CRA Qualified Investment Fund (CRAIX/CRANX/CRATX)

First Quarter 2017 | Commentary

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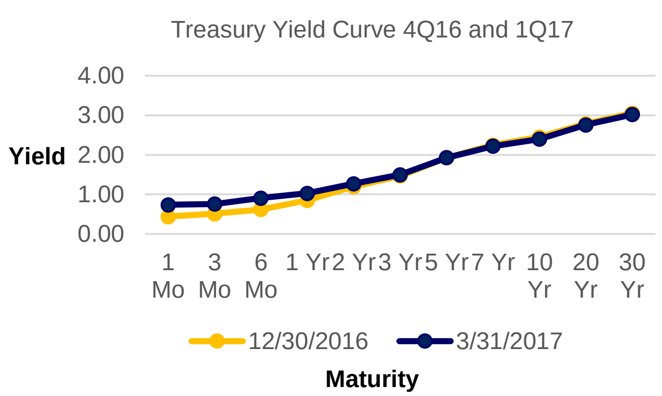
Market Commentary

The equity markets rallied in the first quarter of 2017 on expectations that President Trump will follow through with his campaign promises to boost the US economy. The S&P 500 posted a 6.1% total return for the quarter and hit an all-time intra-day high in March. In addition to the optimism displayed by the market for Trump's presidency, economic data came in strong with the ADP and Non-Farm numbers beating expectations for January and February. The unemployment rate dropped to 4.7% in February in conjunction with a slight increase in the participation rate. Global equity markets showed strong performance with the MSCI Emerging Market index boasting an 11.5% return for the first quarter.

As anticipated, the Federal Reserve raised the Federal Funds rate to 0.75% to 1.00% in March. Despite the rate hike, the yield curve flattened, leaving longer term interest rates a few basis points lower, while shorter term rates increased. The Bloomberg Barclays U.S. Aggregate posted a 0.82% return led by the Corporate Investment Grade sector which returned 1.22% for the quarter. With the drop in yield on the long end of the yield curve, longer duration securities outperformed.

Commodity and currency markets were mixed during the quarter. Energy prices declined; crude oil (as measured by West Texas Intermediate or WTI) was down nearly 6% and natural gas down over 16%. The poor performance in the energy space is mainly attributable to higher crude inventories and uncertainty of the continued cooperation from OPEC members. The US Dollar dropped while the Japanese Yen strengthened against a basket of major currencies. Precious metals showed strong gains helped by a weaker US dollar, with SPOT gold up 8.9% and SPOT silver up 14.7%.



Source: Bloomberg

Portfolio Commentary

In the first quarter of 2017, the CRA Qualified Investment Fund CRA Shares (CRAIX), Institutional Shares (CRANX) and Retail Shares (CRATX) returned 0.53%, 0.64% and 0.55%, respectively, on a net of fees basis, underperforming the Bloomberg Barclays U.S. Aggregate Bond Index ("Benchmark") return of 0.82%.

The Fund's largest sector, agency commercial mortgage-backed securities (CMBS) (38.6% of the Fund) returned 0.64%, underperforming the U.S. Government subsector return of 0.68%. The higher income profile positively impacted returns, but it was not enough to overcome the relative underperformance of Swaps vs. Treasuries.

The Fund's second largest sector, single family agency mortgage-backed securities (30.4% of the Fund), returned 0.50% in the quarter, outperforming the U.S. MBS sector return of 0.47%. The sector exhibited slower prepayments while generating higher income relative to the Benchmark MBS sector.

The third major sector in the Fund, taxable municipal bonds (20.3% of the Fund), underperformed the U.S. Credit sector, returning 0.42% compared to 1.30%. Corporate spreads tightened by 5 basis points ('bps') while taxable municipal spreads widened by 5 bps. The lower income profile (Yield-to-worst YTW: 2.72% vs. 3.23%) also negatively impacted relative returns during the quarter.

As of March 31, 2016 the Fund's YTW is 2.89%, which once again is above the Benchmark's YTW of 2.61%. We feel the Fund is fundamentally well positioned given its lower duration (interest rate risk) compared to the benchmark and its higher concentration in agency and government guaranteed securities. The portfolio management team does not anticipate any changes to its current asset allocation weightings.

MSCI Emerging Market: Morgan Stanley Capital International (MSCI) Emerging Market Index. The MSCI Emerging Markets Index consists of 23 countries representing 10% of world market capitalization and is available for a number of regions, market segments/sizes and covers approximately 85% of the free float-adjusted market capitalization in each of the 23 countries.

Index returns do not reflect any fees, transaction costs or expenses. Indices are unmanaged and one cannot invest directly in an index.

As of 3/31/17, the average annual returns for CRAIX for 1-year, 5-year, 10-year and since inception (8/30/1999) were -0.77%; 1.38%; 3.21%; and 4.12%. The average annual returns for CRANX for 1-year, 5-year, 10-year and since CRANX inception (3/2/2007) were -0.42%; 1.82%; 3.65%; and 3.61%. The average annual returns for CRATX for the same periods were -0.68%; 1.47%; 3.30% and 3.26%. As of 3/31/17, the 30-Day SEC yield for the CRA Shares, Institutional Shares, and Retail Shares was 2.03%, 2.47%, and 2.13% respectively.

The annual operating expenses for the CRA Shares, Institutional Shares, and Retail Shares is 0.91%; 0.46% and 0.81% respectively. Performance quoted is past performance. Past performance 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. For most recent month-end performance, call 877-272-1977.

This material must be preceded or accompanied by a current prospectus. Please read it carefully before investing.

The Fund is distributed by SEI Investments Distribution Co., which is not affiliated with Community Capital Management, Inc. Investing involves risk, including possible loss of principal. Bonds and bond funds will decrease in value as interest rates rise. The Fund is not diversified. There is no guarantee the objective of the Fund will be achieved.