New Covenant Funds.

Global equity markets, as measured by the MSCI ACWI Index, recorded modest losses in U.S. dollar terms over the fourth quarter, but still finished in positive territory for the 2024 calendar year. Strength in the U.S. could not offset downturns in other developed countries and emerging markets, which declined significantly in U.S. dollar terms during the quarter. Global fixed-income assets lost ground during the quarter. U.S. Treasury yields declined for all maturities under one year, and moved higher across the remainder of the yield curve. (Prices move inversely to yields.) We maintain our strategic recommendations for investors to stay diversified globally and focus on profitable companies with strong earnings momentum trading at reasonable prices.

Economic backdrop

Global equity markets, as measured by the MSCI ACWI Index, recorded modest losses in U.S. dollar terms over the fourth quarter, but still finished in positive territory for the 2024 calendar year. Strength in the U.S. could not offset downturns in other developed countries and emerging markets, which declined significantly in U.S. dollar terms during the quarter. There was a brief, sharp rally in the U.S. in the first half of November in response to former President Donald Trump's victory in the presidential election, as investors expressed optimism that the new administration's proposed tax cuts and loosening of regulations will boost economic growth. All three major U.S. equity market indexes—the Dow Jones Industrial Average, the broad-market S&P 500 Index, and the tech-heavy Nasdaq Composite Index—established record highs during the quarter. Among developed markets, Europe was particularly hard-hit amid concerns about political stability in France and Germany, as well as economic weakness. Emerging-market stocks lost ground due to investors' concerns about the potential impact of Trump's proposed tariffs on goods imported to the U.S., as well as disappointment regarding the Chinese government's fiscal stimulus.

North America, the only region to end the quarter in positive territory in U.S. dollar terms, was the top performer among developed markets, lifted by the rally in the U.S. Conversely, the Nordic countries were the weakest-performing developed markets due mainly to downturns in Denmark, Sweden, and Finland. The significant underperformance of Europe was attributable mainly to weakness in Portugal and Ireland. The Gulf Cooperation Council (GCC) countries led the emerging markets for the month, due largely to strength in the United Arab Emirates (UAR) and Kuwait, which garnered positive returns for the quarter. The weakest-performing emerging markets for the month included Latin America and the Association of Southeast Asian Nations (ASEAN), hampered mainly by market declines in Brazil and Indonesia, respectively.[1]

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

Global fixed-income assets, as measured by the Bloomberg Global Aggregate Bond Index, declined 5.1% for the quarter. High-yield bonds posted modest gains and were the strongest performers within the U.S. fixed-income market, followed by investment-grade corporate bonds, mortgage-backed securities (MBS), and U.S. Treasurys. Treasury yields declined for all maturities under one year over the quarter, and moved higher across the remainder of the curve. Yields on 2-, 3-, 5- and 10-year Treasury notes rose by corresponding margins of 0.59%, 0.69%, 0.80%, and 0.77%, ending the quarter at 4.25%, 4.27%, 4,38%, and 4.58%, respectively.[2] The spread between 10- and 2-year notes widened from +0.15% to +0.33% over the quarter, as the yield curve remained positively sloped (longer-term yields exceeded shorter-term yields). A positively sloped yield curve generally indicates that the economy is expected to grow in the future.

Global commodity prices, as represented by the Bloomberg Commodity Index, dipped 0.4% in the fourth quarter. The West Texas Intermediate (WTI) and Brent crude oil prices rose 5.2% and 4.1%, respectively, over the quarter due initially to concerns about the escalation of the military conflict in the Middle East (possibly leading to supply constraints) and, later in the quarter, a decline in inventory in the U.S. The gold spot price was down 0.7%, pressured by Donald Trump's election victory, which sparked a rally in the U.S. dollar. (The gold price typically moves inversely to the greenback.) The 6.0% upturn in the New York Mercantile Exchange (NYMEX) natural gas price during the quarter was attributable to increased demand spurred by below-average temperatures in much of the U.S. in December, as well as forecasts for continued cold weather in January. Wheat prices were down 5.6% for the period, hampered by increased production in Argentina, as well as U.S. dollar strength. (The wheat price typically moves inversely to the U.S. dollar.)

