

RMB Small Cap Fund

Portfolio Update: Fourth Quarter 2020

During the fourth quarter, the RMB Small Cap Fund (the "Fund" or "RMBBX") increased +28.97%, net of fees, compared to a +31.37% increase for the Russell 2000 Index.

	Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception (8/30/2002)
RMBBX	+28.97%	+17.59%	+17.59%	+12.52%	+12.33%	+10.45%	+11.02%
Russell 2000® Index	+31.37%	+19.96%	+19.96%	+10.25%	+13.26%	+11.20%	+10.71%

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 gross expense ratio is 1.10%.

The Fund's investment advisor, RMB Capital Management, LLC, has adapted a contractual expense limitation agreement for each fund through April 30, 2021, 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 fourth quarter was the best quarter ever for small-cap companies. In our last quarterly update, we pointed out that, "Currently, our research suggest smaller companies are attractively priced relative to larger companies by a magnitude not seen since 1999." But even we were surprised by the +31% increase in the Russell 2000 small-cap index.

Stocks were ignited by the approval of several COVID-19 vaccines during the quarter. Additionally, better than expected earnings, the passage of stimulus 2.0, and a promise by the Federal Reserve to continue QE and keep real interest rates negative for the foreseeable future provided fuel for another rally, benefitting higher risk assets from the smallest of small caps to Bitcoin.

As a high quality portfolio, the Fund tends to lag in strong, risk-on markets, given the Fund's lower beta, greater liquidity, and lower leverage. Additionally, keeping only 2.49% in cash created an 87 basis point headwind for the Fund. The team offset some of these headwinds by adding to several quality cyclicals over the last several months. These actions helped the Fund capture 93% of the record upside move this quarter. The Fund performed in line with expectations, given it takes significantly less risk than the benchmark and captured 86% of the record decline in the first quarter.

In academia, one of the preferred measures to evaluate investment returns per unit of downside risk is the Sortino Ratio, where any ratio above 0 is considered "good". The higher the ratio, the better for those who care about preserving capital in down markets. Given the record market decline in the first quarter and the record advance in the fourth quarter, the Fund was put to the test and we are happy to report it passed in a very robust manner, as noted in Table 1.

Table 1

Sortino Ratio						
As of 12/31/2020	1 Year	3 Year	5 Year	10 Year	15 Year	Since Inception
RMB Small Cap Fund	0.80	0.69	0.88	0.89	0.60	0.81
Morningstar U.S. Fund Small Blend	0.71	0.44	0.76	0.84	0.62	N/A
Russell 2000 Index	0.81	0.49	0.83	0.85	0.55	0.71

Sources: FactSet SPAR, Morningstar Direct

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Contributors and Detractors

The biggest contributors to performance were concentrated among the banking and healthcare sectors. We are pleased that two banks were top contributors. Last quarter banks were the biggest detractors, but we reiterated our positive thesis “that banks would outperform in a “V” shaped recovery because they are as cheap as they were in the financial crisis, but with a fraction of the credit risk.” It is too early to take a victory lap, but we still believe banks may be in the early innings of sustained outperformance. Seacoast Banking Corp. of Florida (SBCF) increased +63.34%. SBCF is a Florida-focused bank that has reinvented itself following the global financial crisis. It sharpened its credit culture by getting more diversified, and invested in data, analytics, and technology to better serve existing customers, while also improving customer acquisition flow. SBCF is an early adopter in using analytics to optimize their omnichannel branch distribution and is adopting its business to thrive in the digital economy. TriCo Bancshares Inc. (TCBK) increased +44.99% and reported a very strong quarter exceeding what was priced into its shares. It is a northern California-focused community bank with a very strong deposit franchise and conservative credit culture.

Our healthcare holdings had a stellar year contributing 526 basis points of excess return for the year and have been consistent contributors all year. This quarter, Omnicell Inc. (OMCL, +60.84%) and CareDX Inc. (CDNA, +90.96%) made the list. Omnicell’s technology minimizes mistakes associated with mis-dosing. Its new product, gen XT, is taking market share and its next generation XR2 offers a fully automated robotic drug dispensing solution. OMCL reported significant increases in customer wins and bookings, driving strong share price performance this quarter. CareDX is led by the former head of Novartis’ Global Diagnostic business and is surrounded by a strong management team. CDNA is positioned as a leader in the >\$3B transplant diagnostics market, with two commercialized tests that serve an unmet need for non-invasive detection of heart and kidney post-transplant rejection. There is a clear unmet need in heart and kidney transplants for high-cost patients, as current surveillance methods have huge limitations that are either invasive (biopsy) or inadequate (serum creatinine). Importantly, both tests have strong clinical validation and have secured reimbursement. In addition, there are active, multiple years of surveillance that leads to a recurring revenue model.

