COMMUNITY CAPITAL MANAGEMENT

CCM Core Impact Equity Fund*

Key Takeaways

- Both stock and bond prices increased during the quarter as investors gained confidence in the outlook for lower interest rates, lower inflation, and a stable economy.
- The Federal Reserve (Fed) left the federal funds rate unchanged during the quarter, indicating its willingness for 2024 reductions.
- The compensation for taking credit risk has declined, particularly in lower credit-quality bonds.

Share Classes

	Ticker	Inception Date	Expense Ratio
Institutional	QAGIX	1/1/18	1.70
Advisor	QUAGX	1/1/18	1.95

Portfolio Managers

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

Alex Alario, CFA
Portfolio Manager
Industry Start Date: 2015
CCM Portfolio Manager Since 2020

Market Commentary

The capital markets ended 2023 on a positive note with major U.S. market indices rising during the fourth quarter. The S&P 500 Index[1] posted a total return of 11.7% and the Bloomberg Aggregate Bond Index[2] (the Index) rose 6.8%. The quarter was not, however, without volatility as interest rates rose once again in October, with the 10-year U.S. Treasury yield breaching 5%, a level not seen since 2007. This sell-off in U.S. Treasuries sent both stock and bond prices falling as investors grew concerned about the negative impact of high interest rates on the economy and on corporate earnings. In November, investor sentiment quickly recovered when employment and manufacturing data suggested that the economy was cooling, alleviating fears that the Fed would continue its path of interest rate increases.

The U.S. Treasury also helped to fuel the rally by indicating its borrowing needs were lower than originally planned, thus lessening some of the concerns that had contributed to the earlier sell-off in the bond market. This upward momentum continued through December as the Fed's preferred inflation measure, the personal consumptions expenditures (PCE) index, declined in November, the first month since April 2020 where prices did not increase. With inflation in decline and the Fed signaling it may reverse course next year and lower the federal funds rate, investors finally gained the confidence they had been seeking since the start of 2023.

In fixed income, bond investors continued to react swiftly and sharply to every new datapoint, sending interest rates on a roller coaster ride that ultimately resulted in lower yields across most of the yield curve[3], particularly in the 2- through 30-year segment of the curve where yields ended between 0.67% and 0.79% lower than where they started the quarter. After slightly widening in October, spreads narrowed meaningfully in both November and December, suggesting that investors were less concerned about a hard economic landing and higher interest rates than earlier in the year. There was a wide dispersion of returns among and within the different sectors of the bond market. Longer duration and lower credit quality bonds performed the best and the U.S. Treasury segment of the Index performed the worst, up 5.66%. The corporate segment of the Index posted the highest returns, up 8.5%, with 10+ year maturity bonds up 14.01% vs. the 1- through 3-year segment up 3.1% amidst investors' willingness to take on higher interest rates and credit risk. After record declines in the previous one-and-a-half years, the mortgage-backed securities (MBS) segment of the Index posted a 7.5% return during the quarter, the second highest quarterly return since its 1989 inception into the Index. Returns within MBS were highest in the lowest coupon mortgages as investors grew less concerned about extension risk given the outlook for declining interest rates. While the returns for the quarter suggested that investors have reembraced the bond market, spread levels are still well below their historical averages, particularly in lower credit quality bonds, leaving little compensation for what could be a period of economic uncertainty and risk-asset volatility.

In equities, stock prices advanced broadly during the quarter, with smaller companies leading the way, particularly those more economically sensitive companies whose earnings have been impacted by weak revenue growth and higher borrowing costs. The Russell 2000 Index[4] and Russell Microcap Index[5] led the way, up 14.04% and 16.06%, respectively. For the first time since last year, the equal-weighted S&P 500 Index outperformed the capitalization-weighted index with returns of 11.9% vs. 11.7% as investors shifted their focus from big technology companies that had dominated the market's performance in the first three quarters of 2023 to a broader list of stocks expected to benefit from better valuations and earnings prospects amidst an outlook for lower interest rates.

As of year-end, the top 10 stocks in the S&P 500 Index represented a record 32.1% of its capitalization, yet only represented 23.2% of its trailing 12-month earnings. The valuation dispersion remains even wider with the top 10 posting a forward price-to-earnings ratio of 26.9x vs 17.1x for the remaining stocks. The combination of these factors has further increased risks for passive investments in the top-heavy S&P 500 Index. While its relative risk increases the opportunities for outperformance for astute active equity managers, its dominance in investors' portfolios increases its potential impact on the economy should one or more of these large companies disappoint.

