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New Covenant Funds.

Global equity markets, as measured by the MSCI ACWI Index, posted modest losses for the first quarter of 2025. Positive returns in most global markets were offset by a downturn in the U.S. attributable to concerns about the impact of tariffs on imported goods imposed by the administration of President Donald Trump. Notably, there was significant divergence in market performance between the U.S. and Europe. Emerging markets outperformed developed markets over the period. Global fixed-income assets finished in positive territory for the quarter. Yields moved lower across the U.S. Treasury curve. (Prices move inversely to yields.) Uncertainty is one of the clear *certainties* of capital markets. In fact, any endeavor that involves discounting the future (such as investing) exists in the realm of uncertainty.

Economic backdrop

Global equity markets, as measured by the MSCI ACWI Index, posted modest losses for the first quarter of 2025. Positive performance in most global markets was offset by a downturn in the U.S. attributable to concerns about the impact of tariffs on imported goods imposed by the administration of President Donald Trump. During the quarter, U.S. stocks, as measured by the MSCI USA Index, underperformed their European counterparts, as represented by the MSCI Europe Index, by the largest margin in more than 30 years (in U.S. dollar terms).[1] Furthermore, the U.S. broad-market S&P 500 Index and the tech-heavy Nasdaq Composite Index recorded their largest quarterly losses since the third and second quarters of 2022, respectively.[2]

Emerging markets garnered positive returns and outperformed their developed-market counterparts during the first quarter. Eastern Europe led the emerging markets for the quarter attributable largely to strength in Poland and the Czech Republic. The Jordan + Egypt + Morocco market also performed well. The Association of Southeast Asian Nations (ASEAN) region recorded a negative return due mainly to weakness in Thailand and Indonesia. Europe was the top performer among the developed markets due mainly to strength in Spain, Italy, and Ireland. European stocks rose on the prospect of higher defense spending from the European Union after a controversial Oval Office meeting over military aid between U.S. President Donald Trump, U.S. Vice President J.D. Vance, and Ukrainian President Volodymyr Zelenskyy at the end of February. European shares retreated later in March after the Trump

[1] Source: Forbes, “European Stocks Surge Ahead Of S&P 500 In Q1 2025.” March 31, 2025.
[2] According to The Wall Street Journal. March 31, 2025.

administration announced tariffs of passenger vehicles, light trucks, and auto parts built outside of the U.S. Additionally, the Nordic countries benefited from significant market rallies in Norway, Sweden, and Finland.[3]

On February 3, a day before 25% across-the-board tariffs on Mexico and Canada (with an exception for Canadian energy, which faces a 10% duty) were scheduled to be implemented, the Trump administration reached agreements with Canada and Mexico to delay the levies for 30 days. This was only after Mexico agreed to send 10,000 troops to the border to combat the flow of fentanyl into the U.S., and Canada pledged to appoint a fentanyl czar, list cartels as terrorists, and launch a joint strike force with the U.S. to combat organized crime, fentanyl trafficking, and money laundering.

After the 25% tariffs on Canadian and Mexican imports took effect on March 4, the leaders of the respective countries announced plans to levy retaliatory tariffs on U.S. imports. In late March, the Trump administration announced 25% tariffs on passenger vehicles, light trucks, and parts built outside of the U.S. The administration also revealed its plan to impose reciprocal tariffs (which seek to match the levies that other countries impose on U.S. goods) on imports from countries that are the largest contributors to the U.S. trade deficit. Additionally, on April 2, Trump announced that the U.S. will impose 10% tariffs on imported goods from all U.S. trading partners, and significantly higher levies on countries that the administration believes have unfriendly trade policies. The tariffs were scheduled to be implemented on April 5. The ongoing tariff dispute remains highly volatile and in constant flux.

Global fixed-income assets, as measured by the Bloomberg Global Aggregate Bond Index, gained 2.6% for the quarter. Mortgage-backed securities (MBS) and U.S. Treasury securities were the strongest performers within the U.S. fixed-income market, while investment-grade corporate bonds and high-yield bonds recorded negative returns. Yields moved lower across the curve during the quarter. Yields on 2-, 3-, 5-, and 10-year Treasury notes fell by corresponding margins of 0.36%, 0.38%, 0.42%, and 0.35% to 3.89%, 3.89%, 3.96%, and 4.23%, respectively.[4] The decline in the yield on the 10-year Treasury resulted in a slightly inverted yield curve (three-month yields exceeded 10-year yields), which historically has predicted economic recessions.