Healthcare offers some of the widest risk/reward payoff structures and so several detractors were also healthcare names, where our positive thesis has not yet played out. Allogene Therapeutics Inc. (ALLO, -33.07%) has assembled one of the top management teams in biotech, including the co-founder of Kite Pharma, the CMO from Kite Pharma and other senior managers from Pfizer Inc. and Amgen Inc. ALLO is attempting to improve existing CAR-T platforms (CAR-T stands for chimeric antigen receptor T-cell, a relatively new form of cancer therapy), which is a significant TAM (total addressable market) as demonstrated by the multi-billion dollar acquisitions of Kite Pharma and Juno Therapeutics . After a strong positive price reaction on early clinical data in the summer, the stock declined in 4Q due to concerns about the competitive landscape. Tabula Rasa Healthcare Inc. (TRHC, -12.99%) provides a highly valuable service that is aligned with current healthcare trends of moving toward quality of care and away from fee-for-service. Given the disruption in the PACE (Primary, Alternate, Contingency, and Emergency) market related to COVID and the lack of visibility of the expansion into new markets, we exited

RMB Small Cap Fund FOURTH QUARTER 2020 CONTRIBUTION REPORT *Ranked by Basis Point Contribution*

	Basis Point Contribution	Return
Top Contributors		
Seacoast Banking Corp. of Florida	+147	+63.34%
Repligen Corp.	+117	+29.67%
Omnicell Inc.	+110	+60.84%
CareDx Inc.	+109	+90.96%
TriCo Bancshares	+103	+44.99%
Bottom Detractors		
Allogene Therapeutics Inc.	-22	-33.07%
bluebird bioInc.	-9	-19.80%
Tabula Rasa Healthcare Inc.	-6	-12.99%
Neogen Corp.	-4	+1.29%
Columbia Sportswear Co.	-4	+0.30%

The performance presented above is sourced through Factset 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.

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our position in the 4Q. Bluebird Bio Inc. (BLUE, -19.80%) announced a significant delay to its sickle cell disease (SCD) program due to an unexpected FDA request. While the delay is disappointing, we still currently own a small weight, given the potential upside.

Portfolio Activity

Most of the portfolio activity during the quarter related to sales of lower conviction names, risk control trims, and adds of smaller, value-type names where we redeployed proceeds from trims of several larger, growthier names. We sold Bright Horizons Family Solutions Inc. as it has outgrown our small cap mandate as well as reached our fair value target. We sold lower conviction names including Tabula Rasa, Proofpoint Inc., CVB Financial Corp., and Chesapeake Utilities Corp. We swapped out of Equity Commonwealth, a fairly valued defensive REIT, and re-invested the proceeds into Essential Properties Realty Trust Inc., a REIT with significant recovery potential as the economy re-opens.

For the year, we feel great about actively taking advantage of the volatility within the market. While the Fund typically has lower turnover, the higher volatility created more opportunities to actively add value. The value-add of all trades contributed 471 basis points of excess return for the year. In other words, the portfolio return was 4.71% higher this year than it would have been if the team had done nothing and held the same portfolio for the year.

We attribute this success to our team having worked together for many years, investing in a proprietary research platform that allows us to share insights/opportunities in real time, our learning culture and disciplined investment framework that demands proof of capital allocation consistent with long term value creation.

Outlook

Two of the biggest investor uncertainties, vaccine availability and election outcomes, are now known. These two milestones potentially bode well for small caps and value stocks, which we believe have not been popular with investors. Small caps typically outperform in early cycle bull markets, particularly when the government is applying both monetary and fiscal stimulus.

With a vaccine roll-out currently under way, the economy is pulling out of recession and returning to growth. A Democratic blue wave increases the odds of more fiscal stimulus as it relates to state bailouts, more stimulus checks, infrastructure spending, green energy spending, and other job creating government spending programs. The Federal Reserve has made it clear that they plan to continue to keep rates low even if inflation accelerates above 2%.

