New Covenant Funds.

Global equity markets rallied sharply during the fourth quarter of 2023. Signs of slowing inflation, along with the U.S. Federal Reserve's (Fed) relatively dovish comments and projections regarding monetary policy, spurred investors' hopes that the Fed and other global central banks could pivot to cutting interest rates sooner than previously expected. Global fixed-income assets posted gains for the quarter. U.S. Treasury yields moved lower across the curve, particularly for maturities of one year or longer (bond prices move inversely to yields). SEI believes that the Fed will implement three 25-basis point (0.25%) interest-rate cuts in 2024, dependent on the strength of the economy and whether inflation stabilizes or even backs up a bit from current levels.

Economic backdrop

Global equity markets rallied sharply during the fourth quarter of 2023. Signs of slowing inflation spurred investors' hopes that the Fed and other global central banks could begin to reduce interest rates sooner than previously expected. Additionally, there is optimism that the U.S. economy could be primed for a "soft landing," in which growth and inflation slow but the economy does not enter a recession. Developed markets outperformed their emerging-market counterparts for the quarter.

North America was the strongest performer among the major developed markets during the fourth quarter, led by the U.S. The Far East region was the primary market laggard due mainly to underperformance in Hong Kong and Singapore. Eastern Europe was the top-performing region within emerging markets during the period attributable primarily to strength in Poland. In contrast, the Gulf Cooperation Council (GCC) countries—Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates—recorded comparatively smaller gains and comprised the weakest-performing emerging-market region during the quarter.[1]

Global fixed-income assets, as represented by the Bloomberg Global Aggregate Bond Index, gained 8.1% in the fourth quarter. Corporate bonds were the top performers within the U.S. market for the month, while U.S. Treasury securities saw relatively smaller gains and were the most notable market laggards.[2] Treasury yields moved lower across the curve, particularly for all maturities of one year or longer. Yields on 2-, 3-, 5- and 10-year Treasury notes decreased 0.80%, 0.79%, 0.76% and 0.71%,

[1] All equity market performance statements are based on the MSCI ACWI Index.

[2] According to the Bloomberg U.S. Corporate Index and the Bloomberg U.S. Treasury Index.

respectively, over the quarter. The spread between 10- and 2-year notes narrowed from -0.44% to –0.35% during the quarter, and the yield curve remained inverted.

As widely expected, the Fed maintained the federal-funds rate in a range of 5.25% to 5.50% following its meeting on December 12-13. In a statement announcing the continuation of the pause in its rate-hiking cycle, the Federal Open Market Committee (FOMC) commented, “In determining the extent of any additional policy firming that may be appropriate to return inflation to 2 percent over time, the Committee will take into account the cumulative tightening of monetary policy, the lags with which monetary policy affects economic activity and inflation, and economic and financial developments.” During a news conference following the FOMC’s meeting, Fed Chair Jerome Powell struck a cautious note regarding the central bank’s efforts to tame inflation, commenting, “No one is declaring victory. That would be premature.” Nonetheless, Powell acknowledged that FOMC members are considering when to begin to cut interest rates as inflation slows. “That begins to come into view, and clearly it’s a topic of discussion,” he noted.

On the geopolitical front, long-simmering tensions in the Middle East escalated to war following a surprise attack on Israel by Hamas in early October. In addition to the casualties resulting from Hamas’ initial incursion into Israel, the militant group and some of its allies abducted more than 200 soldiers and civilians. A one-week ceasefire in the military conflict between Israel and Hamas expired on November 30, after the two sides could not reach an agreement on an extension. The truce had led to several hostage and prisoner exchanges between Israel and Hamas. Each side blamed the other for the failure to extend the ceasefire, and fighting resumed following the expiration of the truce.

Elsewhere, President Joe Biden and China’s President Xi Jinping met in California in mid-November. The leaders of the world’s two largest economies agreed to resume military communications in an effort to improve relations between the countries amid speculation about China’s intention to invade Taiwan, as well as the Xi administration’s support of Russia in its ongoing conflict with Ukraine. At a news conference following the meeting, Biden noted that he and Xi had agreed that if there were concerns about “anything between our nations, or happening in our region, we should pick up the phone and call.” In late December, NBC News reported that Xi had informed Biden during the meeting that China’s government intended to reunify Taiwan with mainland China, though the timing has not yet been determined. Xi also said that China hoped to complete the takeover of Taiwan peacefully—not by force. A spokesperson for the U.S. National Security Council declined to comment on the situation, according to NBC News.[3]

