COMMUNITY CAPITAL MANAGEMENT

CCM Alternative Income Fund

About CCM

Community Capital Management, LLC (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.

Firm Assets	$4.0 Billion
Impact and ESG Experience	22 Years
Impact and ESG Initiatives[1]	$12 Billion Invested Nationwide

Key Takeaways

- Supply shortages contributed to inflation levels that have persisted beyond previous expectations.
- Investor sentiment was volatile as evidenced by swinging interest rates and September's swift stock market decline.
- The prospect of higher rates, higher inflation, and the Federal Reserve's (Fed's) removal of stimulus weighed heavily on the largest, most expensive stocks.

Market Commentary

The economy continued to grow in the third quarter of 2021, albeit at a slower pace than the previous six months of the year due to increasing cases of the COVID-19 delta variant and supply shortages across most industries. Consumer demand outpaced the supply of goods and workers, contributing to inflation that has persisted beyond previously projected levels. By the end of August, the Consumer Price Index was up 5.3% for the trailing 12 months, one of the highest 12-month rates in 20 years. With inflation levels relatively high, and the worst of the pandemic seemingly behind us, the Fed announced its anticipated timeline to reduce previously implemented stimulus measures, which includes paring back bond purchases as soon as November and increasing interest rates next year. While interest rates ended the quarter close to where they began, the bond market was anything but steady. The 10-year U.S. Treasury yield fell to 1.18%, a level not seen since February. As the inflationary effects of supply shortages became evident, rates started to rebound, accelerating after the late September Fed meeting where it announced its tapering intentions. Stock performance during the quarter was mixed, with most major market indices ending the quarter lower than where they began. The largest stocks were some of the best performers during the quarter, as evidenced by the difference in returns between the S&P 500 Index, which posted a positive return of 0.58%, and the equal-weighted S&P 500 Index, which was down 0.22%. While muted quarterly returns might indicate a quiet quarter, it was anything but quiet in the stock market. July was not a good month for small-cap stocks and the positive momentum gained in the prior quarters came to a halt. August witnessed broad market gains, only to be followed by steep losses in September when fear began to grow around the potential for corporate profit declines amidst higher interest rates and supply costs.

In fixed income, the Bloomberg U.S. Aggregate Index (the Index) delivered a total return of 0.05%. With uncertainty surrounding economic growth due to a feared rebound in COVID-19 cases, rates declined in July and bottomed in early August. While this helped boost bond returns, investors appeared cautious, favoring U.S. Treasurys and shorter duration spread sectors. As rates reversed course and started to climb back, investors favored the spread sectors, despite the risk aversion evidenced by September's stock market decline. In the investment grade bond market, the major sectors had little return dispersion during the quarter. Agency MBS posted the best results, up 0.10%, with U.S. Treasurys up 0.09%, and corporate bonds flat. Longer-duration corporate bonds were the worst performers primarily as a result of the industrials sector, which was down 0.25% during the quarter. The stocks of industrials companies were hit hard during the quarter by increases in shipping costs and a rise in commodities prices, contributing to investors' demand for more spread when buying their bonds. Demand for investment grade bonds appears to have slowed from the increase in the second quarter with spreads remaining well below their 15-year median levels. Net bond issuance continues to grow as does the duration of the Index, which hit another record high of 6.7 years at the end of September, both of which seem to point to the increased level of credit and interest rate risk in today's bond market.

In equities, investors moved as quickly as economic and industry data changed. Most of the market's quarterly losses were concentrated in the industrials sector, where rising commodity costs can quickly increase expenses and erode profitability. The S&P 500 Industrials sector was down 6.15% in September and down 4.23% for the quarter. While the S&P 500 Energy Index was down 1.66% during the quarter, it still leads the Index so far in 2021 delivering a year-to-date return of 43.22% with a quarter of that gain coming in the month of September when the prices of oil and natural gas accelerated higher. The technology sector and mega-cap growth stocks once again posted the best results in the U.S. stock market. However, they fell the hardest in September, illustrating their vulnerability to rising rates, a less accommodative Fed, and the threat of additional regulation impacting mega-cap stocks like Alphabet and Facebook.

Stock valuations across the major market indices remain mixed, with large-cap, growth-oriented stocks looking expensive relative to their 15-year history and value and small-cap stocks looking more reasonably priced. Among the stock market sectors, we see even greater valuation dispersion. The energy sector still looks fairly valued irrespective of recent increases in energy costs and the industrials sector still looks expensive despite pullback. The dispersion of valuations among stocks remains elevated, which should create an opportunity for active investment managers to outperform their benchmarks through security selection, regardless of the valuation characteristics of the entire market or individual sectors.

[1] *Impact numbers are approximate figures*

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

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

Alex Alario, CFA
Jr. Portfolio Manager
Industry Start Date: 2015
CCM Portfolio Manager Since 2021

Portfolio Commentary

The CCM Alternative Income Fund (CCMNX) posted a return of 0.31% in the third quarter with a 30-day SEC Yield of 3.69% at quarter-end. During the quarter, interest rates first dove and then moved higher to close out the quarter unchanged at 1.46%.

Driven by fears of the COVID-19 delta variant, many of our cyclicals and financials underperformed in the early stages of the third quarter, then rallied as cases began to fall again in mid-September. The yield curve ended the quarter roughly flat, but throughout September began to steepen amidst signs of economic recovery. With tapering now expected to begin in November, yields have a high probability of moving higher as well. We remain overweight financials as they tend to perform better in higher rate environments. This can offset much of the fixed income securities that may trade off a bit when yields move higher.

Savings rates today remain at higher-than-normal levels. With both fiscal and monetary stimulus still intact, we see economies continuing to grow and recover over the next one to two years. The problem is not the demand side, economically speaking, but rather the supply side. A shortage of labor, a spike in oil prices, and port congestion are creating inflationary pressure as supply simply cannot keep up with demand. The odds of stagflation amidst such lofty demand levels seems low.

CCMNX is a fossil fuel free fund, and with supply constraints, we are seeing value in many renewable equities with solid yields. Solar panel and wind power inputs may be on backorder today, but the long-term prognosis is quite strong in the renewable space. Also, of late, utilities and consumer staples have declined as interest rates have moved higher. We are seeing value there too, with many exhibiting both growth and yield attributes we look for in our names. We thank all our investors for their support.

As of 09/30/2021, CCMNX one-year, five-year, and since inception (5/31/13) performance was 23.92%, 2.73%, and 2.43%, respectively. As of 09/30/21, the 30-Day SEC yield and the unsubsidized 30-Day yield for CCMNX are both 3.69%. 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 September 30, 2022, 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. If at any time the Fund's Total Annual Fund Operating Expenses for a year is less than 1.85%, the Advisor may recoup any waived or reimbursed amounts from the Fund within three years from the date on which such waiver or reimbursement was made by the Advisor, provided such reimbursement does not cause the Fund to exceed the expense limitations that were in effect at the time of the waiver or reimbursement.. 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 09/30/2021 are: FHA 023-98146 ST. FRANCIS (7.71%), ENVIVA PARTNERS LP (6.21%), WASHOE HWY-BABS (4.41%), TWO 7 1/4 PERP (3.90%), USDA RYZE (3.63%), USDA GRAND PRA 12/1/2047 (3.60%), QURATE RETAIL INC-PFD (3.47%), MIAMI SPL OBLIG-CAP A (3.27%), FIRST AM GOV OBLIG – Z (3.15%), WP CAREY INC (2.65%). Holdings are subject to change. Current and future holdings are subject to risk.