Today, investors remain crowded into mega cap growth strategies. At one point this year, Apple's market cap exceeded the value of the entire Russell 2000. Valuations for favored growth names have moved into the stratosphere as investors seek exposure to thematic baskets of unresearched stocks via purchases of ETF's. As investors that have been in the market for multiple cycles, we see signs of bubbles created by excess liquidity from the Federal Reserve, in the behavior of Robinhood and Bitcoin traders, the return of the SPAC's and recent IPO valuations and frequency. We see risk in the large-cap growth sector of the market, but there may be opportunity where very few are looking in terms of the smaller cap value part of the market.

As a small-cap core portfolio, approximately 50% of the Fund owns small-cap value names and 50% growth. We do not prefer which category leads the market in the shorter term because we believe there are opportunities in both over the longer term. As the chart below shows, "Growth" vs. "Value" can be quite volatile, requiring exquisite skill in the timing of re-balancing. The RMB Small Cap Core portfolio structure minimized the requirement for timing and provided smoother performance over time – better Sortino Ratios. Those who allocate between growth and value will need to do some serious soul searching as to whether its time re-allocate from a decade's worth of winners (growth) to a decade's worth of losers (value). We believe our approach helps our investors to own great businesses at favorable prices in both camps, lessening the requirement to make the tough decision around timing a re-allocation.

U.S. Large Cap Growth vs Value (Cumulative)



Source: RMB Research Core; Note: areas shaded in yellow denote recessions

That being said, what does keep us up at night, as we peer into 2021, is the possibility that what is good for the economy may turn out to be bad for stocks and bonds. Why? Stocks are valued at extreme levels on any measure except when compared against bond yields. Bulls justify today’s lofty valuations by pointing out that interest rates are near zero. As students and prolific users of discounted cash flow valuation, the point is well taken. Low interest rates justify higher valuations (P/E’s). It is simple math. So, the biggest risk we see to the markets, given higher growth expectations (potentially above 5% GDP), is an unforeseen increase in the 10-year treasury (currently ~1%), pressuring valuations (lower P/E’s). In other words, strong economic growth could drive higher inflation and ultimately higher interest rates, resulting in lower P/E’s and stock prices. The team has dusted off its inflation playbook and has been gradually adding to inflation beneficiaries among our Material and REIT holdings.

If a good economy turns out to be bad for stocks, downside protection/risk control (which index-linked products do not offer), will be critical and savvy investors will start to pay attention to Sortino Ratios for sure. If so, we will be prepared to take advantage of the downside volatility, as we did early this year. As always, the companies we invest in demonstrate high managerial skill in capital allocation, which creates value for customers, employees, communities, and shareholders.

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

RMB Small Cap Fund

TOP 10 HOLDINGS AS OF 12/31/20

Company	% of Assets
Seacoast Banking Corp. of Florida	3.27%
NeoGenomics Inc.	3.00%
EastGroup Properties Inc.	2.98%
Fair Isaac Corp.	2.92%
TriCo Bancshares	2.75%
Catalent Inc.	2.73%
Repligen Corp.	2.72%
Pool Corp.	2.66%
West Pharmaceutical Inc.	2.54%
MKS Instruments Inc.	2.48%

Holdings are subject to change. The above is a list of all securities that composed 28.06% of holdings managed as of 12/31/2020 under the RMB Small 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 12/31/2020. 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.

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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 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.

*Investment Terms: **Beta** is a measure of a stock's volatility in relation to the overall market. If a stock moves less than the market, the stock's beta is less than 1.0. High-beta stocks are supposed to be riskier but provide higher return potential; low-beta stocks pose less risk but also lower returns. The **Sortino Ratio** is a variation of the Sharpe ratio that differentiates harmful volatility from total overall volatility by using the asset's standard deviation of negative portfolio returns—downside deviation—instead of the total standard deviation of portfolio returns. The **price-earnings ratio (P/E ratio)** relates a company's share price to its earnings per share. A high P/E ratio could mean that a company's stock is over-valued, or else that investors are expecting high growth rates in the future.*

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 2000 Index measures the performance of the 2,000 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