New Covenant Funds.

Major global equity market indexes saw mixed performance in the second quarter of 2024, but ended the first half of the year in positive territory. U.S. stocks were bolstered largely by a rally concentrated in shares of a select few companies—but namely Nvidia—benefiting from artificial intelligence (AI). Most developed equity markets outside of the U.S. lost ground over the quarter. Global fixed-income assets fell over the quarter. U.S. Treasury yields moved higher for all maturities, with the exception of 1-, 2-, and 6-month bills. (Bond prices move inversely to yields). We continue to view both concentration and valuation as concerning for U.S. equity investors. We believe the current size and future growth expectations of the top names set the bar exceedingly high even for the most stellar companies in the most transformative industries.

Economic backdrop

Major global equity market indexes saw mixed performance in the second quarter of 2024, but ended the first half of the year in positive territory. In the U.S., the broad-market S&P 500 Index and the tech-heavy Nasdaq Composite Index garnered positive returns, bolstered largely by a rally concentrated in shares of a select few companies—but namely Nvidia—benefiting from artificial intelligence (AI). Most developed equity markets outside of the U.S. lost ground over the quarter. benefiting from artificial intelligence (AI)—most notably chip-maker Nvidia Corp. Most developed equity markets outside of the U.S. lost ground over the quarter amid investors' concerns that sticky inflation would cause many global central banks to delay pivoting to a rate-cutting regime.

The Nordic countries were the strongest performers among developed equity markets for the quarter, led by Norway and Finland. North America also posted a notable gain attributable mainly to an upturn in the U.S. The Far East recorded a negative return for the quarter and was the primary developed-market laggard due to weakness in Japan. Africa was the top performer within emerging markets for the quarter, attributable primarily to strength in South Africa. Conversely, the Latin American market declined sharply over the quarter and was the most notable underperformer due to significant downturns in Mexico and Brazil.[1]

Global fixed-income assets, as measured by the Bloomberg Global Aggregate Bond Index, declined 1.1% in the second quarter. High-yield bonds posted modest gains and were the strongest performers within the U.S. fixed-income market, followed by U.S.

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

Treasury securities, mortgage-backed securities (MBS), and corporate bonds.[2] Treasury yields moved higher for all maturities, with the exception of 1-, 2-, and 6-month bills. Yields on 2-, 3-, 5-year Treasury notes each rose 0.12% over the quarter, while the 10-year was up 0.16%. The spread between 10- and 2-year notes narrowed rom –0.39% to –0.35% over the quarter, and the yield curve remained inverted.[3]

Global commodity prices, as measured by the Bloomberg Commodity Total Return Index, rose 2.9% during the quarter. The West Texas Intermediate (WTI) and Brent crude oil prices declined 2.0% and 2.4%, respectively, amid concerns about softening demand for gasoline. The New York Mercantile Exchange (NYMEX) natural gas price surged 47.4% over the quarter due to strong demand and a decline in production in the U.S., along with expectations that advances in AI will increase consumption of natural gas-generated electricity. The gold spot price rose 4.5% over the quarter as the ongoing Israel-Hamas conflict prompted investors to seek “safe-haven” investments. Despite a slump in June due to a significant increase in production, wheat prices ended the quarter up 2.4% on earlier speculation that below-average rainfall in Russia and the Southern Plains in the U.S. could lead to supply constraints.[4]

As widely anticipated, the Federal Open Market Committee (FOMC) left the federal-funds rate unchanged in a range of 5.25% to 5.50% following its meeting on June 11-12. In a statement announcing the rate decision, the FOMC noted, “Inflation has eased over the past year but remains elevated. In recent months, there has been modest further progress toward the Committee’s 2 percent inflation objective.” The FOMC’s acknowledgement of “further progress” in achieving the inflation target came in contrast to the statement following its previous meeting on May 1, in which the Committee cited the “lack of progress” toward its objective.

The Fed’s so-called dot plot of economic projections indicated a median federal-funds rate of 5.1% at the end of 2024, up from its previous estimate of 4.6% issued in March, signaling that the central bank anticipates just one federal-funds rate cut of roughly 25 basis points (0.25%) by the end of this year. The Fed estimated that core inflation, as measured by the core personal-consumption-expenditures (PCE) price index, will end the year at an annual rate of 2.6%—modestly higher than the central bank’s 2.4% projection in March. The PCE price index is the Fed’s preferred gauge of inflation, as it tracks the change in prices that consumers pay for a more comprehensive set of goods and services than that of the consumer-price index (CPI).

At the end of June, the CME Group’s FedWatch Tool implied a 56% chance that the central bank will implement a rate cut of 25 basis points (0.25%) following its meeting on September 17-18.[5] The FedWatch Tool provides a gauge of the markets' expectations of potential changes to the federal-funds target rate while assessing potential Fed monetary policy actions at Federal Open Market Committee (FOMC) meetings.

Central banks

- At a news conference following the FOMC meeting on June 12, Fed Chair Jerome Powell commented that, while the central bank has not pivoted to rate cuts, no FOMC member anticipates the need for a rate hike. Powell said, “We've always been pointing to cuts at a certain point. Not to eliminate the possibility of hikes, but no one has that as their base case.” The Fed chair acknowledged progress in slowing inflation, “a good level” of economic growth, and a robust labor market. “Now, ultimately, we think rates will have to come down to continue to support that,” Powell noted. “But so far, they haven't had to. And that's why we're watching so carefully for signs of weakness.”

