CCM Community Impact Bond Fund[1]

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	$4.4 Billion
Impact and ESG Experience	23 Years
Impact and ESG Initiatives[2]	$14.5 Billion Invested Nationwide

Key Takeaways

- With fears of recession weighing less on the minds of investors, stocks accelerated, and many below investment-grade bonds delivered positive returns.
- The Federal Reserve continued its attempts to curtail inflation, raising rates for a 10th time in May and signaling potential future rate hikes after a temporary pause in June.
- Performance dispersion among stocks widened as market attention moved from macroeconomic concerns to stock specific opportunities related to artificial intelligence (AI) technology.

Market Commentary

The overriding economic theme driving returns during the second quarter was the continued strength of the consumer. Despite inflation levels that remain more than double their pre-pandemic levels, the level of consumer spending surprised investors, many of whom had entered the quarter believing that the first quarter banking crisis would contribute to an economic slowdown. While economic growth did show signs of slowing during the quarter, it remained strong despite tighter lending standards and increased banking regulations on the horizon. The Federal Reserve remained steadfast in its efforts to bring inflation down to its 2% target, once again raising the federal funds rate in May, the 10th consecutive move since March 2022. In June, the Federal Reserve decided to pause increases, leaving interest rates unchanged while noting its intent for future rises over the remaining two quarters of the year. Stock prices were volatile during the quarter but ended meaningfully higher as the Federal Reserve's June pause brought relief to investors previously concerned about the eroding effects of higher wages and borrowing costs on corporate profits. The S&P 500 Index rose 8.7%, and the NASDAQ composite was up 13.1% in the second quarter. U.S. Treasury yields ended the quarter higher, contributing to negative returns in the investment-grade bond market where the Bloomberg U.S. Aggregate Index declined 0.84%.

In fixed income, interest rates rose during the quarter between 18 and 81 basis points across the U.S. Treasury yield curve with the yield curve inverting further. The spread between the 2- and 10-year U.S. Treasury yields grew to 106 basis points, a level not seen since 1981. Concern over continued inflation was the key driver of interest rate and bond price volatility, particularly in May when longer-dated bonds declined by 2.72%, as indicated by the 10 year+ segment of the Bloomberg Aggregate Index. Despite the Federal Reserve's outlook for slowing economic growth and the signals of recession that are normally surmised from an inverted yield curve, bond investors seemed unconcerned during the quarter and preferred riskier areas of the bond market. This was particularly evident in the credit markets, where high yield corporates performed the best, as measured by the Bloomberg U.S. Corporate High Yield Index, posting a positive return of 1.75% for the quarter. Investment-grade bonds declined, with the BBB-, AA-, and A-rated segments down 0.10%, 0.69%, and 0.99%, respectively. In other areas of the investment-grade market, U.S. Treasuries were the worst performers, declining 1.38% and Agency mortgage-backed securities (MBS) declined 0.64%. Spreads narrowed in all sectors of the bond market during the quarter except for Agency MBS, which remained well below their 20-year averages. While this seems to indicate that bond investors are not as concerned with a deep recession, positioning among mutual funds would suggest otherwise — the average sector and credit quality positions among mutual funds in the Morningstar Intermediate Term Core Bond category shifted meaningfully over the last year with Agency MBS going from underweight to overweight and corporate bonds experiencing significant reductions, particularly those in the lower quality BBB-rated and lower segments.

In equities, excitement around AI and flows into the largest market capitalization stocks continued to be the dominant theme for much of the second quarter. Large-cap stocks and stocks perceived as beneficiaries of growth in generative AI technologies were the major driver of index returns. This resulted in a significant lack of market breadth as the S&P 500 Equal-Weighted Index was up 4% in the quarter, underperforming the S&P 500's cap-weighted 8.7% return. However, toward the end of the quarter, equity investors seemed to change their sentiment around the possibility of a recession. During the month of June, a more upbeat outlook for the U.S. economy resulted in more broad-based gains for stocks. For the first time since February, the S&P 500 Equal Weighted Index outperformed the S&P 500 Index. Additionally, small-cap companies (as measured by the Russell 2000 Index), which are typically more economically sensitive, outperformed large-cap stocks (as measured by the Russell 1000 Index) for the first time since February.

Consistent with prior periods of high return dispersion among large-cap and small-cap stocks, valuations at quarter-end, as measured by the price-to 12-month forward earnings ratios, also looked quite different. Small-cap stocks seem attractively valued relative to their 10-year average while those of the largest growth companies, as measured by the Russell 1000 Growth Index, do not. Behind these broad market returns and valuations reside individual companies, each of which will benefit differently from this newest disruptive technological advance. AI has the ability to shift a company's business model, lessening its reliance on what has become an increasingly unreliable labor pool, enhancing not only profits, but the consistency of profits. The benefits of such structural AI opportunities, while seemingly broad, require thorough fundamental analysis on a company-by-company basis to determine not only the value to future profits but, more importantly, whether that future value justifies today's valuations.

