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	$4.2 Billion
Impact and ESG Experience	22 Years
Impact and ESG Initiatives[1]	$13 Billion Invested Nationwide

Key Takeaways

- Both stock and bond markets were volatile during the quarter amidst expectations for even higher inflation, exacerbated by the war in Ukraine.
- Consumer spending remains robust; however, sentiment has waned amidst high inflation, particularly in gasoline prices.
- The inversion of the yield curve suggests that investors are uncertain about whether the current economic growth rate will persist.

Market Commentary

The first quarter of 2022 was marked by high volatility, not only in the stock market but also in the bond market where the Bloomberg Aggregate Index (the Index), the proxy for the investment-grade bond market, fell by 5.93%, its largest quarterly decline in 40 years. Through the first half of the quarter, both markets were troubled by the persistence of inflation, particularly in energy prices, and the future actions by the Federal Reserve (Fed), which increased the Federal Funds rate by 0.25% in March and signaled its intention to raise rates six more times in 2022. In the latter half of the quarter, Russia's invasion of Ukraine added to the worries. The heart-wrenching effects of the social atrocities as well as the potential economic impacts could not be ignored. Concerns of even higher inflation and additional Russian aggression grew larger; U.S. crude oil prices had already climbed by 17% from the start of the year but then accelerated another 40% post invasion. While prices declined shortly thereafter, they still ended the quarter 30% higher than where they started. The sanctions issued by most of the world's developed countries threatened to further disrupt global trade, leading to price increases across most commodities, with the S&P GSCI Index up 29% during the quarter. The S&P 500 Index declined amidst the uncertainty, by as much as 12.8%, but staged a recovery in the last weeks of March to post a 4.60% loss. The war in Ukraine remained at the forefront of investors' minds, and the effects of higher prices were not far behind, particularly gasoline prices, which hit record highs and doubled their early 2020 levels. Against this backdrop, and despite a post-omicron rebound in consumer spending, consumer sentiment fell to its lowest level in over a decade. The optimism of higher personal incomes and the prospect of "normalcy" after the worst of the pandemic has been quickly overcome by worries of the wealth-eroding effects of higher inflation and geopolitical instability.

In fixed income, volatility was particularly high during the quarter due to the uncertainty of the war in Ukraine as further supply chain disruptions increased concerns around higher rates of inflation. The MOVE index, a measure of bond market volatility, averaged a level of 95.36 during the quarter, well above its 5-year average. The BBB-rated segment of the Index experienced the largest losses, down 7.9% due to the combination of its longer duration (8.2 years) and spread widening as investors demanded more compensation for taking on higher credit risk. The Bloomberg High Yield Index held up better than the investment-grade Index in the quarter, down 4.8%, primarily a result of its shorter maturity profile. In the Index, the utilities and industrials sectors posted the worst results, down 11.4% and 8.0%, respectively, as fossil fuels represent a larger portion of their operating expenses. Despite the geopolitical turmoil and corresponding speculation that the Fed may lighten its plans to tighten monetary policy, plans for a 0.50% increase in the Federal Funds rate in May remain in place. The yield curve flattened even further during the quarter and by the end of March, was inverted in the 3- to 10-year part of the curve, suggesting that investors expect an extended period of inflation followed by lower growth. With yields climbing the lowest in the 20- and 30-year part of the curve, investors appear to be hanging on to what has become a commonly used tool to protect against economic and stock market declines, despite little-to-no compensation for their additional term risk. While these longer-dated bonds have provided some protection when stocks decline, the additional interest rate risk (duration) without the historically normal levels of compensation is notable. Similarly, while credit spreads have widened since hitting lows in October, they remain well-below average, with the BBB-rated segment of the market of particular concern, trading at a spread level that remains 30% and 17%, respectively, below its 15-year average and median. Compensation for risk-taking in the bond market remains well below the levels demanded in prior periods of economic uncertainty.

