COMMUNITY CAPITAL MANAGEMENT
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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.

CRA Qualified Investment Fund

PORTFOLIO COMMENTARY

In the second quarter of 2019, the CRA Qualified Investment Fund (the "Fund") CRA Shares (CRAIX), Institutional Shares (CRANX), and Retail Shares (CRATX) posted positive returns of 2.04%, 2.25% and 2.16%, respectively, on a net of fees basis. The Intermediate component of the Bloomberg Barclays Aggregate Bond Index ("benchmark") was up 2.39%.

The Fund's largest sector, agency commercial mortgage-backed securities (CMBS), was the best performing sector generating a 3.22% total return. On a stand-alone basis, the sector contributed 25 basis points of income return, while the Fund's total income return was 80 basis points. In addition to the income component, the longer duration profile and swap performance positively impacted returns.

The Fund's second largest sector, agency mortgage-backed securities (MBS), was up 1.83% during the quarter and underperformed the benchmark's MBS sector by 13 basis points. The Fund's overweight exposure to 30-year MBS vs. the benchmark (the Fund currently has no exposure to 15/20-year MBS while the benchmark's sector exposure is 13%), combined with its higher income profile and superior paydown return all positively contributed to relative returns for the quarter. The Fund was underweight in its allocation to 3 percent coupons, which was the best performing coupon during the quarter.

The third largest sector in the Fund, taxable municipal bonds, was up 2.44% with a price return of 1.49% and income return was 0.95%. Spread widening negatively impacted this sector during the quarter.

The benchmark's performance for the quarter was helped by its larger position in Corporates, which was the best performing sector in the bond market during the quarter, generating a 3.13% total return and an excess return of 0.61%. Treasuries and Mortgages also contributed to the benchmark's performance, up 2.36% and 1.96%, respectively.

As of June 30, 2019, the Fund's Yield-to-Worst (YTW) is 2.82%, higher than the benchmark's YTW of 2.32% and it exhibited eleven percent longer duration, or interest rate risk, to the benchmark. The portfolio management team does not anticipate any changes to its current asset allocation weightings.

Important Information

The benchmark for the CRA Qualified Investment Fund changed in February 2018 from the Bloomberg Barclays U.S. Aggregate Bond Index to the Bloomberg Barclays Intermediate U.S. Aggregate Index. The sector returns quoted are for the new benchmark.

As of 06/30/19, the average annual returns for CRAIX for 1-year, 5-year, 10-year and since inception (8/30/1999) were 5.39%; 2.01%; 2.64%; and 3.94%. The average annual returns for CRANX for 1-year, 5-year, 10-year and since CRANX inception (3/2/2007) were 5.97%; 2.47%; 3.10%; and 3.50%. The average annual returns for CRATX for the same periods were 5.60%; 2.14%; 2.76% and 3.15%. As of 06/30/19, the 30-Day SEC yield for the CRA Shares, Institutional Shares, and Retail Shares was 2.14%, 2.59%, and 2.24% respectively. 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. The annual operating expenses for the CRA Qualified Investment Fund's CRA Shares, Institutional Shares, and Retail Shares is 0.91%; 0.46% and 0.81% respectively.

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. Bonds and bond funds will decrease in value as interest rates rise. The CRA Qualified Investment Fund is not diversified. High yield bonds involve greater risks of default or downgrade and are more volatile than investment grade securities, due to the speculative nature of their investments. There is no guarantee the investment objective or goals of the Fund will be achieved. Holdings are subject to change.