

# CCM Alternative Income Fund

## About the Fund

The Fund seeks to provide a total return generated primarily from income and secondarily from capital appreciation. The Fund invests in a portfolio of well-researched securities across multiple asset classes and hedges the portfolio's stock and bond market-related risk. Security selection focuses on relative value and incorporates a multi-dimensional approach to assessing impact. For investment-grade bonds, the team looks for positively impactful use of proceeds. For stocks, the team considers environmental, social, and governance factors.

## Portfolio Managers

### Andy Kaufman

Chief Investment Officer  
Industry Start Date: 2004  
CCM Portfolio Manager Since 2015

### David Sand

Chief Impact Strategist  
Industry Start Date: 1981  
CCM Portfolio Manager Since 2015

### Elliot Gilfarb, CFA

Head of Fixed Income  
Industry Start Date: 2005  
CCM Portfolio Manager Since 2012

### Andrew Cowen

Head of Equities  
Industry Start Date: 2000  
CCM Portfolio Manager Since 2013

### Thomas Lott

Portfolio Manager  
Industry Start Date: 1999  
CCM Portfolio Manager Since 2013

## Key Takeaways

- Interest rates declined further and reached new lows in August contributing to record-levels of borrowing in the U.S. government and corporate sectors of the bond market
- The return dispersion between the largest U.S. stocks and the rest of the market continued to grow wider
- The resurgence of COVID-19 cases means a "K-shaped"\* economic recovery, where the rich get richer and the poor get poorer, looks to be the likely outcome

## Market Commentary

With the massive amounts of monetary and fiscal stimulus, economic indicators continued to rebound in the third quarter from their historic lows in the spring. Employment and manufacturing data continued to increase, and despite lagging income growth, consumer confidence and spending showed healthy readings.

Major U.S. equity market indexes continued their positive momentum in July and August, and despite a decline in September, they posted positive results for the quarter with the S&P 500 returning 8.93%. Interest rates declined further and reached new lows in August contributing to record-levels of borrowing in the U.S. government and corporate sectors of the bond market. While economic growth, job gains, and liquid capital markets suggested improvement, the resurgence of COVID-19 cases means a "K-shaped" economic recovery, where the rich get richer and the poor get poorer, looks to be the likely outcome.

In the fixed income market, the Bloomberg Barclays Aggregate Index ("the Index") posted a positive quarterly return of 0.62%, with a much narrower dispersion of sector returns than what was experienced in the first two quarters of the year. The corporate segment of the Index once again led the way in the third quarter delivering a 1.54% return while the U.S. Treasury and mortgage-backed security (MBS) segments of the Index lagged, increasing a mere 0.17% and 0.11%, respectively. The Federal Reserve's ongoing purchase operations combined with investors' quest for yield contributed to risk taking in the bond market. This resulted in lower quality bonds outperforming higher quality bonds in the third quarter, with the Bloomberg Barclays U.S. Aggregate: Baa segment of the Index returning 2.11% and high-yield bonds returning 4.60%, as measured by the Bloomberg Barclays U.S. High Yield Index. Even though uncertainties remained, the record-low cost of borrowing continued to fuel a level of investment-grade and high-yield corporate borrowing that hit record highs in the first nine months of the year. This massive supply of new-issue corporate bonds in conjunction with continued price improvement means that demand may remain strong despite the record-low level of yields.

In the equity market, all major U.S. indexes posted positive returns in the third quarter, however there was a wide range of returns among the indexes and within sectors, reflective of the bifurcated impact that COVID-19 has had on individual companies and sectors of the market. Similar to the wealth divide that continued to grow nationwide, the return dispersion between the largest U.S. stocks and the rest of the market continued to grow wider. Mega-cap growth stocks whose revenues have benefited from the virus continued to post attractive results, driving market indexes like the Russell Top 200 Growth Index up over 14% for the quarter while smaller companies facing more struggles lagged behind, as evidenced by the paltry 2.56% return of the Russell 2000 Value Index. Much of the performance dispersion among the indexes is sector-specific given the large differences in sector construction, particularly between growth and value indexes. The contrast in sector performance in the S&P 500 was pronounced – energy was down 19.7% during the quarter, adding to the prior quarters' declines with year-to-date losses now at 48.1% on the fear, and now reality, of lower energy demand. While financials and real estate managed to post positive quarterly results of 4.4% and 1.9%, respectively, both remain far below their 2019 values. With equity prices climbing in the third quarter against relatively low corporate earnings expectations, stock valuations, as measured by the price-to-earnings ratios of the major market indexes, look high. If we look under the covers, however, not all equities look expensive. As history has shown, expectations can be overly negative in times of stress as they are overly positive in times of exuberance, creating ample opportunity for active investors seeking good values.

