COMMUNITY CAPITAL MANAGEMENT

CCM Alternative Income Fund

About the Fund

The Fund seeks to provide a total return generated primarily from income and secondarily from capital appreciation. The Fund invests in a portfolio of well-researched securities across multiple asset classes and hedges the portfolio's stock and bond market-related risk. Security selection focuses on relative value and incorporates a multi-dimensional approach to assessing impact. For investment-grade bonds, the team looks for positively impactful use of proceeds. For stocks, the team considers environmental, social, and governance factors.

Portfolio Managers

Andy Kaufman
Chief Investment Officer
Industry Start Date: 2004
CCM Portfolio Manager Since 2015

David Sand
Chief Impact Strategist
Industry Start Date: 1981
CCM Portfolio Manager Since 2015

Elliot Gilfarb, CFA
Head of Fixed Income
Industry Start Date: 2005
CCM Portfolio Manager Since 2012

Andrew Cowen
Head of Equities
Industry Start Date: 2000
CCM Portfolio Manager Since 2013

Thomas Lott
Portfolio Manager
Industry Start Date: 1999
CCM Portfolio Manager Since 2013

Key Takeaways

- In an effort to break COVID-19's chain of transmission, governments were forced to shut down most activity, bringing their economies to an almost complete halt
- Equity and most debt sold off with alarming speed, setting records for the quickest onset of a bear market
- The massive and ongoing Federal Reserve stimulus packages are beginning to provide some relief to market liquidity

Market Commentary

The first quarter of 2020 will forever be defined by the spread of COVID-19. The 11-year, record-long economic expansion came to a screeching halt as consumer spending declined (consumer spending is approximately 70 percent of Gross Domestic Product[2]) and businesses across industries were abruptly shuttered, resulting in massive job losses. Investors reacted just as swiftly as the virus spread. The 19.6 percent quarterly decline in the S&P 500 Index did not capture the extent of the equity market's volatility and drawdown. On March 23, the S&P 500 Index had fallen by 34 percent since its peak on February 19. Consistent with prior bouts of market fear, longer-dated U.S. Treasuries became the refuge for the weary, as witnessed by the volatility in the 30-year U.S. Treasury as its yield fell during the quarter from 2.39 percent to 1.32 percent. As the end of the quarter approached, an unprecedented combination of fiscal and monetary relief came when the Federal Reserve committed loans to businesses and liquidity support across an unusually broad list of bond market sectors. With the magnitude of the pandemic growing larger by the day, the U.S. Congress was forced to look beyond partisan agendas to pass a much-needed $2 trillion economic stimulus bill.

In the fixed income market, the Bloomberg Barclays Aggregate Index posted a positive quarterly return of 3.15 percent, masking the wide dispersion of returns within the investment grade bond market. Sectors that posted positive returns included U.S. Treasuries, up 8.2 percent, and agency mortgages, up 2.8 percent. Corporate bonds were down 3.6 percent. The BBB segment of the Index was down 7.4 percent for the quarter with a drawdown of 17.5 percent during an 11-day trading period in March. This large drawdown under market duress should not come as a surprise as liquidity in corporate bonds is at its lowest levels when measured by the percent of the market held by primary dealers. During this period, the fundamental risks in the corporate bond market continued to grow, much of which was driven by the growth of BBB rated corporate debt that is vulnerable to credit rating declines.

In the equity market, all major U.S. indices were lower. The Russell 2000 Value Index experienced the largest losses among the broad indices, losing 35.7 percent, while the Russell Top 200 Growth Index posted the best returns, down 12.4 percent, with large-cap companies helping to narrow returns. In the S&P 500 Index, healthcare and technology declined a mere 12.7 percent and 11.9 percent, respectively, while energy and financials posted the largest declines, down 50.5 percent and 31.9 percent, respectively. Market panic and indiscriminate selling, reminiscent of the darkest days of the financial crisis, resulted in liquidity squeezes in pockets of the market. The stocks of leveraged companies, irrespective of the quality of their assets or strength of their cashflows, were the most negatively affected, particularly in Real Estate Investment Trusts (REITs), as illustrated by the negative return of 58.44 percent of the MVIS U.S. Mortgage REITs Index. Even preferred stocks (as measured by the iShares U.S. Preferred Stock ETF) drew down by over 30 percent in the middle of March before swiftly recapturing half of those losses in the last week.

