COMMUNITY CAPITAL MANAGEMENT

CCM AFFORDABLE HOUSING MBS ETF (OWNS)

Key Takeaways

- The S&P 500 Index declined 4.3% as investors rotated away from technology and growth sectors toward defensive and value-oriented stock.
- The Bloomberg U.S. Aggregate Bond Index rose 2.8%, driven by falling Treasury yields amid growing economic uncertainty.
- U.S. economic data indicated a notable slowdown, with declining consumer and business surveys highlighting increased risks to the outlook due to recent trade policy changes.

Portfolio Managers

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

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

Jessica Botelho
Co-Chief Impact Strategist
Portfolio Manager
Industry Start Date: 2006
Portfolio Manager Since 2021

Shonali Pal, CFA
Portfolio Manager
Industry Start Date: 2014
Portfolio Manager Since 2022

Market Commentary

The first quarter of 2025 marked a reversal for U.S. equity markets as the S&P 500 Index declined 4.3%, pulling back after strong performance in 2024. Technology and growth sectors experienced the sharpest declines due to stretched valuations and heightened economic uncertainty, while defensive and value sectors, such as energy, healthcare, and consumer staples, outperformed.

In contrast, bonds performed well as Treasury yields declined on rising concerns about economic growth. The 10-year U.S. Treasury yield dropped to 4.21% by quarter-end from 4.57% at year-end 2024. Consequently, the Bloomberg U.S. Aggregate Bond Index rose 2.8%, reversing some of its losses from the previous quarter. The yield curve steepened further, reflecting market anticipation of a more accommodative monetary policy.

Economically, the U.S. demonstrated resilience but exhibited signs of slowing momentum. The manufacturing and trade sectors struggled, impacted by the anticipation of new trade policies and softer global demand. Consumer spending remained strong but showed divergence between higher and lower income consumers. Higher income consumers continued to spend, supported by robust wage growth and a positive wealth effect from equity market gains early in the quarter, while lower income consumers faced pressures from persistent inflation and below-average wage growth.

As the quarter progressed, the economic impact of anticipated trade policy changes became more apparent. Business survey data, including the Purchasing Managers' Indices (PMIs) and the Conference Board Consumer Confidence indices, trended lower during the quarter. The unemployment rate held steady around 4.1%, signaling a stable, though slightly softening, labor market. This weakening in survey data added uncertainty to the economic outlook.

Inflation continued to show gradual moderation, with core personal consumption expenditures (PCE) inflation easing to 2.8% year-over-year in February from 2.9% in December. Durable goods prices experienced deflation, while services inflation remained elevated around 3.5%. Although gradual moderation is encouraging, inflation remains above the Federal Reserve's (Fed's) 2% target.

The Fed maintained a cautious stance amid evolving economic conditions, holding the federal funds rate steady at 4.25% to 4.50%. Fed Chair Jerome Powell emphasized the need for clarity on trade policy impacts before considering further policy adjustments, reflecting caution due to potential inflation and growth risks from tariffs.

Looking ahead, the economic outlook appears to be deteriorating with decelerating fundamentals signaling increased risks. While consumer spending continues to support economic activity, declining confidence, trade uncertainties, and persistent services inflation suggest ongoing market volatility through 2025.

Portfolio Contributors

- Overweight 5% - 6% coupon mortgage-backed securities (MBS) pools

Portfolio Detractors

- Underweight 15- and 20-year MBS pools
- Overweight 30-year impact agency MBS pools
- Slightly shorter duration than the Benchmark

Portfolio Commentary

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In the first quarter of 2025, the CCM Affordable Housing ETF (the Fund) was up 2.64%, net of fees. The Bloomberg U.S. MBS Index (the Benchmark) was up 3.06%.

