COMMUNITY CAPITAL MANAGEMENT

CCM Community Impact Bond Fund

Key Takeaways

- U.S. equities rose due to strong corporate earnings, particularly from large-cap tech stocks, despite mixed macroeconomic data and geopolitical concerns.
- During the quarter, the Bloomberg U.S. Aggregate Index fell 2.7% before recovering to a slight gain, while the 10-year U.S. Treasury peaked at 4.70% before ending at 4.40% amid fluctuating economic data.
- Inflation and labor data surprised to the upside during the quarter, leading to revised rate cut expectations, with the Federal Open Market Committee (FOMC) projecting one cut in 2024, down from two.

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

In the second quarter of 2024, stock and bond markets experienced volatility and resilience due to mixed macroeconomic data and shifting investor sentiment. Despite periodic turbulence, equities maintained their upward trend, supported by robust corporate earnings and strong performance from large-cap tech stocks. The S&P 500 and NASDAQ Composite indices posted gains of 4.49% and 8.35%, respectively. However, these gains were moderated by concerns over geopolitical tensions in the Middle East and Europe.

Bond markets experienced a more volatile quarter as the Bloomberg U.S. Aggregate Index was down 2.7% at its low during the quarter before managing to finish up 0.07%. Higher-than-expected labor and inflation data drove U.S. Treasury yields significantly higher in April, resulting in the 10-year U.S. Treasury rising to 4.70%, its highest level of 2024. However, softer economic data in May and June tempered inflation and growth expectations, resulting in the 10-year UST drifting down to finish the quarter at 4.40%, up 0.20% for the quarter.

Despite the interest rate volatility, spreads on the Bloomberg U.S. Aggregate Corporate Index slightly widened to 0.94%. This spread is just 14 basis points (0.14%) above its five-year low, set in 2021, and is indicative of investors' confidence in the health of corporate balance sheets and operating performance.

Inflation remains a focal point for the bond market. While headline levels and trends in inflation are moving in a favorable direction, core inflation remains persistent. Inflation continues to stay above the Federal Reserve's (Fed's) 2% target, largely due to stubbornly high shelter costs, which continue to increase by more than 5% year over year.

The Fed left the federal funds target range unchanged at 5.25% to 5.50%. Additionally, the persistence of inflation and strong labor market data during the first half of the year resulted in a shift in expectations for rate cuts this year. At the June meeting, the FOMC's updated dot plot implied just one rate cut in 2024, compared with two cuts projected in March. Similarly, expectations from the fed funds futures market shifted from anticipating three rate cuts in 2024 to two cuts.

Looking ahead to the remainder of 2024, the economic outlook is relatively stable. Economists surveyed by Bloomberg expect gross domestic product (GDP) growth to range between 1.5% to 2%, in line with the first quarter. Core inflation is also expected to remain consistent, with recent levels at around 2.6%. Labor market strength and credit expansion have played a key role in strong consumer spending, but signs indicate employment and consumer credit are slowing, which will likely translate to slower growth. Additionally, the housing market has started to show signs of slowing as housing starts have started trending downward, which is likely to be a drag on GDP growth. As we move into the latter half of the year, GDP growth looks set to remain below last year's levels, and the election is likely to result in additional stock and bond market volatility.

Portfolio Contributors

- Overweight housing-related taxable municipal bonds
- Underweight U.S. Treasuries
- Outperformance of CCM's custom agency mortgage-backed securities (MBS) pools

Portfolio Detractors

- Overweight Ginnie Mae Project Loan pools (agency commercial mortgage-backed securities (CMBS))
- Longer duration and overweight to the 10+ year segment of the yield curve
- Underweight corporate bonds, particularly BBB-rated bonds, which outperformed

Portfolio Commentary

Portfolio Commentary

In the second quarter of 2024, the CCM Community Impact Bond Fund (the Fund) CRA Shares (CRAIX), Institutional Shares (CRANX), and Retail Shares (CRATX) posted positive returns of 0.32%, 0.43%, and 0.34%, respectively, on a net-of-fees basis. The intermediate component of the Bloomberg Aggregate Bond Index (the Benchmark) posted a positive return of 0.46%.

Duration and Yield Curve Positioning

Interest rates rose across the U.S. Treasury yield curve during the quarter with the largest increases in 20- and 30-year U.S. Treasury notes where yields rose by 21 and 22 basis points, respectively. During the quarter, the Fund held a longer duration than that of the Benchmark (averaging 4.56 years vs 4.47 years), with an overweight to the long end and underweight to the front end of the curve. This relative positioning was a slight detractor from returns during this period of rising rates.

Sector Allocation and Composition

All three major sectors of the Benchmark posted positive total returns with the U.S. Treasury, MBS, and corporate segments of the Benchmark up 0.10%, 0.07%, and 0.74%, respectively. The smaller sectors in the Benchmark, agency CMBS, non-agency ABS, and taxable municipal bonds delivered positive returns of 0.60%, 0.98%, and 0.64%, respectively. During the quarter, the Fund's relative sector and intra-sector positioning was beneficial to returns. The underweight to U.S. Treasuries (averaging 6.9% vs. 41.3%) and overweight to taxable municipal bonds (averaging 11.9% vs. 0.2%) were both positive contributors to returns, particularly the Fund's overweight to housing-related taxable municipals. The largest contributor to the Fund's relative returns was its agency MBS composition. Being overweight longer duration 30-year pools helped the Fund perform better than the remainder of the agency MBS market, given its higher income and better price performance. These relative contributors were partially offset by the Fund's agency CMBS exposure, particularly Ginnie Mae project loans that underperformed the rest of the agency CMBS market and its structurally higher credit quality, as BBB-rated bonds were the best performing credit quality segment of the Benchmark.

Positioning Changes

Given the rise in interest rates in April and then the shift in economic data toward the latter half of the second quarter, the investment team increased the Fund's duration. By mostly repositioning within the Fund's agency MBS, it reduced exposure to 5.0% and 5.5% coupon pools and increased exposure to 2.5% coupon pools. The investment team also increased the Fund's allocation to new issue taxable municipals, using funds from the reduction of corporate bonds where spreads continued to narrow.

As of 06/30/24, the average annual returns for CRAIX for 1-year, 5-year, 10-year and since inception (08/30/1999) were 2.72%; -0.65%; 0.67%; and 3.00%. The average annual returns for CRANX for 1-year, 5-year, 10-year and since CRANX inception (03/2/07) were 3.19%; -0.20%; 1.13%; and 2.42%. The average annual returns for CRATX for the same periods were 2.93%; -0.55%; 0.78% and 2.06%. As of 6/30/24, the 30-Day SEC yield for the CRA Shares, Institutional Shares, and Retail Shares was 3.09%, 3.53%, and 3.09%, 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.