The Federal Reserve's ongoing actions, while unprecedented, are necessary to backstop liquidity and enable financial markets to return to some semblance of normalcy. The economy is not just in a recession, it is in a self-induced coma with a currently undeterminable depth and length. What we do know is that a recovery will likely not be overnight.

About CCM

Community Capital Management, Inc. (CCM) was founded in 1998 and is a pioneer in impact and ESG investing. The firm believes a fully integrated portfolio, one that includes impact and environmental, social and governance (ESG) factors, can deliver strong financial performance while simultaneously having positive long-term economic and sustainable outcomes. CCM provides impact and ESG investing solutions coupled with customized reporting to clients on the positive impact outcomes of their investments. For more information, please call 877-272-1977 or visit: www.ccminvests.com.

Firm Assets	$2.8 Billion
Impact and ESG Experience	20 Years
Impact and ESG Initiatives[1]	$10 Billion Invested Nationwide

Portfolio Contributors

- Equity index shorts
- REIT and industrial equity shorts
- Credit index shorts

Portfolio Detractors

- REIT equities
- Preferred shares
- Business development company's (BDCs)

Portfolio Commentary

The CCM Alternative Income Fund (CCMNX) posted a negative return of 23.70 percent in the first quarter with the 30-day SEC Yield increasing from 5.59 percent to 7.57 percent. The portfolio's beta hedging strategy and individual securities were not modeled to account for the vicious cycle of forced selling and margin calls in two of our largest and lower beta sectors of the portfolio, Real Estate Investment Trusts (REIT's) and Preferreds.

The abrupt shut down of the U.S. economy triggered convulsions in financial markets that upended even the highest rated securities. Despite a healthy housing market and sound banking system (unlike the 2008 financial crisis), funding for real estate or mortgage-related investments dried up very quickly. Fear and subsequent price declines led to a vicious cycle of margin calls, forced selling, and price declines for securities of even well-capitalized entities. Eventually the Federal Reserve stepped in aggressively to shore up funding for mortgage investments and started buying mortgages themselves. While some prices improved off the lows, there is still a lot of room yet to be recovered.

This dynamic disproportionately hurt the Fund. For example, JP Morgan's investment-grade, floating-rate preferred shares, that the company had partially called at par as recently as October, traded down 30 percent at one point during the month. We do not believe the March declines reflect anyone's view of JP Morgan's viability. We believe someone had to sell for one of the reasons cited above. Unfortunately, many low-risk securities that had remained low beta in previous market convulsions became very high beta (like the JP Morgan preferred shares).

While the quarter's results do not show it, the Fund entered this maelstrom with a lower market risk (beta) than normal. As the seriousness of the virus became apparent, the Fund sold investments whose cash flows could be compromised in prolonged shut down, and repositioned, or increased, the Fund's exposure to trades that look to offer equity-like upside and high current yields that can withstand a recessionary environment. In particular, we increased our exposure in beaten down REIT's holding agency MBS and CMBS and preferred shares issued by well-capitalized money center banks.

Most of the Fund's investments historically have not been heavily dependent upon a growing economy. With the economy in an induced coma and interest rates likely lower for longer, we believe highly rated, yielding investments will be in great demand. Scary times and commensurate panic have made for some extremely attractive risk/reward securities. Instead of guessing which companies will grow the fastest and their appropriate multiples, we are looking for higher yields with investment-grade (or investment-grade profile) securities in an effort to provide equity-like capital appreciation as they recover to investment-grade spreads. We think it is the best risk/reward and yield environment we have seen since we launched the Fund in 2013.

[1]Impact numbers are approximate figures. [2]Gross Domestic Product (GDP) is the value of all goods and services produced in a country over a specific time period.

As of 03/31/2020, CCMNX one-year, five-year, and since inception (5/31/13) performance was -23.92%, -3.63%, and -1.62%, respectively. As of 03/31/20, the 30-Day SEC yield and the unsubsidized 30-Day yield for CCMNX are both 7.57%. 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 03/31/2020 are: FHA 023-98146 ST. FRANCIS (6.24%), JPM 7.9 PERP (5.74%), WASHOE HWY-BABS (3.42%), INDEPENDENCE REA (3.31%), MET 9 1/4 04/08/38 (3.02%), USDA GRAND PRA 12/1/2047 (2.77%), AXP 5.2 PERP (2.74%), USDA RYZE (2.68%), AUSTIN RENTAL CAR-AGM (2.61%), MIAMI SPL OBLIG-CAP A (2.43%). Holdings are subject to change. Current and future holdings are subject to risk