CCM AFFORDABLE HOUSING MBS ETF (OWNS)

Key Takeaways

- The S&P 500 Index rebounded 15.2% in the second quarter, as the deescalation of the Iran conflict, lower oil prices, and renewed enthusiasm for artificial intelligence (AI) drove U.S. equities to record highs.
- The Bloomberg US Aggregate Bond Index rose 0.7% in the second quarter, as coupon income offset modest negative price returns from higher intermediate-maturity yields.
- Economic data pointed to a still-expanding U.S. economy, though hiring slowed materially in June, headline inflation reached a three-year high on energy prices, and the Federal Reserve (the Fed), under new Chair Kevin Warsh, shifted its bias from cuts toward a possible hike later in 2026.

Portfolio Managers

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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 rebounded sharply in the second quarter, with the S&P 500 Index returning 15.2% and reaching a new record high late in the quarter. Performance was driven by de-escalation of the Iran conflict, a sharp decline in oil prices from April highs, and a renewed rally in AI-related technology stocks. The technology-heavy Nasdaq Composite returned 21.6%, its strongest quarterly return since the second quarter of 2020, while small caps also participated, with the Russell 2000 up 21.5% as the leadership broadened in June. Sector performance was led by information technology, up 31.8%, and industrials, up 14.9%, while energy was the standout laggard, down 13.5%, as oil prices reversed lower following the ceasefire between the U.S. and Iran.

The U.S. bond market posted a modestly positive return during the quarter. The Bloomberg US Aggregate Bond Index rose 0.7%, as coupon income offset modest negative price returns. The 2-year Treasury yield rose from 3.79% at the end of March to 4.17% by June 30, while the 10-year Treasury yield increased from 4.32% to 4.47%. The Treasury curve flattened in the belly during the quarter, with 2- to 5-year yields rising 28 to 38 basis points as the market repriced Fed policy expectations following Chair Warsh's appointment, while 20- and 30-year yields rose only 4 to 5 basis points. Investment grade credit spreads were largely stable as risk sentiment improved at the end of the quarter.

Economic data suggested the U.S. economy continued to expand, though at a moderating pace. Consumer activity remained supportive, with personal consumption expenditures rising 0.7% in May. Surveys from the Institute of Supply Management (ISM) showed services and manufacturing activity stayed in expansion territory. Both the Non-Manufacturing and Manufacturing Purchasing Managers Indices (PMI) registered 54.0 and 53.3 in June, respectively, marking the 24th consecutive month in expansion territory for the Non-Manufacturing PMI and the sixth consecutive month of expansion for the Manufacturing PMI.

Labor market conditions softened during the quarter. Nonfarm payrolls rose by just 57,000 in June, well below expectations, and April and May payrolls were revised down by a combined 74,000. Despite the weaker payroll trend, the unemployment rate declined to 4.2% at the end of the quarter, largely reflecting a drop in the labor force participation rate to 61.5%, the lowest level since March 2021. Hiring became increasingly concentrated in professional and business services, healthcare, and social assistance, while leisure and hospitality shed 61,000 jobs in June.

Inflation moved higher during the quarter, driven almost entirely by energy prices tied to the conflict in the Middle East. Headline Consumer Price Index (CPI) rose to 4.2% year-over-year in May, the highest reading since April 2023, while core CPI was 2.9% year-over-year, reflecting more contained underlying pressures. The Fed's preferred inflation gauge, the Core Personal Consumption Expenditures (PCE) Price Index, rose to 3.4% year-over-year in May, the highest since October 2023. With WTI crude oil peaking at approximately $113 on April 7 before falling at the end of the quarter to approximately $70 following the ceasefire between the U.S. and Iran, the recent rise in headline inflation is expected to moderate in the months ahead.

Against this backdrop, the Fed left the federal funds target range unchanged at 3.50% to 3.75% at both its April and June meetings. The June 16-17 meeting was Chair Warsh's first, following Jerome Powell's May departure, and the Committee voted unanimously to hold rates. The June Summary of Economic Projections turned meaningfully hawkish, with the median 2026 dot rising to 3.75% from 3.375% in March, implying an additional 25-basis-point rate hike by year-end. Fed funds futures repriced sharply during the quarter, moving from an easing bias of no changes to 1 rate cut at the start of the second quarter to a tightening bias of 1 to 2 hikes by year-end.

Looking ahead, the U.S. economy appears set to remain in an environment of slower growth characterized by supportive consumer activity, cooling labor demand, and elevated but supply-driven inflation. AI-related capital spending, particularly datacenter buildout, has become an increasingly important contributor to economic growth, supporting business investment and offsetting weakness in more rate-sensitive sectors. Markets will likely remain focused on the pace at which energy-driven inflation moderates in the second half of the year, whether hiring stabilizes at the softer June pace or deteriorates further, and how much conviction the Fed builds around delivering the hike signaled in the June Summary of Economic Projections. Volatility around trade policy, the durability of the Middle East ceasefire, and the AI capital-spending cycle are likely to remain dominant catalysts through year-end.

Portfolio Contributors

- Relative performance of custom agency mortgage-backed security (MBS) pools
- Overweight 30-year agency MBS pools
- Overall relative coupon stack positioning

Portfolio Detractor

- Overweight to 4% coupon pools

Portfolio Commentary

In the second quarter of 2026 the CCM Affordable Housing ETF (the Fund) was up 0.66%, net of fees. The Bloomberg US MBS Index (the Benchmark) was up 0.58%.

Duration/Yield curve

Interest rates remained volatile during the quarter, with yields increasing by 0 to 35 basis points higher across the curve amid persistently high oil prices and rising inflation. The 10-year U.S. Treasury reached a 2026 high of 4.67% in mid-May before declining to 4.46% by quarter end as tensions surrounding the Iran conflict eased. Rates rose the most in the 1- to 5-year segment of the yield curve ending the quarter flatter than where it started. The Fund's underweight position in the lowest coupon agency MBS pools and overweight position in 30-year MBS pools both contributed positively during the quarter's yield curve flattening.

Sub-Sector Composition

The Benchmark's lower-coupon pools (1% to 4%) underperformed higher-coupon pools as rising interest rates extended the expected average lives of these lower-rate mortgages. Against this backdrop, the Fund's underweight allocation to lower-coupon pools contributed positively to relative performance. The Fund's custom MBS pools outperformed generic pools across most of the portfolio, benefiting from spread tightening and a higher income profile.

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 06/30/26 the average annual gross returns for the CCM Affordable Housing MBS ETF for 1-year and since inception (7/26/21) were 5.26% and 0.29% and the average annual net returns for the Impact CCM Affordable Housing MBS ETF for the same time periods were 5.15% and 0.27%.

As of 06/30/26 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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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.