Market Commentary

New Covenant Funds

November 2019

- Equities continued to climb around the globe during November as volatility trended lower. Government bond rates increased in the U.S., U.K. and eurozone.
- The U.S. and China appeared close to settling the first phase of a multi-part trade deal aside from an impasse over the degree of tariff rollbacks. Progress was interrupted in late November following the passage of a U.S. law supporting democracy in Hong Kong—enflaming divisions between U.S. and Chinese leaders.
- As always, we believe in a diversified approach to investing—and that it is especially important for those with long time horizons to avoid trying to time the market or making outsized sector or regional bets.

Economic Backdrop

Equities continued to shine brightly around the globe during the full month of November as volatility trended lower. U.S. stocks maintained a steady ascent; U.K. stocks began the period with a rally, which was quickly erased by a downtrend before bouncing back sharply to finish higher. European and Japanese equities plateaued for most of November after a gleaming start.

Hong Kong and mainland Chinese equities started November with sharp rallies, but ultimately ended lower after similarly sharp selloffs gave way to a volatile second half. Brazilian stocks advanced for the full period, mounting a sizeable recovery from a mid-month decline.

Government bond rates increased in the U.S., U.K. and eurozone during November. Oil prices generally advanced outside of a mid-month drop, which was driven by a report about Russia's hesitance to deepen supply cuts. However, the oil-producing nation apparently remained committed to production constraints as part of its non-member alliance with the Organization of the Petroleum Exporting Countries (OPEC), which cut its medium- and long-term forecast for oil demand.

The U.S. and China appeared close to settling the first phase of a multi-part trade deal during November, agreeing on the necessity of mutual tariff rollbacks—even if still negotiating the degree of such reductions (China wanted the U.S. to remove all tariffs, which remained a non-starter for U.S. negotiators). Signs of trade-talk progress were interrupted, however, when President Donald Trump signed into law a bill that supports democracy in Hong Kong—where protests have been escalating for months. This enflamed divisions between the U.S. and Chinese leaders. China maintained its desire to secure a deal, but now asserted willingness to respond to further trade-war escalations.

Elsewhere, the U.S. delayed a decision on whether to impose tariffs on European automobiles for another six months. At the beginning of December, President Trump announced that steel and aluminum imports from Brazil and Argentina would once again be subject to tariffs after earning exemptions in May 2018.

Domestic U.S. political strains flared in light of a series of public hearings in the House of Representatives, led by the Democratic Party, as part of an impeachment inquiry into Trump. The hearings centred on allegations that he asked Ukrainian President Volodymyr Zelensky to conduct and publically announce investigations into Trump's political opponents—in exchange for $400 million of congressionally approved military aid and a meeting at the White House.

As an explicit act of good will toward North Korea, the U.S. postponed a joint military drill with South Korea that was scheduled for mid-November. However, North Korean officials demanded that joint military drills be stopped altogether if the U.S. wants to resume nuclear disarmament negotiations. At the same time, a meeting between U.S. and South Korean officials over defense spending was cut short over South Korea's apparent unwillingness to accept an increased share of the burden for U.S. military stationed on the Asian peninsula. On a positive note, top U.S. defense officials succeeded in pressuring South Korea and Japan to retain a military information-sharing agreement, at least temporarily, that was otherwise set to lapse in late November amid a trade war between the two East Asian countries.

U.K. opinion polling showed the Conservative Party as set to win an outright majority of seats in the House of Commons at a December 12 general election, although with a narrowing projected lead over the course of November. A

Conservative majority would keep Prime Minister Boris Johnson at the helm of the U.K. government, enabling him to execute its plan to exit the EU on January 31, 2020.

The Iranian government reignited a set of centrifuges to enrich uranium in early November, representing its latest step away from its commitment to the 2015 multi-party nuclear disarmament agreement. Protests over fuel price increases reached more than one hundred Iranian cities; the Islamic Republic turned off the internet for part of November as it cracked down on riots that extended to the burning of banks and petrol stations.

Index Data (November 2019)

- The Dow Jones Industrial Average improved by 4.11%.
- The S&P 500 Index jumped by 3.63%.
- The NASDAQ Composite Index inflated by 4.64%.
- The MSCI ACWI (Net), used to gauge global equity performance, increased by 2.44%.
- The Bloomberg Barclays Global Aggregate Index, which represents global bond markets, declined by - 0.76%.
- The Chicago Board Options Exchange Volatility Index, a measure of implied volatility in the S&P 500 Index also known as the “fear index”, declined from 13.22 to 11.29.
- WTI Cushing crude oil prices, a key indicator of movements in the oil market, lifted from $54.18 a barrel at the end of October to $55.17 on the last day in November.
- The U.S. dollar ended October at $1.29 against sterling, $1.10 versus the euro and at 109.51 versus the yen.

Portfolio Review

The Growth Fund barely underperformed the Russell 1000 Index in November due to a favorable underweight to real estate. Information technology, health care and financials were the best performers, while defensive sectors, such as utilities, real estate, and consumer staples, lagged.

The Income Fund slightly outperformed its benchmark, the Bloomberg Barclays Intermediate U.S. Aggregate Bond Index in November as all spread sectors except commercial mortgage-backed securities (CMBS) outperformed comparable U.S. Treasury bonds. An overweight to corporate credit spreads, which narrowed during the month, was the primary driver of outperformance. The Income Fund’s overweight to agency mortgage-backed securities, which outperformed non-agency mortgage-backed securities during the month, contributed. An overweight to asset-backed securities (ABS) was slightly positive, while an overweight to commercial mortgage-backed securities was modestly negative. The Income Fund’s overweight to 30-year bonds detracted as 30-year U.S. Treasury yields rose during the month.. Duration positioning was in line with the benchmark and had no material impact on the Income Fund’s performance.

