COMMUNITY CAPITAL MANAGEMENT
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4Q 2019 Commentary

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MARKET COMMENTARY

The fourth quarter of 2019 was the grand finale in a stellar year for the capital markets, particularly in the U.S. stock market. Despite evidence that economic growth would fall to the lower levels projected in the prior two quarters, and global trade tensions remaining unchanged, investor exuberance was prevalent throughout the quarter. Investors preferred higher-risk assets like stocks and high yield bonds to investment grade bonds, resulting in higher interest rates along the yield curve and stock valuations and bond spreads reaching levels not seen since the end of 2017. Investors had reason to cheer; in October, the Federal Reserve lowered rates for the third time in 2019 and announced the start of open-market purchases of treasury bills. This was yet another signal of its intent to support capital market liquidity and reduce any potential obstacles to economic growth, a welcome message to investors as they face an election year and potential trade-related uncertainties.

U.S. equity markets moved higher in a relatively steady manner throughout the quarter with the S&P 500 gaining 9 percent. Small cap stocks performed better than large cap stocks with the Russell 2000 gaining 9.94 percent and the Russell Top 200 Index up 9.79 percent. The market has continued to pay a growing premium for growth as growth stocks outperformed value stocks, primarily driven by gains in the technology sector. Within the S&P 500 Index, the technology sector climbed 14.4 percent, contributing to its 2019 return of 50.29 percent and its price-to-earnings ratio at 10-year highs. While the valuation of the S&P 500 is also close to its ten-year high and has exceeded its 20-year high, most of this is attributable to the valuations in the largest growth companies. This means that not all stocks look expensive; small cap value stocks, as measured by the Russell 2000 Value Index, appear the most attractively valued when compared to their 20-year averages. Valuation dispersion among and within the sectors of the equity market means that there is ample opportunity for discerning and talented stock pickers.

Investment grade bonds posted mixed results during the quarter, with the Barclays Aggregate Index returning a mere 0.18 percent. The flight to riskier assets resulted in overall selling in the U.S. Treasury market, particularly in longer-dated maturities. Investors preferred the higher yields of the spread sectors, particularly corporate bonds where the riskier the credit, the better the return. The Barclays U.S. High Yield Index climbed 2.61 percent during the quarter, contributing to its 2019 total return of 14.32 percent. Even within the investment grade segment of the corporate market, investors sought the riskiest of exposures, where the ever-growing bottom-tier BBB segment outperformed the higher quality AA segment by almost 1.48 percent for the quarter and over 5 percent for the entire year. The corporate credit market appears even more richly priced than it was at the end of the quarter where the compensation for taking credit risk is slim and spreads are not far from the pre-crisis lows. This type of risk-seeking behavior may seem consistent with that of the equity market; however, it is not consistent with the stabilizing role that bonds are expected to play in portfolios. With rates at such low levels, income cannot buffer sudden price declines like it can at higher rate levels. And with corporate spreads declining even further, there remains what might be viewed as little margin of safety in a year that is poised to present even greater economic and market uncertainty.

CCM Alternative Income Fund

PORTFOLIO COMMENTARY

The CCM Alternative Income Fund returned 1.53 percent in the fourth quarter, including 1.85 percent of dividends. These results bring the full year returns to 8.85 percent, the Fund's best year since inception.

The long/short equity and corporate credit portion of the portfolio led the Fund's returns with positive performance for the quarter and the year. The positive results were fairly evenly spread throughout the Fund's long portion; however, the hedges underperformed due to strong equity and credit markets.

Similar to the third quarter, the Fund benefitted from a large equity holding being acquired for a significant premium to book value and an excellent overall return during the life of the investment. Tightening of credit spreads also proved to be beneficial, as were wider interest rates.

We are pleased with the Fund's returns, especially given the backdrop of momentum in growth and equity strength which is typically a headwind for the Fund.

Important Information

As of 12/30/19, CCMNX one-year, five-year, and since inception (5/31/13) performance was 8.85%, 2.84%, and 3.20%, respectively. As of 12/31/19, the 30-Day SEC yield and the unsubsidized 30-Day yield for CCMNX are both 5.29%. 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 12/31/19 are: JPM 7.9 PERP (3.46%), FHA 023-98146 ST. FRANCIS (3.27%), INTNED 6 PERP (2.93%), ALLY 7.69488 02/15/40 (2.91%), COREPOINT LODGING INC (2.75%), MITT 8 PERP (2.74%), STARWOOD PROPERTY TRUST I (2.52%), SIX FLAGS ENTERTAINMENT C (2.52%), INVESCO MORTGAGE CAPITAL (2.49%), KKR CAPITAL CORP (2.42%). Holdings are subject to change. Current and future holdings are subject to risk.