3Q 2019 Commentary

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MARKET COMMENTARY

Similar to the previous two quarters, the U.S. economic growth rate continued to slow in the third quarter. However, it remained strong compared to the rest of the world. As expected, the Federal Reserve reduced the Federal Funds rate by 0.25 percent in July. With August economic data reinforcing the slower growth outlook, the Fed acted again in September with another 0.25 percent rate cut. Investors' newfound "lower for longer" economic growth and interest rate outlook, combined with the healthy year-to-date gains in stocks, helped to push capital away from the higher growth areas of the stock market and toward what may be perceived as the safety and yield of bonds and income-oriented stocks.

Equity markets bumped around during the third quarter with leadership shifting alongside the release of economic and corporate profit data. Overall, large cap stocks held up better than small cap stocks with the S&P 500 Index up 1.7 percent, and the Russell 2000 Index down 2.4 percent. Within the U.S. stock market, declining interest rates proved beneficial for high yield stocks and bank stocks whose net interest margins generally expand as short-term rates decline. This contributed to gains in the S&P U.S. REIT Index, which was up 7.46 percent, and the S&P Value Index, which was up 2.47 percent. In contrast to the second quarter, the S&P 500 Growth Index trailed the S&P U.S. REIT Index and the S&P Value Index, gaining only 0.72 percent as the lower outlook for growth could no longer justify lofty valuations and almost 20 percent year-to-date gains. With the exception of small cap stocks, valuations remained high relative to their 20-year averages. Additionally, corporate profit growth has moderated, creating little margin of safety if economic conditions worsen. In this environment, we believe that attention to both fundamentals and price becomes even more important when building a stock portfolio.

With the outlook for growth slowing, investment-grade bonds continued their prior three quarters' rally, particularly in the longer maturity segment of the market where investor demand was the greatest. The Bloomberg Barclays Aggregate Index rose 2.27 percent with long-dated U.S. Treasuries posting the best results of all investment-grade sectors, rising 7.92 percent, and long-dated corporates up 5.61 percent. Similar to the second quarter, the MBS sector, which comprises approximately 27 percent of the Bloomberg Barclays Aggregate Index, delivered a 1.37 percent return, lagging most other sectors as mortgage refinancing increased amidst declining interest rates. The corporate credit market appears richly priced as spreads are less than 25 percent of their late-2008 levels. More importantly, over half of the outstanding value of investment-grade corporate bonds now carries the lowest credit rating (BBB/Baa) within the investment-grade rating scale. This combination (high prices and declining fundamentals) can create more risk – so decisions around credit selection and overall allocation to corporate credit can become even more important.

CCM Alternative Income Fund

PORTFOLIO COMMENTARY

The CCM Alternative Income Fund returned 2.29 percent in the third quarter including 1.21 percent of dividends. These results bring year to date returns to 7.21 percent, including 3.67 percent of dividends.

The long/short equity and corporate credit portion of the portfolio led the Fund's returns with positive performance spread fairly evenly throughout the quarter. We are pleased with both the returns and their relative smoothness as equity and credit markets were quite turbulent during the quarter. More specifically, the broader equity and credit markets suffered sharp declines in the first two weeks of August and did not recover until September. During these times, U.S. Treasuries moved inversely.

The Fund's returns were seemingly well-dispersed across products. One large renewable energy equity holding outperformed handsomely thanks to a speculated takeover.

Important Information

As of 09/30/19, CCMNX one-year, five-year, and since inception (5/31/13) performance was 2.62%, 2.73%, and 3.08%, respectively. As of 09/30/19, the 30-Day SEC yield and the unsubsidized 30-Day yield for CCMNX are both 5.06%. 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 09/30/19 are: JPM 7.9 PERP (3.59%), FHA 023-98146 ST. FRANCIS (3.45%), INTNED 6 PERP (3.07%), ALLY 7.94313 02/15/40 (3.05%), MITT 8 PERP (2.79%), SIX FLAGS ENTERTAINMENT C (2.73%), INDEPENDENCE REALTY TRUST (2.73%), AIRCASTLE LTD (2.65%), COREPOINT LODGING INC (2.54%), STARWOOD PROPERTY TRUST I (2.47%). Holdings are subject to change. Current and future holdings are subject to risk.