In equities, except for the energy sector, stocks got off to a rocky start; investors were suddenly attentive to 2021's record valuations, selling higher priced growth stocks, particularly those in the technology sector. While some of those losses were recovered in the latter weeks of March, the quarter ended for most indices negatively with the technology-heavy NASDAQ falling 9.1% and the Russell 2000 declining 7.5%. There was a wide dispersion of returns among sectors with energy, consumer staples, and utility sectors of the S&P 500 Index posting positive returns of 31.5%, 7.2%, and 4.1%, respectively, while consumer discretionary, communication services, and technology sectors declined a respective 13.3%, 12.8%, and 8.5%. With the value indices holding many of the stocks benefiting from the rise in energy prices, value held up better during the market sell-off with the value/growth dispersion widest among the Russell 2000 and mid-cap indices, where the value names outperformed the growth names by over 10%. Valuations in the market appeared more attractive at quarter-end vs. the start of the quarter; however, not all due to stock price declines. After recovering from 2020 declines, company earnings hit another all-time high in 2021, bolstering expectations for 2022. With lower stock market prices, yet higher expectations for future earnings, the price-to-expected earnings ratio measure of market valuation has declined from its lofty 2021 levels. For passive investors relying on this broad-based statistic, markets still look expensive relative to their long-term averages. For active investors, the valuation dispersion among stocks remains high and opportunity awaits those who understand the fundamental impacts to each company from inflation, reduced labor supply, and the compounding effects of war.

[1]*Impact numbers are approximate figures*

About the Fund

The Fund's investment objective is to seek to provide (1) a high level of current income consistent with the preservation of capital and (2) reduced correlation to conventional stock and bond markets while considering environmental, social and governance (ESG) 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
Portfolio Manager
Industry Start Date: 2015
CCM Portfolio Manager Since 2021

Portfolio Commentary

The CCM Alternative Income Fund (CCMNX) posted a return of 0.7% in the first quarter with a 30-day SEC Yield of 3.4% at quarter-end. In the quarter, yields on 10-year Treasurys moved dramatically higher, to 2.3% from 1.5% by the end of March. Bonds had their worst quarter reported since 2007, with the Bloomberg U.S. Aggregate Index dropping 5.9%.

As omicron COVID-19 variant cases declined, macro risks shifted to Russia's invasion of Ukraine. Oil and gas prices skyrocketed and are likely to push inflation even higher than the 6% to 7% rates we have witnessed in CPI lately. The Fed stayed true to its word to raise interest rates, with an outlook of seven more rate increases (about 25 to 50 bps per meeting) over the ensuing year. Quantitative Easing has now officially ended too, and the 10-year Treasury clearly has reflected that end.

The yield curve has flattened significantly, hurting financials on recession fears. As of now, however, unemployment remains incredibly low and consumer savings high. The so-called Great Resignation now appears to be morphing into the Great Regret, as many who left their jobs are now rejoining the labor force.

We remain overweight financials, as they tend to perform better in higher rate environments but have moderated our overweight exposure given recession risk. It typically takes at least six to 12 months before higher rates impact consumer demand. The odds of a recession appear lower than where many financials are priced today.

We also are overweight healthcare and consumer staples. While inflation has impacted some of the staples, we view them as solid defensive plays with the added benefit of reducing volatility in the portfolio. Not to mention, they can offer healthy dividend yields. Healthcare continues to remain solid, steady performers we consider ideal.

With yields moving higher, we are starting to see opportunity on the fixed income side. Preferred stocks (as measured by the iShares Preferred and Income Securities ETF) are down 7% year to date, a sector we have avoided by and large given its duration risk and tight spreads. That said, we are beginning to add high-quality preferreds that appear oversold and reducing some of our equity exposure.

Finally, energy security has become a dominant topic given oil and gas supply disruptions and sanctions, which are rapidly changing the world order. We have recently added renewable bonds and continue to invest in renewable equities, which have the added benefit of furthering goals to minimize dependence on Russian hydrocarbons. No doubt their growth outlook has improved, and many remain good values too.

As of 03/31/2022, CCMNX one-year, five-year, and since inception (5/31/13) performance was 8.86%, 3.04%, and 2.94%, respectively. As of 03/31/22, the 30-Day SEC yield and the unsubsidized 30-Day yield for CCMNX are both 3.23%. 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, LLC.

This fund involves impact and ESG Risk. The Adviser may select or exclude securities of certain companies for reasons other than performance and, as a result, the Fund may underperform other funds that do not use an impact and ESG screening process. Impact and ESG investing is qualitative and subjective by nature. There is no guarantee that impact and ESG criteria used by the Adviser will reflect beliefs or values of any particular investor.

The top 10 holdings for CCMNX as of 03/31/2022 are: ENVIVA PARTNERS LP (7.06%), FHA 023-98146 ST. FRANCIS (6.33%), WASHOE HWY-BABS (3.51%), USDA RYZE (3.05%), USDA GRAND PRA 12/1/2047 (3.01%), GLOBAL X COV CAL (2.97%), WP CAREY INC (2.88%), BRISTOL-MYERS SQUIBB CO (2.63%), MIAMI SPL OBLIG-CAP A (2.57%), REALTY INCOME CORP (2.45%). *Holdings are subject to change. Current and future holdings are subject to risk.*