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

- The Federal Reserve's unprecedented action to stem the pain from COVID-19 has resulted in a financial system that was flushed with liquidity and financial support
- The record-low cost of borrowing has fueled a level of investment grade corporate borrowing that in the first five months of 2020 has already exceeded last year's totals
- Technology's role in both remote work and consumer spending had already been trending higher pre-COVID, and it quickly became a necessity in a quarantined world

Market Commentary

After a bleak start in April, economic activity picked up throughout the quarter as the months'-long quarantine started to lift, and businesses re-opened. Job losses had peaked at over 19 million in April, and despite significant improvement, there remained almost 14 million fewer jobs at the end of June than at the start of the year. The Federal Reserve's unprecedented action to stem the pain from COVID-19 has resulted in a financial system that was flushed with liquidity and financial support and has contributed to a rebound in investor confidence in both the stock and bond markets. Stocks maintained the positive momentum that began in the last week of March and the S&P 500 gained 20.5 percent during the quarter. Interest rates have remained at historic lows, contributing to greater government, corporate, and consumer lending. While economic growth, job gains, and liquid capital markets could suggest improvement, the resurgence of COVID-19 cases in June means that the likelihood of a "V-shaped"* economic recovery may not be remotely close to an option.

In the fixed income market, the Bloomberg Barclays Aggregate Index (the Index) posted a positive quarterly return of 2.90 percent, masking the wide dispersion of returns within the investment grade bond market. In a reversal from the first quarter, the corporate segment of the Index led the way, delivering an 8.98 percent return while the U.S. Treasury and mortgage-backed security (MBS) segments of the Index lagged, increasing a mere 0.48 percent and 0.66 percent, respectively. The Federal Reserve's decision to extend its purchase operations to high yield bonds helped contribute to the 10.18 percent return of the Bloomberg Barclays High Yield Index. Despite the impressive return, high yield bonds are still down 3.8 percent year-to-date and spreads have remained well above their long-term averages as defaults have grown. Even though uncertainties remain, the record-low cost of borrowing has fueled a level of investment grade corporate borrowing that in the first five months of the year had already exceeded last year's totals. Risk-conscious bond investors beware; as of the end of the quarter, corporate bonds grew to over 27 percent of the investment grade bond market (as measured by the sector allocation of the Index), further reducing the diversification benefits of bond portfolios that are benchmarked and closely managed to the Index.

In the equity market, all major U.S. indices were higher; however, most stocks – particularly preferred stocks, real estate investment trusts, and utility stocks – have remained far below their pre-COVID levels. While the quarantine has wreaked havoc across the globe and in many industries, some industries have benefited, furthering the performance dispersion within the equity market. The technology and consumer discretionary sectors, which had historically been considered economically cyclical, are the only two S&P 500 sectors that are up year-to-date, despite economic growth that is still far from pre-COVID levels; technology's role in both remote work and consumer spending had already been trending higher pre-COVID. However, it very quickly became a necessity in a quarantined world versus simply an option, reinforcing many of these stocks' newfound roles in providing a staple to both consumers and businesses. In contrast, despite its 30 percent recovery during the quarter, the energy sector is still down 35 percent from where it was at the start of the year, as the future of travel and the demand for energy remain in question. With stock prices climbing against plummeting corporate earnings expectations, stock valuations, as measured by the major market indices, look high. As we look under the covers, however, not all stocks look expensive. And as history has shown, expectations may be often just as overly negative in times of stress as they are overly positive in times of exuberance, creating ample opportunity for active investors seeking good values.

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	$3 Billion
Impact and ESG Experience	20 Years
Impact and ESG Initiatives[1]	$10 Billion Invested Nationwide

Portfolio Contributors

- Preferred shares
- REIT equities
- Industrial shorts

Portfolio Detractors

- Equity Index shorts
- Volatility hedges
- Assisted living equities

Portfolio Commentary

The CCM Alternative Income Fund (CCMNX) posted a return of 9.30 percent in the second quarter and a 30-day SEC Yield of 6.43 percent. While certain stock indices, particularly those heavily weighted to large cap technology companies, rallied very hard, with many yielding investments, namely preferred shares, Real Estate Investment Trusts (REIT) and business development companies remain meaningfully below their February highs despite much lower U.S. Treasury rates and a tightening of spreads in investment grade bonds and agency mortgages. This dynamic persists despite many of these companies remaining relatively unaffected by any of the economic impacts of COVID-19 shutdowns.

We are viewing the great disparity between yielding assets and technology-related securities that have low or no yields as an opportunity. In an era of 10-year U.S. Treasury rates below 1 percent, we feel income will be in demand. In particular, we feel investment grade rated preferred shares or preferred shares of investment grade rated corporate issuers offer particularly compelling income and capital appreciation opportunities with defined and acceptable risks.

**V-shaped recovery is a type of economic recession and recovery that resembles a "V" shape in charting. Specifically, a V-shaped recovery represents the shape of a chart of economic measures economists create when examining recessions and recoveries. A V-shaped recovery involves a sharp rise back to a previous peak after a sharp decline in these metrics. [1]Impact numbers are approximate figures.*

As of 06/30/2020, CCMNX one-year, five-year, and since inception (5/31/13) performance was -17.48%, -1.59%, and -0.32%, respectively. As of 06/30/20, the 30-Day SEC yield and the unsubsidized 30-Day yield for CCMNX are both 6.43%. 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 (8.55%), JPM 7.9 PERP (8.25%), INDEPENDENCE REA (6.50%), TWO 7 1/4 PERP (6.12%), CEQP 9 1/4 PERP (4.93%), CRESTWOOD EQUITY (4.87%), WASHOE HWY-BABS (4.83%), MET 9 1/4 04/08/38 (4.75%), ENVIVA PARTNERS LP (4.57%). Holdings are subject to change. Current and future holdings are subject to risk.