COMMUNITY CAPITAL MANAGEMENT

CCM AFFORDABLE HOUSING MBS ETF (OWNS)

Key Takeaways

- The S&P 500 Index declined 4.3% in the first quarter, driven by a rotation out of growth sectors and increased geopolitical uncertainty that pressured U.S. equities.
- The Bloomberg US Aggregate Bond Index was roughly unchanged during the quarter, as income and paydowns helped offset negative price declines from rising interest rates.
- Economic data indicated a slower but still expanding U.S. economy, with consumer spending remaining supportive, continued expansion in services activity, inflation still above target, and a labor market that showed ongoing signs of cooling.

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

U.S. equities moved lower in the first quarter, with the S&P 500 Index declining 4.3%. Equity performance was pressured by a rotation away from growth-oriented sectors, valuation concerns in certain areas of the market, and heightened geopolitical uncertainty toward the end of the quarter. Sector performance was mixed, with energy leading the way and gaining 38.3% as the top-performing sector. The financials sector lagged, down 9.5%, while large growth sectors including technology, communication services, and consumer discretionary also posted mid- to high-single-digit losses.

The U.S. bond market was relatively stable during the quarter. The Bloomberg US Aggregate Bond Index was roughly flat, with returns from income and paydowns offsetting losses due to rising interest rates. The 2-year Treasury yield rose from 3.47% at year-end 2025 to 3.79% by March 31, while the 10-year Treasury yield increased from 4.17% to 4.32%. As a result, the Treasury curve flattened during the quarter.

Economic data suggested that the U.S. economy continued to expand at a slower pace. Consumer activity remained supportive, with personal consumption expenditures rising 0.4% in January and retail sales rebounding 0.6% in February. Services activity remained in expansion, with the Institute for Supply Management (ISM) nonmanufacturing index at 54.0 in March, although business commentary pointed to elevated uncertainty related to trade policy and geopolitical developments.

Labor market activity remained modest, yet conditions stayed relatively tight, with the unemployment rate at 4.3% by the end of the quarter. Hiring trends were uneven during the quarter, and the Federal Reserve noted that uncertainty around the outlook remained elevated.

Inflation remained above the Federal Reserve's target but was still well below prior-cycle highs. The Consumer Price Index (CPI) and Personal Consumption Expenditures (PCE) Price Index continued to indicate inflation was running in the 2.5% to 3.0% range during the quarter. While there was some evidence that inflation may have started to moderate, the recent rise in oil prices has introduced renewed uncertainty.

Against this backdrop, the Federal Reserve left the federal funds target range unchanged at 3.50% to 3.75% at its March meeting. The Federal Reserve emphasized that economic uncertainty remained elevated and stated it was being attentive to risks on both sides of its dual mandate. Early in the first quarter, the Federal Funds futures market implied 2 to 3 rate cuts by the end of 2026 but with the conflict in the Middle East, it has shifted to no rate cuts by year-end.

Looking ahead, the U.S. economy appears set to remain in a slower-growth environment. This outlook is supported by moderately healthy consumer activity but faces growing headwinds from softer labor-market conditions, elevated policy uncertainty, and renewed geopolitical risks. Markets will look to remain focused on the implications of rising oil prices due to the conflict in Iran. Additionally, attention will focus on hiring trends and how the Federal Reserve plans to address a stagflationary environment.

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Portfolio Contributors

- Relative performance of custom agency mortgage-backed security (MBS) pools
- Duration positioning

Portfolio Detractors

- Underweight Ginnie Mae 30-year agency MBS pools
- Relative coupon stack positioning

Portfolio Commentary

In the first quarter of 2026, the CCM Affordable Housing ETF (the Fund) was up 0.24% net of fees. The Bloomberg US MBS Index (the Benchmark) was up 0.40%.

Duration/Yield curve

Interest rates were volatile during the quarter with rates moving higher in January and falling in February amidst lower economic growth expectations. In March, rates moved notably higher as inflation concerns intensified from the conflict with Iran. Interest rates ended the quarter between 3 and 32 basis points higher than where they started the year with the largest increases in the 1- to 5-year segment of the yield curve. At the start of the year, the team expected that interest rates would remain rangebound, though at levels modestly below those of the prior year. The Fund's underweight to lower-coupon agency MBS pools, which have less income and exhibit longer duration than higher-coupon pools, contributed positively during this period of interest rate volatility.

Sub-Sector Composition

Ginnie Mae 30-year pools outperformed during the quarter, a headwind given the Fund's underweight to Ginnie Mae pools and overweight to conventional (Fannie Mae and Freddie Mac) 30-year pools. The Benchmark's lower-coupon pools (1.5% to 4%) posted positive excess returns, while most higher-coupon pools lagged. Although the Fund was underweight lower-coupon pools, the outperformance of its custom pools more than offset the headwind from its relative coupon stack positioning.

Positioning Changes

Given the team's outlook for lower, but range-bound interest rates, where income is expected to play a larger role in total return, the Fund remains underweight lower-coupon mortgage pools and overweight 4%- to 5.5% coupon pools, where income generation is more attractive.

As of 03/31/26 the average annual gross returns for the CCM Affordable Housing MBS ETF for 1-year and since inception (7/26/21) were 5.54% and 0.18% and the average annual net returns for the Impact CCM Affordable Housing MBS ETF for the same time periods were 5.48% and 0.14%.

As of 03/31/26 the gross and net expense ratios for the CCM Affordable Housing MBS ETF were 0.68% 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, 2026. 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 a client's 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.

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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.