Donald Trump, a Republican, defeated his Democratic Party opponent, Vice President Kamala Harris, winning majorities in both the Electoral College and the popular vote. Trump is the first U.S. president since Grover Cleveland—who served from 1885 to 1889, and 1893 to 1897—to be elected to two non-consecutive terms. The president-elect ran on a populist platform focused on illegal immigration, crime, tariffs, and tax cuts.

On the geopolitical front, Ukraine launched U.S.-made long-range missiles into Russia for the first time in November. This action prompted Russian President Vladimir Putin to approve amendments to the nation's nuclear doctrine, expanding the conditions under which Russia may use nuclear weapons. In Syria, Hayat Tahrir al-Sham (HTS), an Islamist militant group, led a rebellion against the government of President Bashar al-Assad in late November and early December. HTS initially occupied Aleppo, Syria's second-largest city, and then captured Damascus, the nation's capital. Assad fled to Moscow, and the Russian government granted his request for asylum. The HTS subsequently formed a new transitional government in Syria.

Central banks

- By an 11-to-1 margin, the Federal Open Market Committee voted to reduce the federal-funds rate by 25 basis points (0.25%) to a range of 4.25% to 4.50% following its meeting on December 17-18. Cleveland Federal Reserve (Fed) President Beth Hammack voted to maintain the target rate in a range of 4.50% to 4.75%. In a statement announcing the rate decision, the Committee stated that, in considering further rate cuts, the Committee members will "carefully assess incoming data, the evolving outlook, and the balance of risks." The Fed's so-called dot plot of economic projections indicated a median federal-funds rate of 3.9% at the end of 2025, up from its previous estimate of 3.4% issued in September, signaling that the central bank anticipates federal-funds rate cuts totaling roughly 0.50% by the end of next year. The central bank's previous dot plot had projected that the benchmark rate would decline 1.0% in 2025. The Fed estimated that core inflation, as measured by the core personal-consumption-expenditures (PCE) price index, will rise by an annual rate of 2.5% next year—modestly higher than the central bank's 2.2% forecast in September. The personal-consumption-expenditures (PCE) price index is widely considered the Fed's preferred measure of inflation as it measures the prices that consumers pay for goods and services to reveal underlying inflation trends.

- In a split vote at its meeting on December 18, the Bank of England (BOE) maintained the Bank Rate at 4.75%. Three BOE Monetary Policy Committee (MPC) members voted for a 0.25% rate cut. In its announcement of the rate decision, the MPC appeared to take a somewhat hawkish tone, commenting that "wage growth and some

[2] According to the U.S. Department of the Treasury. As of December 31, 2024.

indicators of inflation expectations had risen, adding to the risk of inflation persistence." The MPC also noted that it is "monitoring the impact on growth and inflationary pressures from the measures announced in the Autumn Budget [for 2024], and from geopolitical tensions and trade policy uncertainty. These developments have generated additional uncertainties around the economic outlook."

