COMMUNITY CAPITAL MANAGEMENT

CCM Alternative Income Fund

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	$3.6 Billion
Impact and ESG Experience	21 Years
Impact and ESG Initiatives[1]	$11.6 Billion Invested Nationwide

Key Takeaways

- Consumers unleashed their accumulated savings on the services they had been denied in the prior 15 months, leading to a full recovery in U.S. gross domestic product (GDP)
- Despite the rebound in economic growth, interest rates in the 5+ segment of the yield curve declined
- Equities were broadly higher, but in contrast to the first quarter, growth stocks outperformed value and cyclicals amidst questions around the durability of the current growth rate

Market Commentary

Economic recovery was evident in the second quarter of 2021 as states across the U.S. lifted most COVID-19-related restrictions and consumers responded accordingly, unleashing their accumulated savings on the services they had been denied in the prior 15 months. This, combined with record government spending, resulted in the U.S. GDP fully recovering from the COVID-19-decline, and raising the International Monetary Fund's estimate of 2021 U.S. GDP estimate to 6.4%, from the 3.1% estimate six months ago. Between the acceleration in spending and the large number of unfilled jobs, the most hotly debated topic during the quarter was the future direction of inflation and whether the quarter's high level of inflation was "transitory" or here to stay. If interest rate moves were an indicator of inflation expectations, declining rates during the quarter would suggest that the current high inflation rate is temporary, fueled by a rebound in demand from last year's lows. And despite the headwinds of bottlenecks in supply chains, a plateau in the vaccination rate, and new variants of the COVID-19 virus, stock market enthusiasm continued as the S&P 500 rose 8.6% during the quarter with total gains now exceeding 75% since hitting the COVID-19-lows of March 2020.

In fixed income, the Bloomberg Barclays U.S. Aggregate Index (the Index) reversed its prior quarter's course and posted a positive return of 1.83%. Despite signs of continued economic growth, yields declined in the 5+ year segment of the U.S. Treasury yield curve, suggesting that the recent impressive economic growth rate may not persist into the future. While most all segments of the Index delivered positive returns, investors favored the riskier segments of the bond market with the BBB segment of the Index increasing by 3.71% vs. the 1.17% return of the AAA segment.
Except for mortgage-backed securities (MBS), spreads narrowed across all major segments of the Index, pointing to investor confidence in not only the credit markets but in the continued technical support provided by the Federal Reserve's bond-buying program. While the MBS segment of the Index posted positive returns, spreads widened amidst concern of another round of refinancing in a lower interest rate environment. Longer duration securities posted the best results as yields declined primarily along the 10+ segment of the curve with 10-, 20-, and 30-year Treasury yields declining by 0.29%, 0.31%, and 0.35%, respectively. While the debate around the future level of inflation continues, there is no denying the fact that the inflation-suppressing effects from technology and globalization have been exacerbated since the start of the pandemic. Looking forward, one of the biggest debates is whether the current supply shortages and record-level of government spending are enough to offset this disinflationary structural trend. The continued demand for bonds, despite the increased risk in the bond market, would suggest that inflation and rising rates are not a concern. The duration of the Index at quarter end was at a record high of 6.58 years, and 14.7% of the Index was in the lowest quality BBB securities, a level almost double that of August 2008. With historically low yields, investment-grade corporate bond spread levels having reached lows not seen since 2005 and the ratio of corporate debt-to-GDP at an all-time high, risk has become an even more important factor in the overall management of a bond portfolio.

