COMMUNITY CAPITAL MANAGEMENT

CCM Small/Mid-Cap Impact Value 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	$4.4 Billion
Impact and ESG Experience	23 Years
Impact and ESG Initiatives[1]	$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 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[2] rose 8.7%, and the NASDAQ composite[3] 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[4] declined 0.84%.

In fixed income, interest rates rose during the quarter between 18 and 81 basis points[5] 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.

Investment Objective

The CCM Small/Mid-Cap Impact Value Fund (the Fund) seeks to provide long-term growth of capital.

Why Invest

The Fund seeks to provide long-term growth of capital by investing in a concentrated, benchmark-agnostic portfolio of well-researched equities that are trading at valuations that do not reflect their full potential. The determination of value goes beyond just price—it is also a function of a company's fundamentals, which are analyzed along multiple dimensions, including an assessment of its environmental, social, and governance (ESG) opportunities and risks.

Share Classes

	Ticker	Inception Date	Gross Expense Ratio %	Net Expense Ratio %
Institutional	QSVIX	1/1/18	2.18	1.30
Advisor	QUSVX	1/1/18	2.43	1.55

Portfolio Managers

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

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 2020

Portfolio Commentary

The CCM Small/Mid-Cap Impact Value Fund (the Fund) institutional share class (QSVIX) was up 7.4% in the second quarter of 2023 (net of fees). The Fund's benchmark, the Russell 2500 Value Index (R2500V), was up 4.4% in the quarter, and its secondary benchmark, the Russell 2500 Index (R2500), rose by 5.2%. Year to date, QSVIX outperformed its primary benchmark by 1.6%.

The Fund's outperformance came from several sources. During the quarter, the portfolio's consumer discretionary, financials, and healthcare holdings outperformed their sectors as a group. These sectors represent a significant percentage of the portfolio and the benchmark and, thus, drove outperformance. In addition to benefiting from security selection, the Fund also benefited from its overweighting to industrials and healthcare, which were the best- and the third-best performing sectors in the Russell 2500 Index.

Small- and mid-cap stocks struggled for the first two months of the second quarter as investors shied away from more economically sensitive smaller-cap companies. However, economic data continued to surprise to the upside as the impacts on the economy from the March banking crisis failed to take shape as anticipated. The better-than-expected economic data combined with several months of underperformance versus large-cap stocks resulted in small- and mid-cap stocks outperforming large-cap stocks in June for the first time since February.

While the macro environment remains uncertain, evidence indicates that the deterioration in data in the first quarter of 2023 and the impacts of the banking crisis were false alarms in terms of an "imminent" recession. While we have become more cautiously optimistic about avoiding a recession, we still have some concerns given the lags in monetary policy and a hawkish Federal Reserve (Fed).

Inflation has continued to moderate but remains well above the Fed's target. Until inflation returns to target levels it is likely the Fed will remain hawkish and continue to implement restrictive policy in the form of higher federal funds rates and continued quantitative tightening. M2 Money supply has fallen every single month of 2023 and is likely to continue. M2 is the U.S. Fed's estimate of the total money supply, including cash people have on hand plus money deposited in checking accounts, savings accounts, and other short-term saving vehicles such as certificates of deposit (CDs).

In this environment, companies that can self-fund their growth through strong cash flow generation should benefit. High interest rates and lower credit availability put high debt and capital-intensive companies at a disadvantage. The Fund's Compounders strategy tends to seek out companies with high cash flow, low capital requirements, and low debt loads. As a result, we think the portfolio is in a good spot to perform well as we believe the current environment is likely going to continue through at least the third quarter.

Inception date as of January 1, 2018. The funds may experience negative performance. Past performance does not guarantee future results. The fund recently experienced significant negative short-term performance due to market volatility associated with the COVID-19 pandemic.

As of 06/30/23, the average annual returns for the CCM Small/Mid-Cap Impact Value Fund Institutional Shares for 1-year, 3-year, 5-year and since inception were 9.67%, 14.36%, 1.64%, and 2.16%.

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. Returns over one year are annualized.

The Adviser has contractually agreed to waive all or a portion of its investment advisory fees and/or pay/reimburse expenses (excluding any Rule 12b-1 fees, taxes, interest, acquired fund fees and expenses, short sale dividend and interest expenses, brokerage fees, certain insurance costs, and nonroutine expenses or costs, including, but not limited to, those relating to reorganizations, litigation, conducting shareholder meetings, liquidations and other extraordinary expenses) in order to prevent total annual fund operating expenses from exceeding 1.30% of the Fund's average daily, net assets through October 28, 2023. Pursuant to its expense limitation agreement with the Fund, the Adviser is entitled to recoup any fees that it waived and/or Fund expenses that it paid for a period of three years following such fee waivers and expense payments, to the extent that such recoupment by the Adviser will not cause the Fund to exceed any applicable expense limitation that was in place for the Fund when the fees were waived, or expenses were paid. These waivers and reimbursements may be terminated at any time with respect to the Fund by its Board of Trustees upon sixty (60) days' written notice to the Adviser without payment of any penalty and shall automatically terminate upon the termination of the Fund's advisory contract with the Adviser.

The top 10 holdings as of 06/30/2023 are: QUANTA SERVICES INC (4.28%), OWENS CORNING (4.27%), FIRST CITIZENS-A (4.16%), ASBURY AUTOMOTIVE GROUP (4.04%), FLEETCOR TECHNOLOGIES INC (3.91%), AMERIPRISE FINANCIAL INC (3.72%), MOLINA HEALTHCARE INC (3.57%), RAYMOND JAMES (3.56%), BERRY GLOBAL GROUP INC (3.53%), and TD SYNNEX CORP (3.51%). Holdings are subject to change.

[1]Impact numbers are approximate figures [2]The S&P 500® Index is a widely recognized, unmanaged index consisting of the approximately 500 largest companies in the United States as measured by market capitalization. [3]The Nasdaq Stock Market is an American stock exchange based in New York City and is the most active stock trading venue in the US by volume. [4]Bloomberg Aggregate Bond Index is a broad-based fixed-income index used by bond traders and the managers of mutual funds and exchange-traded funds (ETFs) as a benchmark to measure their relative performance. [5]Basis point is one hundredth of 1 percentage point.

Important Information:

There is no guarantee that a strategy will be successful. Mutual fund investing involves risk including the possible loss of principal. Common stock risks include the financial risk or selecting individual companies that do not perform as anticipated, the risk that the stock markets in which the Fund invests may experience periods of turbulence and instability, and the general risk that domestic and global economies may go through period of decline and cyclical change. 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 Russell 2500® Value Index measures the performance of those Russell 2500 companies with lower price-to-book ratios and lower forecasted growth values. You cannot invest directly in an index.

Consider a fund's investment objectives, risks, charges, and expenses carefully before investing. The Statutory, and where available, the Summary Prospectuses contain this and other important information and are available for download at www.ccminvests.com or by calling 800.220.8888. Read carefully before investing.

Source: Fund data provided by Quaker Investment Trust. CCM is an investment adviser registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940.

The CCM Funds are distributed by Foreside Fund Services, LLC.

*Effective October 28, 2020, the Fund's name changed from Quaker Small/Mid-Cap Impact Value Fund to CCM Small/Mid-Cap Impact Value Fund.