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	23 Years
Impact and ESG Initiatives[1]	$14.1 Billion Invested Nationwide

Key Takeaways

- Both stock and bond markets continued to be volatile during the quarter as investors' fear of inflation abruptly shifted to fear of a banking-led economic slowdown.
- The Federal Reserve continued its attempts to curtail inflation with its meager 0.25% increase in the federal funds rate, suggesting a higher probability of slower economic growth.
- The performance dispersion among securities of large vs. small companies increased as investors gravitated to larger companies typically less reliant on bank lending.

Market Commentary

Despite the market turbulence that took place in March when the Federal Deposit Insurance Corporation (FDIC) took control of both Silicon Valley Bank (SVB) and Signature Bank (SBNY), most major stock and bond market indices delivered positive results in the first quarter of 2023. The swift action by federal bank regulators helped to calm the fears of jittery investors and bank depositors. Major stock market indices rebounded after declining broadly during the days that followed. The S&P 500 Index rose 7.5%, and the NASDAQ composite was up 17.1% during the quarter. U.S. Treasury yields ended the quarter 18 to 62 basis points higher for maturities under one year and nine to 41 basis points lower for those maturities farther out the yield curve, contributing to the positive returns in the bond market where the Bloomberg U.S. Aggregate Index rose 2.96% during the quarter.

In fixed income, bond investor sentiment improved in January as inflation appeared to be slowing. The corresponding demand for fixed income helped to drive yields lower, resulting in a positive return for bonds in January and a welcome relief after declines in the previous year. However, subsequent data soured the outlook for inflation, resulting in yields rising and bond prices falling into March. On March 10, concerns grew beyond the two failed banks to widespread concern over the health of the entire banking system and its impact on the broader economy. Consistent with prior periods of economic and market fear, investors sought safety in U.S. Treasuries. Over the course of the next six days, spreads widened, and yields on U.S. Treasuries fell between 18 and 99 basis points. Investor confidence somewhat improved after the actions of the bank regulators; however, spreads remained wider, particularly in financials, and interest rates ended the quarter well below their March 9 peak. With inflation data mixed and the recent banking issues weighing heavily on the minds of the Federal Reserve, its late March meeting resulted in a meager 25 basis point increase in the federal funds rate. The small increase reinforced investor expectations that the banking issues will result in a slowing economy and a higher probability of a late 2023 recession.

In equities, while the major market indices were up for the quarter, returns were volatile and inconsistent across sectors. The larger technology stocks that were some of the poorer performers last year, experienced impressive gains as evidenced by the 21.8% return for the technology component of the S&P 500 Index. The more defensive sectors that performed relatively well last year were laggards during the quarter with the healthcare and utilities sectors of the S&P 500 Index down 4.3% and 3.2%, respectively. Financial stocks struggled, particularly in March when the vulnerability of the regional banks became evident after the failure of SVB and SBNY. Small-cap stocks, as represented by the Russell 2000 Index, were up 2.74% during the quarter; however, the March decline of 4.78% illustrated the degree to which investors prefer the stability of larger-cap stocks during times of market stress. Even the Russell 2000 Growth Index, with its minimal financial exposure, was down 2.47% in March on concerns about the prospect of tighter lending conditions for smaller companies that rely on bank lending to help leverage their growth. With banking crisis liquidity concerns seemingly under control, investors were looking ahead at changing credit and economic landscapes and how companies could adjust accordingly. For active investment managers who take the time to conduct such analysis, we believe this period of transition offers unique opportunities.

