COMMUNITY CAPITAL MANAGEMENT

CCM Community Impact Bond Fund

Key Takeaways

- Stock prices increased during the quarter as investors gained confidence in the outlook for a stable economy and the potential for reduced borrowing costs.
- The Federal Reserve (Fed) left the Federal Funds (Fed Funds) rate unchanged during the quarter yet projected three reductions for the remainder of 2024.
- Investors were once again eager to take credit risk during the quarter, preferring lower quality bonds vs. higher quality bonds.

Share Classes

	Ticker	Inception	Expense Ratio
CRA	CRAIX	8/30/99	0.89
Institutional	CRANX	3/2/07	0.44
Retail	CRATX	3/2/07	0.79

Portfolio Managers

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

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

Miriam Legrand
Director of Credit Research
Portfolio Manager
Industry Start Date: 2001
CCM Portfolio Manager Since 2022

Shonali Pal
Portfolio Manager
Industry Start Date: 2014
CCM Portfolio Manager Since 2022

Market Commentary

The stock market ended the first quarter of 2024 on a positive note, with major U.S. and non-U.S. developed market indices rising. The S&P 500 Index posted a total return of 10.56% and the MSCI EAFE Index rose 5.78%. With the U.S. economy remaining strong and inflation slow to decline, interest rates rose along most of the yield curve and bond prices declined, causing the Bloomberg Aggregate Bond Index (the Index) to post a negative return of 0.78%. The Fed held the Fed Funds rate steady during the quarter, and while inflation levels were slightly higher than expected, the Fed projected three potential cuts for the remainder of 2024.

The outlook for the U.S. economy, inflation levels, and interest rates is mixed — employment remains strong and consumer sentiment is improving, both of which have contributed to continued strong consumer spending and a positive economic outlook. On the other hand, interest rates remain relatively high, consumer loan delinquency rates continue to rise, and geopolitical concerns have pushed oil and gasoline prices higher, all of which suggest that today’s optimistic consumer and corresponding spending patterns may not persist.

Bond investors remain concerned about persistent inflation. This drove bond yields higher, particularly in February when data showed that economic growth remained strong, and inflation did not fall as much as previously expected. This dampened the moods of investors and sent expectations for Fed stimulus lower than where they were coming into the year. U.S. Treasury yields correspondingly ended the quarter between 6 and 39 basis points higher than where they started. Except for agency mortgage-backed securities (MBS), spreads narrowed, suggesting that investors were less concerned about the direction of the economy and more concerned about inflation levels and the direction of interest rates. Returns among and within the different sectors of the bond market reflected this sentiment. Lower credit quality bonds performed the best and the higher credit quality U.S. Treasury segment of the Index performed the worst, down 0.97%. The corporate segment of the Index declined the least, down 0.40%, with the BBB-rated segment holding up better than other credit segments, posting a negative total return of 0.14% vs. a decline of 1.64% for AAA-rated corporates. The MBS segment of the Index declined 1.04% with lower coupon MBS pools declining more than higher coupon pools given their potential longer duration in an environment of sustained higher interest rates.

Looking ahead, we are monitoring key data where changes could have an impact on our positioning. Strong employment and positive real wages have kept consumer spending strong; however, growing consumer and business borrowing, and an uptick in consumer loan delinquencies point to fragility in the outlook for persistently strong economic growth. We believe that U.S. government spending will continue to grow, particularly during this election year, and without supporting demand, could push interest rates even higher. The geopolitical stresses responsible for pushing oil and gasoline prices higher have the potential to quickly impact consumer behavior and abruptly shift their spending patterns. This could have a disproportionately large influence on lower quality bonds reliant on both economic activity and credit underwriting conditions. And with the spread on the BBB-rated segment of the investment grade bond market ending the quarter 40% below its 20-year average, there is less compensation for taking such higher risk.

