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 Billion
Impact and ESG Experience	22 Years
Impact and ESG Initiatives[1]	$13.3 Billion Invested Nationwide

Key Takeaways

- Both stock and bond markets continued to be volatile during the quarter as the effects of higher interest rates and inflation started taking a toll on the economy.
- The Federal Reserve (the Fed) continued its attempts to curtail inflation, raising interest rates and signaling its intent to remain vigilant.
- With credit spreads widening to levels not seen since 2012 and the worst half-year performance in the S&P 500 in 50 years, both the credit and stock markets look to be signaling a recession.

Market Commentary

The second quarter of 2022 was marked by high volatility in the stock market where the S&P 500 declined by 16.1% and in the bond market where the Bloomberg Aggregate Index (the Index), the proxy for the investment grade bond market, was down 4.69%.

The rate of inflation continued to grow in the quarter, hitting another record and prompting the Fed to raise the federal funds rate twice with the June rise of 0.75% marking the largest one-time increase in over 25 years. The Fed has signaled its intent to remain vigilant in combating inflation despite signs that the economy is slowing. Estimates of second quarter economic growth have been further revised downward as evidence points to the stress of higher inflation and higher interest rates. Manufacturing continues to grow; however, the Composite Purchasing Managers Index, which measures activity in both the manufacturing and services sectors, fell to a five-month low against the backdrop of another monthly decline in consumer spending and a drop in the consumer savings rate, which hit its lowest level in a decade in April. Mortgage rates have almost doubled since the start of the year, with average lending rates hitting levels not seen since 2008, contributing to declines in both home construction and existing home sales.

In fixed income, investors continued to be concerned with the eroding effects of higher inflation and the prospect of higher interest rates. Bond mutual funds saw a total of $188 billion in net negative flows from the start of the quarter through June 22 bringing the total outflows close to $300 billion year to date, according to estimates from the Investment Company Institute. After strong positive flows in the first quarter, high yield bond funds experienced negative flows in the second quarter, contributing to wider spreads as investors grew increasingly concerned about the direction of the economy. Spreads widened across the investment grade bond market, the largest move taking place in the BBB-rated segment of the Index, which hit levels almost double their October 2021 lows. Interest rates moved higher overall during the quarter, but they were erratic and inconsistent along the yield curve. April's higher move along the curve indicated high inflation and continued economic growth, though the quarter ended with rates rising mostly on the short end of the yield curve. Of the three largest bond market Index sectors, corporate bonds were the worst performers, down 7.3%, and U.S. Treasurys were the best performers, down 3.8%. The mortgage-backed security (MBS) sector was down 4.0% during the quarter with spreads tightening in the higher coupon mortgage pools as investors grew less concerned about ongoing higher rates amidst a potential economic slowdown.

In equities, losses were ubiquitous with the more economically resilient sectors falling the least. In the S&P 500 Index, healthcare, consumer staples, and utilities posted losses of 5.9%, 4.6%, and 5.1%, respectively, whereas the technology, consumer discretionary, and communications services sectors were the hardest hit, declining 20.2%, 26.2%, and 20.7%, respectively. Even with energy prices continuing to rise, the energy sector reversed its first quarter gains and declined 5.2% as investors looked ahead and questioned the sustainability of high energy prices in the face of declining economic growth. When looking at drivers of negative stock returns, it is overwhelmingly based on investor expectations since corporate earnings growth and operating margins for 2022 (as measured by the S&P 500 Index) remained positive. While still positive, profits and margins are lower than their 2021 record highs as higher costs from widespread inflation have outpaced revenues. With expectations falling so rapidly across the market, particularly in large-cap growth stocks, valuations appear more attractive with the Russell 2000 Index and Russell 1000 Growth Index trading at 80% and 115% of their respective 20-year average price-to-earnings averages. Looking ahead, companies will face the dual challenge of lower revenues as the economic growth rate declines and margin pressures as input costs remain high, leaving plenty of room for active stock pickers to differentiate between those stocks that deserve their lower valuations from those that are better equipped to survive and thrive in the environment ahead.

[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 (the Fund) posted a negative return of 4.45% in the second quarter (net of fees) with a 30-day SEC Yield of 3.92% at quarter end. During the quarter, yields on 10-Year U.S. Treasurys moved dramatically higher, to 3.01% from 2.34% at the beginning of the quarter. The Bloomberg Barclays Global Aggregate Index had its worst quarterly performance since the inception of the Index, down 8.26%. Equities also struggled, as the S&P 500 Index finished the quarter down over 16%.

The first half of 2022 was the worst start to year for equity markets since 1962, and the second quarter was the worst performance for the S&P 500 Index since the COVID-19 sell-off in the second quarter of 2020. Financial market participants were forced to deal with the consequences of the Fed being behind the curve on policy in combination with a normalizing post-COVID economy and the global impacts of the war in Ukraine.

Surging commodity prices and consumers shifting their spending from goods back to services drove accelerating inflation in April and May. After a higher-than-expected May consumer price index (CPI) report, the Fed hiked rates 75 basis points for the first time in almost 30 years. High inflation and aggressive central bank action has likely increased the prospect for a recession or a significant deceleration in economic growth in the near term.

A deteriorating economic outlook has sparked a rally in bonds. However, equity markets will be hard pressed to find a bottom until inflation is on a sustainable path towards the Fed's long-term target of 2%. The increased prospect for a recession also adds a new variable to the complicated outlook for markets. Overall, less hawkish rhetoric as well as less restrictive monetary and fiscal policy could potentially restore investor confidence.

Overall, the portfolio strategy has held up well in this unprecedented environment. We believe positioning the Fund for continued short-term volatility is prudent in the coming months. In June, we started slowly shifting into investments that are more sensitive to interest rates that provide attractive yield. There is potential for assets such as these to perform well in a slow or contracting economy. However, we think it is possible that equity markets may see some relief later in the year as inflation may be close to peaking. Either way, we intend to position the Fund in a way we believe will provide the best risk-adjusted returns, while looking to fulfil our yield and volatility goals.

As of 06/30/2022, CCMNX one-year, five-year, and since inception (5/31/13) performance was 1.39%, 2.26%, and 2.35%, respectively. As of 06/30/22, the 30-Day SEC yield and the unsubsidized 30-Day yield for CCMNX are both 3.98%. 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 06/30/2022 are: FHA 023-98146 ST. FRANCIS (6.81%), ENVIVA PARTNERS LP (4.48 %), WASHOE HWY-BABS (3.52%), USDA GRAND PRA 12/1/2047 (3.26%), WP CAREY INC (3.24%), BRISTOL-MYERS SQUIBB CO (3.04%), USDA RYZE (2.93%), GLOBAL X COV CAL (2.81%), NEXTERA ENERGY (2.75%), MIAMI SPL OBLIG-CAP A (2.59%). Holdings are subject to change. Current and future holdings are subject to risk.