## About CCM

Community Capital Management, Inc. (CCM) was founded in 1998 and is a pioneer in impact and ESG investing. The firm believes a fully integrated portfolio, one that includes impact and environmental, social and governance (ESG) factors, can deliver strong financial performance while simultaneously having positive long-term economic and sustainable outcomes. CCM provides impact and ESG investing solutions coupled with customized reporting to clients on the positive impact outcomes of their investments. For more information, please call 877-272-1977 or visit: [www.ccminvests.com](http://www.ccminvests.com).

<b>Firm Assets</b>	\$3 Billion
<b>Impact and ESG Experience</b>	20 Years
<b>Impact and ESG Initiatives<sup>1</sup></b>	\$10 Billion Invested Nationwide

## Portfolio Contributors

- Bank preferred shares
- Renewable energy companies
- Industrial company shorts

## Portfolio Detractors

- Equity index shorts
- Infrastructure investments
- Mortgage reit preferred shares

## Portfolio Commentary

The CCM Alternative Income Fund (CCMNX) posted a positive return of 0.84% in the third quarter with the 30-day SEC Yield increasing from 6.43% to 6.83%. Once again, certain equity indices were led by large cap technology companies, while many yielding investments, namely preferred shares, real estate investment trusts, utilities, and business development companies remain meaningfully below their February highs despite much lower U.S. treasury rates and a tightening of spreads in investment-grade bonds and agency mortgages. This dynamic persists despite many of these companies remaining relatively unaffected by any economic impacts of COVID-19 shutdowns.

There were lackluster in the third quarter; we continue to believe that a lower-for-longer interest rate environment leaves many income-oriented investments at historically attractive levels versus the rest of the market. Credit markets remain benign and open to most issuers especially those with reliable cash flows and high-quality assets. In some cases, companies are taking advantage of depressed prices of their securities and adding enormous value across their capital structures. While mergers and acquisitions activity has been relatively muted, we believe that companies that do not take advantage of their own securities' mispricing will find themselves targets for financial or strategic acquirers who are nimbler and more aggressive.

\*A K-shaped recovery occurs when, different parts of the economy recover at different rates, times, or magnitudes after a recession.

As of 09/30/2020, CCMNX one-year, five-year, and since inception (5/31/13) performance was -18.65%, -0.96%, and -0.20%, respectively. As of 09/30/20, the 30-Day SEC yield and the unsubsidized 30-Day yield for CCMNX are both 6.83%. Performance quoted is past performance and does not guarantee future results. Current performance may be lower or higher than the performance data quoted. An investor's investment return and principal value will fluctuate so that your shares, when redeemed, may be worth more or less than your initial cost. To obtain the most recent month-end performance, call 877-272-1977. For CCMNX, performance reflects fee waivers, which if not in effect, would have decreased performance. The Advisor has contractually agreed to waive fees and reimburse expenses until February 29, 2020 so that Total Annual Fund Operating Expenses After Waivers and Expense Reimbursements will not exceed 1.85% of the Fund's average daily net assets. The Advisor may not recoup waived fees and reimbursed expenses. Data sources: Barclays Live, Bloomberg PORT, and eVestment Alliance.

CCM is an investment adviser registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940.

**Risk Considerations:** Investing involves risk, including possible loss of principal. The CCM Alternative Income Fund uses investment techniques that are different from the risks ordinarily associated with equity investments. Such techniques and strategies include hedging risks, merger arbitrage risks, derivative risks, short sale risks, leverage risks, commodities risk, and foreign investment risks, which may increase volatility and may increase costs and lower performance. Commodities can be highly volatile, and the use of leverage may accelerate the velocity of potential losses. There is no guarantee the investment objective or goals of the Funds will be achieved. Holdings are subject to change.

This material must be preceded or accompanied by the current Fund prospectuses. Please read them carefully before investing. The Funds are distributed by SEI Investments Distribution Co., which is not affiliated with Community Capital Management, Inc.

The top 10 holdings for CCMNX as of 09/30/2020 are: FHA 023-98146 ST. FRANCIS (7.74%), JPM 7.9 PERP (5.93%), INDEPENDENCE REA (5.56%), CEQP 9 1/4 PERP (5.16%), TWO 7 1/4 PERP (4.77%), MET 9 1/4 04/08/38 (4.69%), ENVIVA PARTNERS LP (4.47%), WASHOE HWY-BABS (4.45%), CRESTWOOD EQUITY (4.23%), AXP FLOAT PERP (3.88%). Holdings are subject to change. Current and future holdings are subject to risk.