[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

Elliot Gilfarb, CFA
Head of Fixed Income
Industry Start Date: 2005
CCM Portfolio Manager Since 2012

Miriam Legrand
Director of Credit Research / Portfolio Manager
Industry Start Date: 2001
CCM Portfolio Manager Since 2022

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

Alex Alario, CFA
Portfolio Manager
Industry Start Date: 1999
CCM Portfolio Manager Since 2013

Portfolio Commentary

The CCM Alternative Income Fund (the Fund) was down 2.2% in the first quarter (net of fees) and had a 30-day SEC yield of 4.4% at quarter-end. After outperforming equity and bond markets by double digits in 2022, the Fund lagged the Bloomberg U.S. Aggregate Bond Index and the S&P 500 Index in the quarter by 5.2% and 9.7%, respectively.

The Fund performed relatively in line with expectations during the first 75 days of the quarter but ultimately underperformed due to setbacks from the Silicon Valley Bank (SVB) crisis. Apprehension caused bond spreads to widen, which have not returned to prior levels. Additionally, the bond portfolio did not benefit from the sharp decline in interest rates due to its duration hedges. The Fund's equity holdings in financials and REIT sectors also declined as concerns mounted over the crisis' impact on banks' balance sheets and financing availability for real estate.

In the first quarter, value- and dividend-paying stocks lost favor as investors sought to capitalize on the 2022 decline in growth stocks. The S&P 500 Value Index only rose by 5.2%, while the S&P 500 Growth Index increased by 9.6%. The S&P 500 High Dividend Index, which has holdings with similar characteristics to the Fund's equity holdings, fell by 3% during the quarter. First quarter economic data for 2023 proved more resilient than market expectations. Consumer spending remained robust, and inflation data continued to decrease, albeit slowly. The Core PCE year-over-year rate was 4.6% in February. While this is still well above the Federal Reserve's (Fed's) 2% target, it is trending in the right direction.

Fiscal and government policy continued to shift toward a restrictive stance, helping combat inflation. However, risks to the economy persist. The Fed's determination to fight inflation resulted in a rate hike at its March meeting, despite significant uncertainty surrounding the SVB crisis. The federal government passed a spending bill in December that removed several pandemic era programs that helped consumers. These programs are set to end in the second quarter. Leading economic indicators signaled ongoing concerns about the economy, with Fed Fund futures markets now implying three rate cuts by the end of 2023. The LEI Index has been negative year-over-year for the past 8 months, a historic indicator of an impending U.S. recession.

The portfolio maintains a defensive position as the U.S. economic situation deteriorates. The Fund's equity exposure is low compared to historical standards. The management team generally expects that, given strong corporate and consumer balance sheets, any potential recession would be mild at worst. However, persistently higher-than-desired inflation could hinder the Fed's accommodative stance. As always, the portfolio management team remains committed to achieving the Fund's goals while pursuing opportunities to generate investor returns through asset class exposure, sector allocation, and security selection. Although the team prioritizes capital preservation in the current environment, bear markets often present opportunities for outsized future returns.

As of 03/31/23, CCMNX one-year, five-year, and since inception (5/31/13) performance was -6.10%, 1.70%, and 1.98%, respectively. As of 03/31/23, the 30-Day SEC yield and the unsubsidized 30-Day yield for CCMNX are both 4.4%. 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 888-272-0007. For CCMNX, performance reflects fee waivers, which if not in effect, would have decreased performance. The expense ratio for the fund is 1.73%. The Advisor has contractually agreed to waive fees and reimburse expenses until September 30, 2023 so that Total Annual Fund Operating Expenses will not exceed 1.85% of the Fund's average daily net assets attributable to Institutional Shares 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 03/31/23 are: FHA 023-98146 ST. FRANCIS (7.27%), WASHOE HWY-BABS (3.63%), USDA GRAND PRA 12/1/2047 (3.56%), MIAMI SPL OBLIG-CAP A (2.66%), MONDELEZ INTER-A (2.26%), UNILEVER PLC-ADR (2.25%), NEW JERSEY EDA-A2-TXB (2.18%), BALTIMORE-C1-TXBL (2.11%), WP CAREY INC (2.09%), and EATON VANCE TAX- (2.06%). Holdings are subject to change. Current and future holdings are subject to risk.