Global commodity prices, as measured by the Bloomberg Commodity Total Return Index, declined in the fourth quarter. The West Texas Intermediate (WTI) and Brent crude oil prices fell 21.1% and 16.4%, respectively, due to a significant increase in production in the U.S. and weakening global demand. The New York Mercantile Exchange (NYMEX) natural gas price staged a rally in December, but still ended the fourth quarter with a 20.6% loss due to an increase in inventories and forecasts for above-average winter temperatures in the U.S. On the positive side, the gold spot price rose 11.0% for the period, bolstered by a decline in U.S. Treasury yields, as well as higher demand spurred by investors’ hopes that the Fed may begin to ease monetary policy sooner than previously anticipated. The 16.0% increase in wheat prices during the quarter was attributable to a reduction in exports from Ukraine due to the nation’s ongoing conflict with Russia.[4]

Central banks

- The Fed’s so-called dot plot of economic projections, released in December, indicated a median federal-funds rate of 4.6% at the end of 2024, down from its previous estimate of 5.1% issued in September, signaling that the central bank could cut interest rates by roughly 75 basis points (0.75%) next year. The dot plot also projected that core personal-consumption-expenditures (PCE) inflation could slow from its most recent annual increase of 4.0% in November to 2.6% by the end of 2024. The PCE price index is the Fed’s preferred gauge of inflation, as it tracks the change in prices paid by or on behalf of consumers for a more comprehensive set of goods and services than that of the consumer-price index (CPI).

- In a split vote at its meeting on December 13, the Bank of England (BOE) left the Bank Rate unchanged at a 15-year high of 5.25%. Three of the nine BOE Monetary Policy Committee members supported a 25-basis point increase. In its announcement of the rate decision, the BOE commented, “In the most likely, or modal, projection, CPI inflation returned to the 2% target by the end of 2025 and fell below the target thereafter. The Committee continued to judge that the risks to its modal inflation projection were skewed to the upside, such that the mean projection for CPI inflation was 2.2% and 1.9% at the two- and three-

[3] “Xi warned Biden during summit that Beijing will reunify Taiwan with China.” NBC News. December 20, 2023.

[4] According to market data from The Wall Street Journal.

year horizons."

- The European Central Bank (ECB) left its benchmark interest rate unchanged at 4.50% following its meeting on December 14. In a statement announcing the rate decision, the ECB's Governing Council commented, "Underlying inflation has eased further. But domestic price pressures remain elevated, primarily owing to strong growth in unit labour costs." The central bank also reiterated its commitment "to ensure that inflation returns to its 2% medium-term target in a timely manner. Based on its current assessment, the Governing Council considers that the key ECB interest rates are at levels that, maintained for a sufficiently long duration, will make a substantial contribution to this goal. The Governing Council's future decisions will ensure that its policy rates will be set at sufficiently restrictive levels for as long as necessary."

- The Bank of Japan (BOJ) left its benchmark interest rate unchanged at -0.1% following its meeting in December. The central bank also maintained the upper yield limit of 1.0% for the 10-year Japanese Government Bond (JGB) that it had established in July 2023 as an "upper bound" rather than a stringent cap. In a statement announcing the monetary policy actions, the central bank noted, "Japan's economy is projected to continue growing at a pace above its potential growth rate. The year-on-year rate of increase in the CPI (all items less fresh food) is likely to be above 2 percent through fiscal 2024, due to factors such as the remaining effects of the pass-through to consumer prices of cost increases led by the past rise in import prices. Thereafter, the rate of increase is projected to decelerate owing to dissipation of these factors."

Index data (Fourth quarter 2023)

- The Dow Jones Industrial Average increased by 13.09%.
- The S&P 500 Index rose by 11.69%.
- The NASDAQ Composite Index increased by 13.79%.
- The MSCI ACWI (Net), used to gauge global equity performance, appreciated by 11.03%.
- The Bloomberg Global Aggregate Index, which represents global bond markets, increased by 8.10%.
- The Chicago Board Options Exchange Volatility Index, a measure of implied volatility in the S&P 500 Index also known as the "fear index", retreated from 17.52 in September to 12.45.
- WTI Cushing crude oil prices, a key indicator of movements in the oil market, fell from $90.79 a barrel in September to $71.65 at the end of December.
- The U.S. dollar ended the quarter at $1.27 against sterling, $1.10 versus the euro, and at 140.98 yen.

Portfolio review

In an environment where stocks generally appreciated, the Growth Fund gained over the quarter. The Fund's underweight to energy helped its quarterly performance as all sectors, with the exception of energy, produced positive returns.