Duration/Yield Curve
During the quarter, U.S. economic data indicated a notable slowdown, with declining consumer and business surveys suggesting slower growth ahead. This outlook resulted in interest rates declining across the yield curve between 1 and 42 basis points with the largest declines in the three- and seven-year segments of the curve. The Fund's duration was just shy of that of the Benchmark when rates were declining. As a result, yield curve and duration positioning had a slightly negative impact on the Fund's relative return.

Sector Composition
During the quarter, the Fund was overweight 30-year MBS, averaging 94.6% of the portfolio compared with 89.7% in the Benchmark, while underweight 15- and 20-year MBS. The underweight position in 15- and 20-year MBS slightly detracted from relative performance as spreads tightened in these shorter maturity pools. The Fund benefited from its coupon stack allocation, particularly its overweight to 5% – 6% coupon pools, which outperformed the lower coupon pools during this period of volatile interest rates. The Fund underperformed due to its overweight to impact MBS agency pools and its underweight to 15- and 20-year MBS pools.

Positioning Changes
Given the team's outlook for range-bound interest rates and the corresponding benefit of higher carry from the 4%+ coupon pools, the Fund remains overweight 30-year, 4% - 6% coupon pools and underweight lower coupon pools.

As of 03/31/25 the average annual gross returns for the CCM Affordable Housing MBS ETF for 1-year and since inception (7/26/21) were 5.18% and -1.26% and the average annual net returns for the Impact CCM Affordable Housing MBS ETF for the same time periods were 5.18% and -1.23%.

As of 03/31/25 the gross and net expense ratios for the CCM Affordable Housing MBS ETF were 0.57% and 0.30%, respectively. Community Capital Management LLC has contractually agreed to limit the total annual operating expenses (exclusive of fees paid by the Fund pursuant to its distribution plan under Rule 12b-1 under the Investment Company Act of 1940, as amended, taxes, brokerage commissions and other transaction costs, interest payments, acquired fund fees and expenses, extraordinary expenses and dividend expenses on short sales) of the Fund to 0.30%. Waivers are contractual and in effect until October 31, 2025. This contract may not be terminated without the action or consent of the Fund's Board of Trustees.

Data sources: Barclays Live, Bloomberg PORT, and eVestment Alliance.

Performance results presented are net of fees and represent total return. Performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Different types of investments involve varying degrees of risk, and there can be no assurance that any specific investment will either be suitable or profitable for an investment portfolio. Performance reports contained herein should not be construed as a recommendation to purchase or sell any particular securities. Market conditions can vary widely over time and can result in a loss of portfolio value. The results portrayed included the reinvestment of dividends, interest and other earnings. Any index information provided herein does not reflect the impact of fees; you cannot invest directly in an index. Performance for periods greater than 1-year are annualized.

This strategy involves impact and ESG risk. CCM may select or exclude securities of certain companies for reasons other than performance and, as a result, the strategy may underperform other strategies 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 CCM will reflect beliefs or values of any particular investor.

This material must be preceded or accompanied by a current prospectus. Investors should read it carefully before investing or sending money.

Investing involves risk, including the possible loss of principal. Shares of any ETF are bought and sold at market price (not NAV), may trade at a discount or premium to NAV and are not individually redeemed from the Fund. Brokerage commissions will reduce returns. The market price returns are based on the official closing price of an ETF share or, if the official closing price isn't available, the midpoint between the national best bid and national best offer ("NBBO") as of the time the ETF calculates current NAV per share. NAVs are calculated using prices as of (4:00 PM Eastern Time).

Bonds and bond funds are subject to interest rate risk and will decline in value as interest rates rise. Mortgage-backed securities are subject to prepayment and extension risk and therefore react differently to changes in interest rates than other bonds. Small movements in interest rates may quickly and significantly reduce the value of certain mortgage-backed securities. This fund is non-diversified. As an actively managed Fund, it does not seek to replicate a specified index.

The Fund is distributed by SEI Investments Distribution Co. (SIDCO), which is not affiliated with Community Capital Management.