Global commodity prices, as represented by the Bloomberg Commodity Index, increased 8.9% in the first quarter. A sharp rise in late March due to concerns regarding supply amid geopolitical tensions in the Middle East lifted the Brent crude oil price to a 0.2% uptick for the quarter to $74.77. The West Texas Intermediate (WTI) oil price also rallied, but ended the quarter with a small decline of 0.3% to $71.48. Oil prices had moved lower earlier in the quarter in response to an impending ramp-up in oil production by the Organization of the Petroleum Exporting Countries (OPEC) in April. The gold price reached multiple record highs over the quarter, climbing 19.3% as investors sought safe-haven assets amid concerns about the Trump administration's proposed tariffs, as well as a decline in the U.S. dollar. (The gold price typically moves inversely to the greenback.) The New York Mercantile Exchange (NYMEX) natural gas price surged 33.0% during the quarter as cold winter weather in the U.S. spurred an increase in demand. Wheat prices fell 2.6% during the quarter in response to a proposed ceasefire in the Russia-Ukraine war, which raised concerns about increased supply. The wheat price also was hampered by strong production from Australia and Argentina, as well as reduced imports from China.

On the geopolitical front, the Trump administration sought to enter into negotiations to end the Russia-Ukraine conflict after the president spoke with Russian President Vladimir Putin. Trump subsequently extended an invitation to Ukrainian President Volodymyr Zelenskyy to participate in negotiations with Putin for a ceasefire in the war. In late March, the Trump administration announced that Russia had agreed to a limited 30-day ceasefire in the conflict. Soon thereafter, however, Russian President Vladimir Putin demanded several conditions for the truce, including Ukraine's withdrawal from four regions in the country that Russia had annexed illegally in October 2022—but has not occupied—as well as the reduction of a North Atlantic Treaty Organization (NATO) military presence near Russia's borders.

Elsewhere, in mid-March, the U.S. launched a military strike against the Houthis, an Iran-backed militant group that seized Sanaa, Yemen's capital, in 2014. The Houthis have continually attacked numerous commercial ships sailing through the Bab el-Mandeb, the strait connecting the Gulf of Aden to the Red Sea and the Suez Canal. According to a spokesperson for the U.S. Department of Defense, the airstrikes hit more than 30 Houthi targets, including "terrorist training sites, unmanned aerial vehicle infrastructure, weapons manufacturing capabilities, and weapons storage facilities."

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

[4] According to the U.S. Department of the Treasury. As of March 31, 2025.

Central banks

- As widely anticipated, the Federal Open Market Committee (FOMC) left the federal-funds rate unchanged in a range of 4.25% to 4.50% following its meeting on March 18-19. In an apparent reference to the changes in U.S. trade policy, the FOMC noted in its statement announcing the rate decision that it will "adjust the stance of monetary policy as appropriate if risks emerge that could impede the attainment of the Committee's goals." The Federal Reserve's (Fed) so-called dot plot of economic projections indicated a median federal-funds rate of 3.9% at the end of 2025, unchanged from its previous estimate issued in December, signaling that the central bank anticipates two federal-funds rate cuts by the end of this year. The Fed estimated that U.S. gross domestic product (GDP) will increase 1.7% in 2025—down from the projected 2.1% annual growth rate in its previous dot plot. At a news conference following the Committee meeting on March 19, Fed Chair Jerome Powell acknowledged the uncertainty that the tariffs have created but stated that the central bank is waiting to gauge the impact that the trade policies will have on the economy going forward. He said, "Inflation has started to move up, we think partly in response to tariffs. And there may be a delay in further progress over the course of this year." Powell also commented that inflation stemming from tariffs likely will be "transitory," but it may be difficult to determine the level of inflation that is attributable to the tariffs.

- In an 8-1 vote at its meeting on March 20, the Bank of England (BOE) maintained the Bank Rate at 4.50%. One BOE Monetary Policy Committee (MPC) member voted for a 0.25% rate cut. In its announcement of the rate decision, the MPC cited its concerns regarding the U.S. tariffs and ongoing military conflicts in Eastern Europe and the Middle East. The central bank noted that "global trade policy uncertainty has intensified, and the United States has made a range of tariff announcements, to which some governments have responded. Other geopolitical uncertainties have also increased and indicators of financial market volatility have risen globally." The MPC also acknowledged that inflation remains sticky despite moderating price and wage pressures, commenting, "Although global energy prices have fallen back recently, they remain higher than last year and [consumer-price index] inflation is still projected to rise to around 3¾% in 2025 Q3. While inflation is expected to fall back thereafter, the Committee will pay close attention to any consequent signs of more lasting inflationary pressures."