Looking ahead, we are monitoring some key factors where meaningful changes could have an impact on our positioning. Strong employment and positive real wages have kept consumer spending strong; however, growing credit and an uptick in delinquencies show consumer vulnerability, should labor market conditions weaken across a broader segment of the economy. U.S. Treasury supply will continue to grow, and inflation increasing is not yet out of the picture, both of which could contribute to higher interest rates. Geopolitical factors have not meaningfully impacted our economy or pricing of assets; however, this could change abruptly so we remain attentive to their potential to disrupt.

Learn more about our impact and ESG strategies at www.ccminvests.com

Investment Objective

The CCM Core Impact Equity Fund (the Fund) seeks to provide long-term growth of capital.

Why Invest

The Fund seeks long-term growth of capital by investing in a portfolio of mid- and large-cap companies where earnings growth is expected to compound. The research process focuses on identifying companies with sustainable business models that are developed and executed by experienced and shareholder-aligned management teams and which include environmental, social, and governance (ESG) related factors in their assessment of opportunities and risks.

Portfolio Commentary

The CCM Core Impact Equity Fund Institutional Share Class (ticker: QAGIX; the "Fund") was up 11.1% (net-of-fees) in the fourth quarter of 2023. The Fund unperformed its benchmark, the S&P 500 Fossil Fuel Free Index, by 1.3%, which was up 12.4% in the quarter. For the full-year 2023, the Fund was up 21.9%, while its benchmark was up 27.6%.

Equity markets had a sluggish start to the quarter but managed a remarkable turnaround in November and December. The S&P 500 Index fell in October because of concerns over rising interest rates and slowing economic growth. However, better-than-expected earnings results, continued declines in inflation, and robust consumer spending jolted markets to their best quarterly performance since 2020.

The positive developments on inflation in combination with a weakening but still robust U.S. labor market allowed for the Fed to keep rates unchanged since its July meeting. At the December press conference, Fed Chair Jerome Powell acknowledged that significant progress has been made on inflation and potential rate cuts may begin in 2024. These statements further fueled markets as investors began pricing in a soft landing. In December, Treasury yields rallied to their lowest level since the summer, and the S&P 500 Index approached its all-time high set in January 2022.

We continue to focus on allocating capital to high-quality businesses trading at reasonable valuations. While 2023 was a challenging year for active management as almost the entirety of the S&P 500 Index return was driven by the "Magnificent 7" (a group of mega-cap stocks: Apple, Alphabet, Microsoft, Amazon.com, Meta Platforms, Tesla and Nvidia), we still believe buying quality businesses and holding them for the long term is a winning strategy.

Looking to 2024, election years tend to be good ones for stocks. It will be tough for equity returns to be as good in 2024 as they were in 2023, given the rally in stocks. However, since 2023 returns were concentrated amongst few names, we see several attractive opportunities within the market that present compelling risk-adjusted returns.

To that end, we are not naïve to the fact that the members of the Magnificent 7 are high-quality businesses, and we expect to be overweight in several of these companies going forward, even after their strong 2023 performances.

While there is potential for a soft landing, we do not expect the U.S. economy to experience growth much above its potential levels in 2024. For these reasons, we have positioned the Fund within sectors that should generate strong earnings and cash flows regardless of economic conditions and in companies with secular growth stories that should perform well in the coming years.

Inception date as of January 1, 2018. The funds may experience negative performance. Past performance does not guarantee future results.

As of 12/31/23, the average annual returns for the CCM Core Impact Equity Fund's Institutional Shares for 1-year, 3-year, 5-year, and since inception were 21.91%, 7.17%, 14.31%, and 10.48%.

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 top 10 holdings as of 12/31/23 are: Microsoft Corp (7.25%); Apple (3.93%); Amazon (3.88%); Alphabet Inc – Class A (3.45%); Alphabet Inc – Class C (3.25%); Nvidia Corp (3.14%); Intuit (2.64%); Meta Platforms Inc. (2.49%); Parker Hannifin Corp (2.43%); Boston Scientific Corp (2.42%). Holdings are subject to change.

[1]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. [2]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. [3]A yield curve is a line that plots yields, or interest rates, of bonds that have equal credit quality but differing maturity dates. [4]The Russell 2000 Index is a small-cap U.S. stock market index that makes up the smallest 2,000 stocks in the Russell 3000 Index. [5]The Russell Microcap® Index measures the performance of the microcap segment of the US equity market.

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 S&P Fossil Free Index is designed to measure the performance of companies in the S&P 500 that do not own fossil fuel reserves.

The S&P 500® Total Return Index is a widely recognized, unmanaged index consisting of the approximately 500 largest companies in the United States as measured by market capitalization. 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 Impact Growth Fund to CCM Core Impact Equity Fund.

**Effective January 1, 2022, the Fund's benchmark changed to the S&P Fossil Free Index