- The Bank of England (BOE) left the Bank Rate unchanged at a 15-year high of 5.25% following its meeting on June 19. The decision was not unanimous; two BOE Monetary Policy Committee (MPC) members voted for a rate cut of 25 basis points (0.25%) to 5.00%. In its announcement of the rate decision, the MPC commented, “The restrictive stance of monetary policy is weighing on activity in the real economy, is leading to a looser labour market and is bearing down on inflationary pressures. Key indicators of inflation persistence have continued to moderate, although they remain elevated.” The MPC also reiterated its commitment to “adjust monetary policy as warranted by economic data to return inflation to the 2% target sustainably.”

- The European Central Bank (ECB) became the largest and most notable central bank to loosen monetary policy, reducing its benchmark interest rate by 25 basis points to 4.25% following its meeting on June 6—its first rate cut since September 19. In a statement announcing the rate decision, the ECB’s Governing Council commented, “Based on an updated assessment of the

[2] According to the Bloomberg US High Yield Index, Bloomberg US Treasury Index, Bloomberg US Mortgage Backed Securities Index, and the Bloomberg US Corporate Investment Grade Index.

[3] According to the U.S. Department of the Treasury. As of June 28, 2024.

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

[5] According to CME Group. June 28, 2024.

inflation outlook, the dynamics of underlying inflation and the strength of monetary policy transmission, it is now appropriate to moderate the degree of monetary policy restriction after nine months of holding rates steady." However, the Governing Council cautioned that it is "not pre-committing to a particular rate path."

- The Bank of Japan (BOJ) maintained its benchmark interest rate in a range of 0.0% to 0.1% after its meeting on June 13-14. However, the central bank did not provide information regarding the timeline to reduce its bond purchase program, which led to a sharp decline in the yen versus the U.S. dollar. In its "Summary of Opinions at the Monetary Policy Meeting," the BOJ noted, "While price developments have been in line with the Bank's outlook, there is a possibility that prices will deviate upward from the baseline scenario if another pass-through of recent cost increases to consumer prices happens. It is therefore necessary for the Bank to consider whether further adjustments to monetary accommodation are needed from the perspective of risk management."[6]

Index data (Second quarter 2024)

- The Dow Jones Industrial Average decreased by 1.27%.
- The S&P 500 Index rose by 4.28%.
- The NASDAQ Composite Index increased by 8.47%.
- The MSCI ACWI (Net), used to gauge global equity performance, appreciated by 2.87%.
- The Bloomberg Global Aggregate Index, which represents global bond markets, decreased by 1.10%.
- 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 13.01 in March to 12.44.
- WTI Cushing crude oil prices, a key indicator of movements in the oil market, fell from $83.17 a barrel in March to $81.54 at the end of June.
- The U.S. dollar ended the quarter at $1.26 against sterling, $1.07 versus the euro, and at 160.86 yen.

Portfolio review

The Growth Fund benefited from selection in health care and energy, partially offset by selection in consumer staples. Its modest overweight to information technology added value in an environment where technology stocks led markets.

The Income Fund's yield curve positioning, with an overweight in the 2- to 5-year segment of the curve, benefited performance. Other contributors included overweights to corporate bonds, financials, asset-backed securities (ABS), and commercial mortgage-backed securities (CMBS); allocations to non-agency mortgages, student loans, AAA rated collateralized loan obligations (CLOs), and cards and cars at the top of the ABS capital structure; and selection in money center banks, consumer non-cyclical, capital goods, and higher-quality CMBS tranches. Overweights to the 30-year segment of the yield curve and agency mortgage-backed securities (MBS), as well as an underweight to lower-quality CMBS tranches, proved costly. Income Research & Management's overweights to corporate bonds, financials, ABS, and CMBS; underweights to agency MBS and industrials; and selection in money center banks, consumer non-cyclical, capital goods, ABS, specified agency MBS pools, and CMBS at the top of the capital structure bolstered performance. Western Asset Management's overweights to corporates, industrials, financials, banks (through money center banks), ABS, and CMBS, as well as allocations to non-agency mortgages and AAA rated CLOs added value. Overweights to agency MBS and the 30-year segment of the yield curve were punitive.

[6] Bank of Japan.

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 managers selectively have been reducing corporate positioning in industrials and, to a lesser extent, financials, paring back in issuers whose valuations are ahead of fundamentals. Duration remained slightly long, though overweights in the belly and the long end of the yield curve were reduced. With the Federal Reserve (Fed) signaling that its rate-hiking cycle is likely at its peak, managers have begun adding in the 2- to 5-year segment of the yield curve. The Fund maintained its overweights to ABS, agency MBS, corporates (focused on financials), and CMBS, as well as an allocation to non-agency mortgages. 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 growth slows, although the much anticipated recession has yet to emerge. Amid cooling inflation and a stronger-than-expected consumer, the Fed may yet engineer its soft landing.

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.