37%
NASDAQ Bank Index	-37.93%	-37.93%	-28.81%	-11.17%	+0.35%	+4.97%	+3.74%
RMBKX (Load Adjusted)	-45.45%	-45.45%	-35.42%	-15.36%	-0.89%	+4.39%	+9.10%

Inception date: 6/7/1999. 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.

Although this update is supposed to discuss quarterly activity in the Fund, much has changed since January and February for the Fund, so discussing March and our outlook for the financial services sector going forward seems to be the best use of this missive. As is widely known, the first quarter of 2020 and March specifically were some of the most tumultuous in market history. For the quarter, the S&P 500 was down -19.60%, and bank indices fared much worse with the KBW Bank Index down -41.75% and the Nasdaq Bank Index down -37.93%, due to the concerns created by the sudden shuttering of the economy in response to the COVID-19 threat. Against this backdrop, the RMB Mendon Financial Services Fund declined -42.59%. The unquantifiable nature of the type of recession that will likely ensue caused investors to treat banks' balance sheets as the source of all economic evils, for lack of a better term, as written in the "Financial Crisis Playbook." We would argue that the last playbook is not warranted for this crisis, reiterating that the banks will be an extremely vital part of the solution, not the source of risk. In fact, one of the remedies to the Global Financial Crisis (GFC), Quantitative Easing (QE), is one of the main perpetrators of the current environment, which COVID-19 has exposed. The series of QEs since the GFC has resulted in the mispricing of risk and misallocation of capital by non-regulated vehicles engineered to achieve hurdle rate returns in a zero-interest rate world. Credit products created outside of regulated banking channels, while enormously popular in recent years (as always with a "new new thing"), have likely misjudged both the liquidity and credit risks inherent in the strategies. The global deleveraging caused by this misallocation/mispricing, along with the growth of algorithmic/systematic trading strategies, has caused stocks to move more quickly and violently than almost any time in history. This impact, while significant, is not likely a systemic issue like the ones seen during the GFC.

So where does this leave US banks? First, it is important to note that the Federal government, instead of not acting at all/after the fact (Great Depression) or acting late (GFC), has acted with unprecedented coordination, scale and speed to the COVID-19 crisis. With an opening salvo of $2+ trillion in economic stimulus, $4+ trillion in monetary policy support, and accounting/regulatory relief, Congress, the Administration and the Federal Reserve have shown that they will do whatever it takes to stabilize the US economy. The Fed's balance sheet is swelling again, not with the intention of inflating asset prices, but rather to bridge the gap to a more "normal" environment and to make sure that financial plumbing remains intact. Traditional banks have not been this important in customers' eyes in a very long time. One needs to look no further than the SBA's Payroll Protection Plan to see how policy will be transmitted through the banking system. Regulated depositories are the credit and policy transmission mechanism for the economy. With non-bank sources of credit suddenly bereft of funding, the value of stable deposits cannot be understated (although, ironically there will be little interest paid for them due to the current rate structure). There will be loan losses, a credit cycle and the government response will not be perfect (as we've already seen), but entering this period with capital levels at 70-year highs and low levels of non-performing assets will have a near-term effect on bank earnings but unlikely an existential hit to capital, which is currently being priced in.

This confusion of an earnings issue vs. a capital one is where the current opportunity lies. Bank stocks are currently trading at roughly 20-year relative and absolute low valuations. There has been forced selling in many smaller, less-liquid names that we own, resulting in the Fund underperforming its benchmark. As an example, two of our top holdings, FB Financial Corp. (FBK) and Veritex Holdings, Inc. (VBTX) were down 50.07% and 51.71% respectively during the quarter. At quarter end, our portfolio traded at 81% of tangible book value vs. the Nasdaq Bank Index trading at right at tangible book value.

Looking at first quarter earnings, we expect banks to be profitable, as the most severe issues (150bps of emergency rate cuts and economic quarantine) didn't happen until the last month of the quarter. Book values will benefit from the positive rate marks from banks' securities portfolios. Mortgage banking revenue should be elevated. Loan balances will be higher as customers drew on lines of credit, which should help offset margin pressure, especially if the funds were immediately deposited. Share counts will be lower due to material share repurchases at very accretive levels. Offsetting all of this (but not leading to losses in most cases) will be higher loan loss provisions to prepare for the effects of the COVID-19 recession.

In closing, we remain constructive on the fundamentals of the group likely entering a recession and are carefully watching how the landscape evolves and how it will affect banks of different sizes and business models. We trust our process honed over 21 years and several cycles and seek to capitalize on the opportunities that present themselves in times like these.

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

Sincerely,

Anton Schutz
Senior Portfolio Manager

RMB Mendon Financial Services Fund

RMB FUNDS

TOP 10 HOLDINGS AS OF 3/31/20	
Company	**% of Assets**
FB Financial Corp.	9.21%
Ameris Bancorp	8.95%
Veritex Holdings Inc.	7.45%
Equity Bancshares Inc.	7.43%
Live Oak Bancshares Inc.	6.53%
Far Point Acquisition Corp.	6.46%
The First Bancshares Inc.	4.44%
First Bancorp	4.27%
Carolina Financial Corp.	3.32%
Origin Bancorp Inc.	3.27%

Holdings are subject to change. The above is a list of all securities that composed 61.30% of holdings managed as of 3/31/2020 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 3/31/2020. 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