In equities, the quarter's gains were once again impressive; however, in contrast to the first quarter, growth stocks led the way and value stocks lagged after their impressive recovery in the prior two quarters. The resiliency of corporate earnings and expectations for continued improvement have been remarkable. While the S&P 500 operating earnings per share growth declined by 22% in 2020, corporate earnings, particularly in the previously beaten-down energy, industrials, and consumer discretionary sectors, have seen sharp rebounds. Despite a subsequent increase in wages, and difficulty in filling open jobs, expectations for S&P 500 corporate profit growth in 2021 now exceeds the levels prior to COVID-19 as companies have found additional ways to become more efficient. Stock valuations across the major market indices remain high given the strong recovery in earnings expectations and appear more reasonable than where they were at the start of the year. However, the dispersion of valuations among stocks remains high. For example, in the S&P 500, the difference in price-to-earnings (PE) multiples between the 20% most expensive and 20% least expensive stocks has grown to a level that far exceeds its 25-year average. We believe the large dispersion creates an opportunity for active investment managers to outperform their benchmarks through security selection. The current market backdrop also favors an equity strategy focused on higher-quality, more resilient companies. Most stocks have fully recovered from their 2020 lows and the persistence of economic growth is no longer a given; companies with profitable growth trajectories that are less tied to the economic cycle should be able to outperform their cyclical counterparts while also providing that desired margin of safety for when tomorrow's expectations fade.

[1]*Impact numbers are approximate figures.*

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

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

Alex Alario
Jr. Portfolio Manager
Industry Start Date: 2015
CCM Portfolio Manager Since 2021

Portfolio Contributors

- Renewable Energy/Utilities
- Preferred Equities
- REITs

Portfolio Detractors

- Market Hedges
- Macro Hedges

Portfolio Commentary

The CCM Alternative Income Fund (CCMNX) posted a return of 2.8% in the second quarter with a 30-day SEC Yield of 3.8% at quarter end. In the quarter, declining interest rates drove yields down to under 1.5%from 1.7% by quarter end. Driven by fears of the Delta COVID-19 variant, many of our cyclicals and financials underperformed a bit after a solid first quarter. The yield curve flattened to levels suggesting economic growth will slow quite dramatically.

However, our thesis remains unchanged. The pandemic will likely recede as vaccination rates increase. With savings rates near record 50-year highs, and both fiscal and monetary stimulus still robust, we see economies continue to grow and recover over the next one to two years.

We are proud to announce that we have taken another step forward in our environmental, social, and governance (ESG) focus. That is, we are fully fossil fuel free as of late June and finding more and more special situation positive impact stories. As an example, many renewable stocks have pulled back amidst shortages of key solar panel and wind power inputs. These seem to be transitory developments, and so we have added exposure amidst their recent declines. Also, regardless of yields falling across the board, many utility equities have declined, despite their tendency to rally when yields drop. We are taking advantage of these dislocations.

As we indicated last quarter, the Federal Reserve (Fed) has explicitly acknowledged that employment is now its primary focus while allowing inflation to escalate beyond its normal 2% mandate. This, over time, likely will result in a steeper yield curve and higher inflation. We own many high-quality financials at attractive valuations as a means of expressing this view and effectively reducing duration.

The rest of the year promises to bring a flood of economic, societal, and political developments. Hopefully, such an environment also brings continued opportunities for our high-quality portfolio.

As of 06/30/2021, CCMNX one-year, five-year, and since inception (5/31/13) performance was 24.83%, 3.14%, and 2.49%, respectively. As of 06/30/21, the 30-Day SEC yield and the unsubsidized 30-Day yield for CCMNX are both 3.80%. 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 September 30, 2021 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.

Risk Considerations: 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.

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.

The top 10 holdings for CCMNX as of 06/30/2021 are: FHA 023-98146 ST. FRANCIS (7.86%), ENVIVA PARTNERS LP (6.07%), TWO 7 1/4 PERP (5.24%), WASHOE HWY-BABS (4.48%), USDA RYZE (3.67%), USDA GRAND PRA 12/1/2047 (3.65%), FIRST AM GOV OBLIG – Z (3.60%), QURATE RETAIL INC-PFD (3.50%), MIAMI SPL OBLIG-CAP A (3.31%), WP CAREY INC (2.74%). Holdings are subject to change. Current and future holdings are subject to risk.