[1]Effective 3/1/21, the Fund's name changed from CRA Qualified Investment Fund to CCM Community Impact Bond Fund [2]Impact numbers are approximate figures

Portfolio Managers

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

Elliot Gilfarb, CFA
Head of Fixed Income
Senior Portfolio Manager
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

Shonali Pal
Junior Portfolio Manager
Industry Start Date: 2014
CCM Portfolio Manager Since 2022

Share Classes

	Ticker	Inception	Expense Ratio
CRA	CRAIX	8/30/99	0.88
Institutional	CRANX	3/2/07	0.43
Retail	CRATX	3/2/07	0.78

Portfolio Contributors

- Overweight 30-year Agency MBS
- Underweight U.S. Treasuries
- Overweight financials in the Corporate sector

Portfolio Detractors

- Underweight BBB-rated credit
- Underweight lower coupon MBS pools (2- and 2.5-coupon pools)
- Exposure to lower coupon Agency CMBS

Portfolio Commentary

In the second quarter of 2023, the CCM Community Impact Bond Fund (the Fund) CRA Shares (CRAIX), Institutional Shares (CRANX), and Retail Shares (CRATX) posted negative returns of 0.99%, 0.88%, and 1.07%, respectively, on a net-of-fees basis. The Intermediate component of the Bloomberg Aggregate Bond Index (the Benchmark) posted a negative return of 0.75%.

Interest rates rose between 18 and 81 basis points across the yield curve with the yield on the 2-year U.S. Treasury rising the most, resulting in a further inversion of the yield curve between two and 10 years — a level not seen in over 40 years. Against this shift, the Fund's underweight to the short end of the curve was beneficial.

The three major sectors of the Benchmark posted negative returns during the quarter with Agency MBS, U.S. Treasuries, and Corporates declining 0.65%, 1.15%, and 0.16% respectively. Despite the negative returns, spreads narrowed across all major sectors of the bond market, particularly in lower-quality bonds. Investors showed signs of relief during the quarter as evidence arose that the first quarter bank failures were the result of poor bank management vs. a systemic banking issue, alleviating previous concerns about a banking-led recession. Against this risk-seeking environment, the Fund's structural underweight to the U.S. Treasury sector (averaging 6.8% vs. 40% in the Benchmark) was beneficial to relative returns, yet its underweight to the corporate sector (averaging 12.6% vs. 19.7% in the Benchmark) was a slight headwind.

With investors feeling more confident in the banking sector, financials in the corporate sector of the Benchmark recovered from the prior quarter's spread widening, posting positive returns of 0.24%. Similarly, with investors more focused on the prospect of sustained inflation rather than an imminent recession, BBB-rated bonds were the best-performing credit segment of the corporate sector. The tailwind of the Fund's overweight to financials more than offset the headwind of its meaningful underweight to BBB-rated bonds, and the Fund's corporate bonds outperformed those in the Benchmark by 0.05%. The Fund's MBS positioning continues to outperform — its overweight to 30-year mortgage pools and underweight to 15-year mortgage pools during a period of rising rates was beneficial, resulting in the MBS segment outperforming the MBS segment of the Benchmark by 0.15%. The Fund's Agency commercial mortgage-backed securities (CMBS) positioning was hindered by its exposure to lower coupon Ginnie Mae project loans, which underperformed during this period of rising rates.

Despite the Federal Reserve's June decision to maintain the federal funds rate, it has stated its expectations for sustained inflation and at least two more rate hikes by year-end. Despite higher rates during the quarter, we still expect that rates will end the year lower, so we steadily increased duration over the quarter by narrowing our underweight exposure to lower coupon MBS and reducing our underweight exposure to the front end of the curve. While we expect a slower rate of economic growth, we added to our non-agency consumer loan asset-backed securities (ABS) position given its attractive spreads and relatively short average life.

As of 06/30/23, the average annual returns for CRAIX for 1-year, 5-year, 10-year and since inception (8/30/1999) were -1.96%; -0.14%; 0.62%; and 3.01%. The average annual returns for CRANX for 1-year, 5-year, 10-year and since CRANX inception (3/2/2007) were -1.52%; 0.33%; 1.08%; and 2.37%. The average annual returns for CRATX for the same periods were -1.87%; -0.04%; 0.73% and 2.01%. As of 06/30/23, the 30-Day SEC yield for the CRA Shares, Institutional Shares, and Retail Shares was 2.71%, 3.16%, and 2.81%, respectively. 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. The annual operating expenses for the CRA Qualified Investment Fund's CRA Shares, Institutional Shares, and Retail Shares is 0.88%; 0.43% and 0.78%, respectively.

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. Bonds and bond funds will decrease in value as interest rates rise. The CCM Community Impact Bond Fund is not diversified. High yield bonds involve greater risks of default or downgrade and are more volatile than investment grade securities, due to the speculative nature of their investments. There is no guarantee the investment objective or goals of the Fund 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.