

CCM AFFORDABLE HOUSING MBS ETF (OWNS)

Key Takeaways

- The S&P 500 Index returned 2.3% in the third quarter, with gains concentrated in larger companies.
- The Bloomberg US Aggregate Bond Index declined 3.5% during the quarter as Treasury yields rose sharply.
- Consumer spending remained resilient, while hiring slowed toward quarter-end. Persistently elevated inflation prompted the Federal Reserve (the Fed) to raise interest rates in September.

Portfolio Managers

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Senior Portfolio Manager

Industry Start Date: 2004
Portfolio Manager Since 2015

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Industry Start Date: 2005
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Industry Start Date: 2006
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Industry Start Date: 2014
Portfolio Manager Since 2022

Market Commentary

U.S. equities posted a modest gain in the third quarter, with the S&P 500 Index returning 2.3%. Strong corporate fundamentals supported the market despite rising Treasury yields and geopolitical uncertainty. Performance was uneven, with the S&P 500 Equal Weight Index declining 1.9%, indicating that gains were concentrated in larger companies. Sector performance was led by energy, up 17.2% as crude oil prices rose, followed by information technology, which gained 7.2%. Utilities and industrials were the weakest sectors, declining 12.4% and 9.7%, respectively.

The U.S. bond market came under pressure during the quarter. The Bloomberg US Aggregate Bond Index declined 3.5% as higher yields weighed on bond prices. The 2-year Treasury yield rose from 4.18% at the end of June to 4.89% at the end of September, while the 10-year yield increased from 4.47% to 5.29%. The difference between 10-year and 2-year yields widened from 29 to 40 basis points, resulting in a modest steepening of the curve.

Economic data suggested the U.S. economy continued to expand. The latest reading of second quarter real gross domestic product (GDP) growth was a 2.2% annualized rate. Consumer activity remained supportive during the third quarter, with personal consumption expenditures rising 0.9% month-over-month in August. Business investment also supported economic growth, with the buildout of artificial intelligence (AI) infrastructure fueling spending on data centers and computing equipment. That demand extended into manufacturing supply chains, where respondents to the Institute for Supply Management (ISM) survey cited strong AI-related demand for industrial materials and components. This provided a source of support for continued manufacturing expansion during the quarter. The ISM Manufacturing Purchasing Managers Index (PMI) reached 55.6 in July, its highest level since May 2022, before easing to 54.5 in September.

Hiring remained mixed during the third quarter and slowed in September. Nonfarm payrolls increased by 29,000, following a revised gain of 133,000 in August and a revised decline of 10,000 in July. The unemployment rate edged up to 4.2% in September from 4.1% in August. Although the softer September report and downward revisions suggested that hiring had not developed sustained momentum, unemployment claims offered a more reassuring signal. Weekly initial and continuing jobless claims declined throughout the quarter, ending September around 200,000 and 1.7 million, respectively. Taken together, the data suggested that employers remained cautious about adding workers, while layoffs remained limited.

Inflation remained elevated, with renewed energy price pressure keeping headline inflation above core measures. The Consumer Price Index (CPI) rose 3.4% year-over-year in August, while core CPI, which excludes food and energy, increased 2.4%. Gasoline prices rose 3.9% during the month and accounted for more than one-third of the monthly increase in headline CPI.

Against this backdrop, the Fed held the federal funds target range at 3.50% to 3.75% in July before raising it by 25 basis points to 3.75% to 4.00% at its September meeting. The September decision was unanimous. The Committee cited resilient domestic spending, strong capital investment, and continued inflation pressure. The September Summary of Economic Projections indicated a median year-end policy rate consistent with one additional 25-basis-point increase.

Looking ahead, the U.S. economy appears positioned for continued growth, supported by consumer spending and business investment, including the ongoing buildout of AI infrastructure. However, slower hiring, higher borrowing costs, and energy prices may present headwinds. Markets look to remain focused on whether hiring stabilizes and whether underlying inflation continues to ease. The outlook for energy supply and developments in the Middle East remain important sources of uncertainty. For fixed income markets, the balance between resilient spending, softer hiring, and inflation will help determine the path of monetary policy and longer-term yields.

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Portfolio Contributors

- Underweight Ginnie Mae agency mortgage-backed securities (MBS)
- Overweight cash

Portfolio Detractor

- Underweight lower-coupon MBS and overweight middle-to-higher coupon MBS
- Overweight 30-year agency MBS

Portfolio Commentary

In the third quarter of 2026, the CCM Affordable Housing MBS ETF (the Fund) was down 4.43%, net of fees. The Bloomberg US MBS Index (the Benchmark) was down 4.25%.

Duration/Yield curve

Treasury yields rose sharply amid resilient economic activity and elevated inflation. Most of the increase occurred in September, when the Fed raised interest rates. Yields rose most in the five- to seven-year segment, while the spread between five- and 30-year yields narrowed. The Fund's longer average duration detracted from relative performance as rates rose, partly offset by positioning across the yield curve.

Sub-Sector Composition

Widening mortgage spreads added to the pressure from higher Treasury yields. After accounting for Treasury yield-curve movements, lower-coupon mortgages (1.5% to 3.5%) generally performed better than middle-to-higher coupon mortgages (4%, 4.5% and 5%), which experienced greater pressure from spread widening and duration extension. The Fund's underweight to lower-coupon mortgages and overweight to higher-coupon mortgages detracted from relative performance. The Fund's overweight to 30-year agency MBS and limited exposure to 15-year and 20-year pools also detracted while its underweight to Ginnie Mae agency MBS and cash allocation partially offset these detractors. Security selection was a small net detractor, as positive selection effects from custom agency MBS pools were slightly outweighed by negative selection effects from non-targeted pools.

Positioning Changes

Coupon positioning remained unchanged during the quarter. The Fund maintained an overweight to 30-year agency MBS, underweighting lower-coupon mortgages while favoring 4% to 6% coupon pools

As of 09/30/26 the average annual gross returns for the CCM Affordable Housing MBS ETF for 1-year, 5-year, and since inception (7/26/21) were -2.39%, -0.57%, and -0.68% and the average annual net returns for the Impact CCM Affordable Housing MBS ETF for the same time periods were -1.87%, -0.50%, and -0.61%.

As of 09/30/26 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.

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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.

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