During the quarter, the Income Fund's slightly long duration posture benefited performance with yields declining. Other contributors included overweights to corporate bonds, financials, agency mortgage-backed securities (MBS), asset-backed securities (ABS), and commercial mortgage-backed securities (CMBS), allocations to non-agency mortgages, and selection in money center banks and ABS (including allocations to student loans, AAA rated collateralized loan obligations (CLOs), and cards and cars at the top of the capital structure). An underweight to taxable municipals detracted from performance. Western Asset Management gained as yields fell over the quarter, given its longer duration posture and overweight to 30-year Treasurys. Overweights to agency MBS, corporates, industrials, banks (through money center banks), ABS, and non-corporates, allocations to non-agency mortgages and AAA rated CLOs, and selection in dollar-denominated sovereigns and foreign agencies also contributed. This was partially offset by selection in CMBS. Income Research & Management's overweights to CMBS, ABS, and corporate bonds, including financials, enhanced performance. Selection in money center banks, ABS, and CMBS at the top of the capital structure contributed as well. Detractors included underweights to industrials and non-corporates along with selection in agency MBS.

Manager positioning and opportunities

The Growth Fund employs a passive strategy designed to track the performance of the Russell 3000 Index, which represents the largest 3,000 U.S. companies and approximately 98% of the investable U.S. equity market, subject to such variation as may arise as a result of implementation of the social witness principles of the General Assembly of the Presbyterian Church (U.S.A.).

The Income Fund's allocations changed modestly, most notably an overweight to agency MBS, which decreased over the quarter. The Fund remained overweight ABS, corporate bonds, and CMBS as well. Managers have been selectively adding to corporate positioning in financials and, to a lesser extent, industrials, and paring back in issuers whose valuations are ahead of fundamentals. Duration was slightly long, with overweights in the belly and the long end of the yield curve. As two-year Treasury yields moved lower in reaction to repricing from the Fed, managers have begun adding in the two- to five-year segment of the yield curve. Overall, the managers remain defensive and will use periods of volatility to add attractively priced securities to the portfolio. We anticipate that heightened volatility will likely remain as the Fed nears the conclusion of its rate-hiking cycle and markets reprice additional rate cuts moving forward.

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.

Glossary

The federal-funds rate is the interest rate at which a depository institution lends immediately-available funds (balances at the U.S. Federal Reserve) to another depository institution overnight in the U.S.

Duration is a measure of risk in bond investing and indicates how price-sensitive a bond is to changes in interest rates. A long (overweight) duration stance indicates the portfolio duration is higher than that of the benchmark whereas a short (underweight) duration stance indicates a lower duration. Duration is measured in years and securities with longer durations are more sensitive to interest-rate changes.

The Dow Jones Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and NASDAQ.

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 NASDAQ Composite Index is an unmanaged, market-capitalization weighted index that consists of all securities listed on the NASDAQ exchange. It is often used to gauge performance of global technology stocks.

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 Global Aggregate Bond Index (formerly Lehman Brothers Global Aggregate 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 3000 Index includes 3000 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. equity market.

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 Fund(s) are an appropriate investment for you, carefully consider the investment objectives, risk factors and charges and expenses before investing. This and other information can be found in the Fund's prospectus, and if available, the summary prospectus, which can be obtained by calling 1-877-835-4531. Read the prospectus carefully before investing.

The Funds seek to invest consistent with social-witness principles established by the General Assembly of the Presbyterian Church (U.S.A.) (the "Presbyterian Principles"), as reflected in Guidelines put forth by the Committee on Mission Responsibility Through Investing (the "Committee"). The Funds seek to avoid investing in companies involved in tobacco, alcohol, and gambling, along with for-profit prisons, and some companies related to weapons production, antipersonnel and mines, handguns and assault weapons. In addition, at times a company involved in serious human rights violations may also be screened. The Funds may also screen companies for other reasons when deemed appropriate to implement the Presbyterian Principles. The Funds may choose not to purchase, or may sell, otherwise profitable investments in companies which have been identified as being in conflict with its established social-witness principles. This means that the Funds may underperform other similar mutual funds that do not consider social-witness principles in their investing.

The Funds' Sub-Advisers will also consider environmental, social, and governance ("ESG") criteria in the selection of securities for the Funds' portfolios. Each Sub-Adviser has the ability to consider its own ESG criteria based on its own ESG methodologies and assessments or those of third-party providers. The consideration of such ESG criteria as part of the decision-making process may result in the selection of individual securities that are not in the Funds' benchmark, or the overweighting or underweight of individual securities relative to the benchmark.

Sustainalytics, a Morningstar Company, is a leading independent ESG and corporate governance research, ratings and analytics firm that supports investors around the world with the development and implementation of responsible investment strategies. For more than 25 years, the firm has been developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Sustainalytics works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. For more information, visit www.sustainalytics.com

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. Emerging markets involve heightened risks related to the same factors as well as increased volatility and lower trading volume. 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. 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