- The European Central Bank (ECB) reduced its benchmark interest rate by 0.25% to 2.75% on March 6—its sixth rate cut over its past seven meetings. The ECB previously implemented rate cuts of 0.25% in June, September, October, and December 2024, and January of this year—the first reductions since September 2019. In a news release announcing the rate decision this month, the ECB's Governing Council commented, "Monetary policy is becoming meaningfully less restrictive," indicating that the central bank may pause its rate-cutting cycle in the near future. Several European countries have proposed significant increases in defense spending amid uncertainty regarding their alliance with the U.S. due to the Trump administration's waning support of Ukraine in its conflict with Russia. The ECB also reiterated that its monetary policy decisions going forward "will be based on its assessment of the inflation outlook in light of the incoming economic and financial data, the dynamics of underlying inflation and the strength of monetary policy transmission. The Governing Council is not pre-committing to a particular rate path."

- The Bank of Japan (BOJ) maintained its benchmark interest rate at 0.50% at its meeting on March 17-18. The central bank had raised the rate by 0.25% in late January. In a statement announcing the rate decision, the BOJ cited the possible economic impact of the Trump administration's tariffs, commenting that "there remain high uncertainties surrounding Japan's economic activity and prices, including the evolving situation regarding trade and other policies in each jurisdiction and developments in overseas economic activity and prices under such situation…Under these circumstances, it is necessary to pay due attention to developments in financial and foreign exchange markets and their impact on Japan's economic activity and prices." During a news conference following the announcement of the rate decision, BOJ Governor Kazuo Ueda also acknowledged the elevated risks of U.S. trade policy. "Over the past month or so, there have been rapid changes in the extent and the speed of U.S. tariffs," he said. "However, there are elements that we may not know until April, so the level of uncertainty will remain high."

- The uncertainty surrounding the Trump administration's on-again, off-again tariffs on imported goods from Canada led the Bank of Canada (BOC) to cut its policy rate by 0.25% to 2.75% following its March 12 meeting. In total, the central bank has reduced the rate by 2.25 percentage points at its last six meetings. In its news release, the BOC commented that "heightened trade tensions and tariffs imposed by the United States will likely slow the pace of economic activity and increase inflationary pressures in Canada. The economic outlook continues to be subject to more-than-usual uncertainty because of the rapidly evolving policy landscape." The central bank also noted that "the pervasive uncertainty created by continuously changing U.S. tariff threats is restraining consumers' spending intentions and businesses' plans to hire and invest. Monetary policy cannot offset the impacts of a trade war. What it can and must do is ensure that higher prices do not lead to ongoing inflation."

Index data (First quarter 2025)

- The Dow Jones Industrial Average decreased by 0.87%.
- The S&P 500 Index fell by 4.27%.
- The NASDAQ Composite Index retreated 10.26%.
- The MSCI ACWI (Net), used to gauge global equity performance, depreciated by 1.32%.
- The Bloomberg Global Aggregate Index, which represents global bond markets, rose 2.64%.
- 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 17.35 in December to 22.28.
- WTI Cushing crude oil prices, a key indicator of movements in the oil market, fell from $71.72 a barrel in December to $71.48 at the end of March.
- The U.S. dollar ended the quarter at $1.29 against sterling, $1.08 versus the euro, and at 149.54 yen.

Portfolio review

The Growth Fund's stock selection in consumer staples and industrials weighed on performance over the quarter, as did its exclusionary screens. An overweight to the outperforming healthcare sector, strong selection in consumer discretionary and materials, and the Fund's environmental, social, and governance tilt countered these losses.

The Income Fund's slightly longer duration posture enhanced performance as yields fell over the quarter. Its yield-curve positioning detracted as the yield curve flattened. An underweight to underperforming corporates (industrials) bolstered results, as did selection in industrials, specified agency MBS pools, and high-quality consumer asset-backed securities (ABS). Overweights to agency MBS, ABS, and commercial mortgage-backed securities (CMBS) detracted, as did an allocation to AAA rated collateralized loan obligations (with spreads widening) and positioning in high-quality CMBS tranches as lower-quality tranches outperformed. Metropolitan West Asset Management gained on its slightly longer duration, selection in MBS, and underweight to corporates. Income Research & Management's overweight to CMBS hurt, countered by selection in money center banks.

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 maintained overweights to agency MBS (a high-quality, higher-yielding, liquid alternative to Treasurys), ABS (on a solid labor market, strong consumer, and rising home prices), and CMBS. It retained a small underweight to corporates as it reduced its positions in banks and industrials. With investment-grade spreads near their tightest levels since the global financial crisis, managers have been gradually reducing their corporate positioning. In terms of yield-curve posture, the Fund moved into intermediate maturities following the Fed's 100 basis points (1.00%) of interest-rate cuts in 2024.

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.