Praxis Mutual Funds®

A fund family of Everence

Praxis Impact Bond Commentary

June 30, 2020

PORTFOLIO REVIEW

During the second quarter of 2020, the Praxis Impact Bond Fund (I share) returned 4.04% versus the Bloomberg Barclays U.S. Aggregate Bond Index return of 2.90%. This 1.14% outperformance over the index was the largest quarterly outperformance since the second quarter of 2009, coming on the heels of underperformance during the first quarter. The Fund has outperformed the index by 0.12% over the first six months of the year.

As active managers, we view our holdings through an Environmental, Social and Governance (ESG) lens, which enables us to overweight companies that effectively manage these risks and opportunities in their business model. A large portion of the fund is invested in what we call "positive impact bonds" that make a measurable positive impact on the environment and/or communities while offering a yield commensurate with the risk of the issue.

MARKET REVIEW AND OUTLOOK

After falling dramatically in the first quarter, Treasury rates had more muted moves in the second quarter. The 2-year Treasury yield fell 0.10%, the 10-year Treasury fell 0.01% and the 30-year Treasury yield was higher by 0.09%. After cutting the Federal Funds target rate by 1.25% in March, the Federal Reserve left the target rate range at 0.00% to 0.25% in the second quarter. Fed Chairman Powell said the Fed is "committed to using our full range of tools to support the economy and to help assure the recovery from this difficult period will be as robust as possible."

The risk-on mood prevailed during the second quarter even with bad economic data. Investment grade corporate spreads were lower by 1.22%, which produced a positive excess return of 9.41% (excess return is the difference in return versus similar maturity Treasuries). The tone for the second quarter was set on March 23, as the Fed announced multiple programs including the SMCCF (Secondary Market Corporate Credit Facility) which purchases individual corporate bonds and corporate bond ETFs. The Fed had never purchased corporate bonds before.

Investment-grade corporate issuance for 2020 is 98% ahead of 2019's pace. Issuers are refinancing higher yielding debt and building up cash to help them through this recession. On the economic front, April data were the worst as the self-imposed lockdowns essentially covered the entire month. Economic numbers rebounded in May and June as numerous re-openings began.

We expect stronger GDP growth in the third quarter, but there will be a lot of volatility ahead until this pandemic is under control. After increasing the corporate weight in the fund to the highest allocation in over a decade, we lowered it a bit by the end of the second quarter. Corporate bond spreads tightened dramatically in response to the Fed's programs making corporate bonds look less attractive than in mid-March. Agency MBS haven't tightened as much relative to corporates and they now look more attractive. We believe interest rates could stay low for some time, but we still maintain a duration slightly shorter than the index because we don't expect rates to go much lower, but they can move higher with unexpected good news.

Bloomberg Barclays Aggregate Index-Sector Returns	Second Quarter 2020	
	Total Return	**Excess Return**
Treasuries	0.48%	0.00%
Government-Related	3.36%	2.88%
Corporates	**8.98%**	**8.47%**
Financials	7.87%	7.32%
Industrials	9.41%	8.90%
Utilities	10.31%	9.88%
Securitized	**0.94%**	**0.63%**
ABS	3.54%	3.26%
CMBS	3.95%	3.23%
Mortgage	0.67%	0.38%

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CONTRIBUTORS

- The largest contributor to the Fund's performance was the overweight to corporate bonds. We began systematically increasing our corporate bond weight in early March which added about 1% to the Fund's return for the quarter. The sector allocation effect was the largest contributor, but security selection also helped. Financial Institutions and Utilities were the largest contributors, while our Industrial holdings also were a positive.
- After contributing to our underperformance in the first quarter, Agency securities (part of the Government-Related allocation) added about 0.20% to performance for the second quarter. Supranational securities (which are generally positive impact bonds) were a small positive also.
- Securitized products like ABS and CMBS were positive performers for the fund. ABS didn't recover all the underperformance from the first quarter, but it is now just slightly negative for the YTD period.
- The Fund's positioning on the yield curve was a slight positive contributor to performance with a beneficial underweight to the long-end of the yield curve and an overweight to the 3 and the 5yr parts.
- Our overall MBS positioning was a slight positive for the quarter.

DETRACTORS

- The Fund's shorter relative duration (a measure of interest rate risk) was a slight detractor as overall rates were lower.
- Our underweight to Sovereign and Local Authority debt hurt performance.

% of Market Value-Sectors	6/30/2020	3/31/2020	12/31/2019
Corporates	**46**	**43**	**38**
Financials	16	16	14
Industrials	24	22	19
Utilities	6	5	5
Government-Related	22	26	31
Securitized	**24**	**27**	**27**
Asset-backed securities	1	2	2
Commercial MBS	4	4	3
Mortgage	19	21	22
Other	2	2	2
Cash	5	2	2

PERFORMANCE *as of June 30, 2020 (%)*

	3 mo	YTD	1 yr	3 yr	5 yr	10 yr	15 yr
A share - No load	4.01	6.00	8.04	4.68	3.77	3.44	4.13
A share – Load*	0.12	1.99	4.01	3.35	2.97	3.05	n/a
I Share	4.04	6.26	8.52	5.15	4.19	3.86	4.48
Barclays U.S. Aggregate[1]	2.90	6.14	8.74	5.32	4.30	3.82	n/a

Past performance does not guarantee future results. The performance data quoted represents past performance and current returns may be lower or higher. The investment return and principal will fluctuate so that an investor's shares, when redeemed, may be worth more or less than the original cost. To obtain performance information current to the most recent month end, please visit praxismutualfunds.com.

**Load: Assumes maximum sales charge of 3.75%. [1]Bloomberg Barclays U.S. Aggregate Index is an index of widely held fixed-income securities often used as a proxy for the bond market. It is comprised of the U.S. Treasury and U.S. agency bonds, mortgage-backed bonds, and higher-grade corporate bonds. Indexes are unmanaged, do not incur fees, and it is not possible to invest directly in an index.*

Annual expense ratio: A share 0.95%; I share 0.53%

Fund information

OBJECTIVE

To seek current income and to a lesser extent seek capital appreciation, while incorporating socially responsible investing criteria.

PORTFOLIO MANAGERS

Benjamin J. Bailey, CFA®
Vice President of Investments

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Fixed Income Manager

Bond funds will tend to experience smaller fluctuations in value than stock funds. However, investors in any bond fund should anticipate fluctuations in price, especially for longer-term issues and in environments of rising interest rates."