Manager Positioning and Opportunities

The Growth Fund attempts to track the performance of the Russell 1000 Index while retaining a social screen and an ESG tilt.

The Income Fund’s duration ended the month in line with its benchmark index while maintaining an overweight to the long of the curve. With the rally in yields year to date, the managers have been letting duration drift lower. In the current low-growth, low-inflation outlook, the Income Fund is likely to remain overweight taxable bonds, while adjusting duration and curve positioning to changes in the market.

The New Covenant Balanced Growth Fund invests about 60% of its assets in the Growth Fund and 40% in the Income Fund. The New Covenant Balanced Income Fund invests about 35% of its assets in the Growth Fund and about 65% in the Income Fund.

Financial Glossary

Beta: Beta is a measure of sensitivity to movements in the market. High beta stocks are more sensitive to movements in the broad market. Low-beta stocks are less sensitive.

Duration is a measure of a security's price sensitivity to changes in interest rates. Specifically, duration measures the potential change in value of a bond that would result from a 1% change in interest rates. The shorter the duration of a bond, the less its price will potentially change as interest rates go up or down; conversely, the longer the duration of a bond, the more its price will potentially change.

Spread Sectors: sector spread is the difference in yields between two fixed-income securities with the same maturity, but originating from different investment sectors. As with any type of yield spread, this can help investors compare the potential return between two different types of investment securities, which also implies the comparative levels of risk involved with the two options.

Index Glossary

The S&P 500 Index is an unmanaged, market-capitalization weighted index that consists of the 500 largest publicly-traded U.S. companies and is considered representative of the broad U.S. stock market.

The MSCI All Country World Index is a market-capitalization-weighted index composed of over 2,000 companies and is representative of the market structure of 48 developed and emerging-market countries in North and South America, Europe, Africa and the Pacific Rim. The Index is calculated with net dividends reinvested in U.S. dollars.

The Bloomberg Barclays Global Aggregate Bond Index an unmanaged market-capitalization-weighted benchmark, tracks the performance of investment-grade fixed-income securities denominated in 13 currencies. The Index reflects reinvestment of all distributions and changes in market prices.

The Chicago Board Options Exchange Volatility Index (VIX) tracks the expected volatility in the S&P 500 Index over the next 30 days. A higher number indicates greater volatility.

The Russell 1000 Index includes 1,000 of the largest U.S. equity securities based on market cap and current index membership; it is used to measure the activity of the U.S. large-cap equity market.

The Bloomberg Barclays Intermediate U.S. Aggregate Bond Index is an unmanaged benchmark index composed of U.S. securities in Treasury, government-related, corporate, and securitized sectors with remaining maturities of less than 10 years.

The Dow Jones Industrial Average is a price-weighted average of 30 large, publicly owned companies based in the U.S. and traded on the New York Stock Exchange and the NASDAQ.

The NASDAQ Composite is a market capitalization-weighted index of approximately 3,000 common stocks listed on the Nasdaq stock exchange, including American depositary receipts, common stocks, real estate investment trusts (REITs) and tracking stocks, as well as limited partnership interests. The Nasdaq Composite is not limited to companies that have U.S. headquarters.

Important Information

The performance data quoted represents past performance. Past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost and current performance may be lower or higher than the performance quoted. For performance data current to the most recent month end, please call 1-877-835-4531.

This material represents an assessment of the market environment at a specific point in time and is not intended to be a forecast of future events, or a guarantee of future results. This information should not be relied upon by the reader as research or investment advice regarding the Funds or any stock in particular, nor should it be construed as a recommendation to purchase or sell a security, including futures contracts. There is no assurance as of the date of this material that the securities mentioned remain in or out of New Covenant Funds.

For those New Covenant Funds which employ the “manager of managers” structure, SEI Investments Management Corporation (SIMC) has ultimate responsibility for the investment performance of the Funds due to its responsibility to oversee the sub-advisers and recommend their hiring, termination and replacement. SIMC is the adviser to the New Covenant Funds, which are distributed by SEI Investments Distribution Co. (SIDCO). SIMC and SIDCO are wholly owned subsidiaries of SEI Investments Company.

To determine if the Funds are an appropriate investment for you, carefully consider the investment objectives, risk factors, charges and expenses before investing. This and other information can be found in the Funds’ full and summary prospectuses, which can be obtained by calling 1-877-835-4531. Read them carefully before investing.

There are risks involved with investing, including loss of principal. Current and future portfolio holdings are subject to risks as well. International investments may involve risk of capital loss from unfavorable fluctuation in currency values, from differences in generally accepted accounting principles or from economic or political instability in other nations. Narrowly focused investments and smaller companies typically exhibit higher volatility. Bonds and bond funds will decrease in value as interest rates rise. 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. Emerging markets involve heightened risks related to the same factors as well as increased volatility and lower trading volume. Mortgage-backed securities are affected by, among other things, interest rate changes and the possibility of prepayment of the underlying mortgage loans. Mortgage backed securities are also subject to the risk that underlying borrowers will be unable to meet their obligations.

Diversification may not protect against market risk. There is no assurance the objectives discussed will be met. Past performance does not guarantee future results. Index returns are for illustrative purposes only and do not represent actual portfolio performance. Index returns do not reflect any management fees, transaction costs or expenses. One cannot invest directly in an index.

- **Not FDIC Insured**
- **No Bank Guarantee**
- **May Lose Value**