Portfolio Contributors

- Underweight lower coupon agency MBS pools
- Overweight credit
- Overweight agency CMBS

Portfolio Detractors

- Underweight BBB-rated corporate bonds
- Overweight agency MBS
- Underweight to 15- and 20-year agency MBS pools

Portfolio Commentary

In the first quarter of 2024, the CCM Community Impact Bond Fund (the Fund) CRA Shares (CRAIX), Institutional Shares (CRANX), and Retail Shares (CRATX) posted negative returns of 0.36%, 0.15%, and 0.23%, respectively, on a net-of-fees basis. The Intermediate component of the Bloomberg Aggregate Bond Index (the Benchmark) posted a negative return of 0.42%.

Interest rates rose across the U.S. Treasury yield curve during the quarter with the largest increases in 3- and 5-year Treasury notes where yields rose by 39 and 37 basis points, respectively. Given that the Fund's overall duration and yield curve exposure remains within a tight range of the Benchmark, relative performance for the quarter was primarily attributable to the portfolio's relative sector and sub-sector positioning.

Of the three major sectors of the Benchmark, agency MBS and U.S. Treasuries were down 1.04% and 0.36%, respectively, and corporates were up 0.26%. Spreads declined across all Benchmark sectors as investors became more comfortable taking on economic risk amidst a stable economy and the prospect of lower future borrowing costs. The Fund's slight overweight to agency MBS (averaging 32.4% vs. 31.8% for the Benchmark) was a headwind; however, its overweight to credit (averaging 29.1% vs. 20.2% for the Benchmark), underweight to U.S. Treasuries (averaging 8.0% vs. 40.6% for the Benchmark), and overweight to agency CMBS were all beneficial. The Fund's agency CMBS (averaging 26.4% vs 1% for the Benchmark) delivered a positive 0.10% return during the quarter, exceeding the Benchmark's negative return of 0.29% return for the sector.

The Fund's higher quality corporate bond portfolio underperformed corporate bonds in the Benchmark by 0.41% mostly due to the Fund being underweight BBB-rated bonds (<1% vs. 9.6% in the Benchmark), which delivered a total return of 0.37%. The Fund's agency MBS was down 0.85% but still outperformed agency MBS in the Benchmark, which was down 1.04%. The Fund's agency MBS portfolio carries a structural underweight to 15- and 20-year pools and these pools outperformed 30-year pools during this period of rising interest rates. This headwind was offset by the portfolio's underweight to lower coupon 30-year pools, particularly 2% pools which declined by 1.72%.

Given our conviction in the Fund's individual securities and its sector and duration positioning, there were few shifts during the quarter. We lightened some holdings in the middle part of the yield curve with some of that repositioning taking place via U.S. Treasuries, resulting in a 2% higher weighting at the end of the quarter.

As of 03/31/24, the average annual returns for CRAIX for 1-year, 5-year, 10-year and since inception (08/30/1999) were 1.38%; -0.31%; 0.82%; and 3.01%. The average annual returns for CRANX for 1-year, 5-year, 10-year and since CRANX inception (03/2/07) were 1.84%; 0.16%; 1. 28%; and 2.43%. The average annual returns for CRATX for the same periods were 1.49%; -0.19%; 0.94% and 2.07%. As of 3/31/24, the 30-Day SEC yield for the CRA Shares, Institutional Shares, and Retail Shares was 2.97%, 3.42%, and 3.07%, respectively. 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 888-272-0007. The annual operating expenses for the CRA Qualified Investment Fund's CRA Shares, Institutional Shares, and Retail Shares is 0.89%; 0.44% and 0.79%, respectively.

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. Bonds and bond funds will decrease in value as interest rates rise. The CCM Community Impact Bond Fund is not diversified. High yield bonds involve greater risks of default or downgrade and are more volatile than investment grade securities, due to the speculative nature of their investments. There is no guarantee the investment objective or goals of the Fund 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, LLC.

This fund involves impact and ESG Risk. The Adviser may select or exclude securities of certain companies for reasons other than performance and, as a result, the Fund may underperform other funds that do not use an impact and ESG screening process. Impact and ESG investing is qualitative and subjective by nature. There is no guarantee that impact and ESG criteria used by the Adviser will reflect beliefs or values of any particular investor.