2Q 2019 Commentary

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MARKET COMMENTARY

The second quarter of 2019 marked the 10th consecutive year of economic expansion in the U.S. with both the equity and fixed income markets rising against a backdrop of steady economic and corporate profit growth. The quarterly rise, however, was hardly steady or broad, as previous fears of a possible U.S./China trade war approached reality in May causing global stocks to decline and corporate bond spreads to widen. It was not until the Federal Reserve hinted at the possibility of a Federal Funds rate cut that helped these markets swiftly recover, more than offsetting their May swoon.

Equity markets were particularly volatile in the second quarter due to market fears and exuberance. It seemed that stocks of higher growing companies, particularly those with exposure to China, and the stocks of smaller-cap companies fluctuated most. Except for the Asian emerging markets, global stock markets ended the quarter higher with the S&P 500 Index up 4.3%, and the MSCI EAFE Index up 3.7%. Within the U.S. market, declining interest rates proved beneficial for most stocks, particularly those of lower quality companies who rely on cheap financing to sustain growth. Stocks of higher growth companies once again outperformed value stocks as lower interest rates seemed to help justify their lofty valuations. While the stock market as a whole looks relatively expensive compared to historical measures, there remain pockets of value, particularly in the small- and mid-cap value stocks where valuations remain well-below their long-term averages.

As rates continued to decline and expectations for a Federal Funds rate-cut became almost certain, investment grade bonds sustained their first quarter rally, particularly in the longer duration and lower credit quality segments of the market. The Bloomberg Barclays Aggregate Index rose 3.1% with corporate bonds posting the best results of all the investment grade sectors, up 4.5%. High yield bonds also enjoyed an impressive quarter, with the Bloomberg Barclays U.S. High Yield Index gaining 2.1%. The single family MBS sector, which comprises approximately 27% of the Barclays Aggregate Index, delivered a 1.9% return, lagging most other sectors as the potential for increased prepayments grew amidst declining interest rates. Overall, bond investors are being compensated less for taking on more risk, particularly in the credit markets where spreads are trading below their longer-term averages and are less than 25% what they were at the end of 2008. We believe that in this environment, individual credit selection becomes even more important in managing overall portfolio risk.

CCM Alternative Income Fund

PORTFOLIO COMMENTARY

The CCM Alternative Income Fund returned 0.76% during the second quarter with muted variation between the months, especially compared to most of its Morningstar category. The return included 1.18% of distribution. Year to date returns ended the quarter with 4.80% total return including 2.36% distributable income.

Markets seemed to have multiple personalities in the second quarter. May was one of the weakest on record, as the S&P recorded its second worst May since the 1960's. The poor performance hit particularly hard for industrial and finance companies as trade tensions seem to have led to creeping indications of slowing of manufacturing and service activities. A flattening and overall lower yield curve also appeared to rekindle worries of earnings power among banks.

While none of these underlying issues changed much in June, potential changes of posture and messaging from U.S. Federal Reserve governors about the path of interest rates seemed to spark a market turn. Equity markets roared back. The S&P 500 recorded its best June since 1955 and the NASDAQ had its best June since 2000.

Markets display little sign of being less beholden to macro headlines. Trade negotiations with China and the pathway of interest rates seem to dominate daily market directions. Fortunately, the larger backdrop of economic and trade uncertainty, and generally lower yields, tends to be constructive for the CCM Alternative Income Fund's defensive, yield-oriented strategy. We believe the relatively low volatility of underlying asset values and cash flow can continue to deliver relatively lower-volatility returns regardless of market dynamics.

Important Information

As of 06/30/19, CCMNX one-year, five-year, and since inception (5/31/13) performance was 3.21%, 1.71%, and 2.82%, respectively. As of 06/30/19, the 30-Day SEC yield and the unsubsidized 30-Day yield for CCMNX are both 5.20%. Performance quoted is past performance and 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. To obtain the most recent month-end performance, call 877-272-1977. For CCMNX, performance reflects fee waivers, which if not in effect, would have decreased performance. The Advisor has contractually agreed to waive fees and reimburse expenses until February 29, 2020 so that Total Annual Fund Operating Expenses After Waivers and Expense Reimbursements will not exceed 1.85% of the Fund's average daily net assets. The Advisor may not recoup waived fees and reimbursed expenses.

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

CCM is an investment adviser registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940.

This material must be preceded or accompanied by the current Fund prospectuses. Please read them carefully before investing. The Funds are distributed by SEI Investments Distribution Co., which is not affiliated with Community Capital Management, Inc.

Investing involves risk, including possible loss of principal. The CCM Alternative Income Fund uses investment techniques that are different from the risks ordinarily associated with equity investments. Such techniques and strategies include hedging risks, merger arbitrage risks, derivative risks, short sale risks, leverage risks, commodities risk, and foreign investment risks, which may increase volatility and may increase costs and lower performance. Commodities can be highly volatile, and the use of leverage may accelerate the velocity of potential losses. There is no guarantee the investment objective or goals of the Funds will be achieved. Holdings are subject to change.

The top 10 holdings for CCMNX as of 06/30/19 are: MET 9¼ 04/08/38 (3.79%), FHA 023-98146 ST. FRANCIS (3.48%), AGNC 6 7/8 PERP (3.40%), INTNED 6 PERP (3.10%), JPM 7.9 PERP (2.88%), FITB 4.9 PERP (2.66%), AIRCASTLE LTD (2.53%), INDEPENDENCE REALTY TRUST (2.50%), SIX FLAGS ENTERTAINMENT C (2.46%), STARWOOD PROPERTY TRUST (2.46%). Holdings are subject to change. Current and future holdings are subject to risk.