- The European Central Bank (ECB) reduced its benchmark interest rate by 0.25% to 3.00% on December 12—its fourth rate cut over its past five meetings. The ECB previously implemented rate cuts of 0.25% in June, September, and October—the first reductions since September 2019. In a news release announcing the rate decision in December, the ECB's Governing Council stated that it is "determined to ensure that inflation stabilises sustainably at its 2% medium-term target." The central bank did not include the wording in its previous statement in October that it intended to "keep policy rates sufficiently restrictive for as long as necessary to achieve this aim." The ECB noted that recent data indicate "inflation will settle at around the Governing Council's 2% medium-term target on a sustained basis. Domestic inflation has edged down but remains high, mostly because wages and prices in certain sectors are still adjusting to the past inflation surge with a substantial delay."
- By an 8-to-1 margin, the Bank of Japan (BOJ) left its benchmark interest rate unchanged at 0.25% at its meeting on December 18-19. The central bank has been on hold since it raised the rate from 0.1% to 0.25% following its meeting at the end of July. One BOJ Policy Board member voted for a 0.25% increase to 0.50%, due to concerns about signs of increasing inflationary risks. In a statement announcing the rate decision, the BOJ noted that "services prices have continued to rise moderately, reflecting factors such as wage increases, although the effects of a pass-through to consumer prices of cost increases led by the past rise in import prices have waned. Inflation expectations have risen moderately." During a news conference following the meeting, BOJ Governor Kazuo Ueda commented that the central bank will be monitoring the labor market and assessing the possible impact of U.S. President-elect Donald Trump's trade policies on Japan's economy. "Taken together, the likelihood of Japan's economy moving in line with our forecast is heightening. But we'd like one notch more information to believe we can raise interest rates. That includes the sustainability of wage increases," Ueda said.
- The Bank of Canada (BOC) cut its policy rate by 0.50% to 3.25% following its December 11 meeting. In total, the central bank has reduced the rate by a full percentage point at its last two meetings. However, the BOC cautioned that it may slow the pace of its monetary policy easing. In its news release, the central bank stated that it "will be evaluating the need for further reductions in the policy rate one decision at a time. Our decisions will be guided by incoming information and our assessment of the implications for the inflation outlook." The BOC also noted that the possibility of new tariffs imposed on Canadian exports by the incoming U.S. presidential administration of Donald Trump, who will take office on January 20, "has increased uncertainty and clouded the economic outlook."
- The Swiss National Bank (SNB) reduced its benchmark interest rate by 0.50% to 0.50% following its meeting on December 12, exceeding market expectations of a 0.25% cut. The SNB projects that the average annual inflation rate will end 2024 at 1.1%, moderate to 0.3% in 2025, and then rise to 0.8% in 2026. In response to the rate-cut announcement, the Swiss franc briefly declined to a two-week low against the euro before rebounding later in the day.

Index data (Fourth quarter 2024)

- The Dow Jones Industrial Average increased by 0.93%.
- The S&P 500 Index rose by 2.41%.
- The NASDAQ Composite Index advanced by 6.35%.
- The MSCI ACWI (Net), used to gauge global equity performance, depreciated by 0.99%.
- The Bloomberg Global Aggregate Index, which represents global bond markets, fell 5.10%.
- The Chicago Board Options Exchange Volatility Index, a measure of implied volatility in the S&P 500 Index also known as the "fear index", advanced from 16.73 in September to 17.35.
- WTI Cushing crude oil prices, a key indicator of movements in the oil market, rose from $68.17 a barrel in September to $71.72 at the end of December.
- The U.S. dollar ended the quarter at $1.25 against sterling, $1.04 versus the euro, and at 157.16 yen.

Portfolio review

In quarter where U.S. stocks generally appreciated, the Growth Fund performed in line with its benchmark. Strong stock selection in industrials and energy offset weak selection in health care and information technology.

The Income Fund's longer duration posture detracted as yields rose over the quarter. Yield curve positioning, with an overweight to the front end of the curve, added. An overweight to agency mortgage-backed securities (MBS) proved costly, partially offset by selection in specified pools. An underweight to corporates hurt, pared by selection in banks. Overweights to asset-backed securities (ABS) and commercial mortgage-backed securities (CMBS), as well as selection in higher quality tranches of both, helped. An allocation to AAA rated collateralized loan obligations (CLOs) contributed as market participants priced out several Fed rate cuts.

Manager positioning and opportunities

Over the quarter, the Growth Fund continued to provide exposure to U.S. large-cap, mid-cap, and small-cap stocks. The 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.).

Over the quarter, the Income Fund increased its overweight to agency MBS as a high-quality liquid alternative to Treasurys with additional yield. It moved to an underweight position in corporates, led by a reduction in banks and industrials. The Fund continued to favor ABS in light of a solid labor market, a strong consumer, and accelerating home-price appreciation. In terms of yield-curve posture, the Fund moved toward the middle of the curve following further reductions in the federal-funds rate during the quarter.

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.

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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.

