

# New Covenant Funds

## Overview of Portfolio Construction and Social Screening



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# New Covenant Growth Fund

## Portfolio construction

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- › **Investment objective:** The Fund’s investment objective is long-term capital appreciation.
- › **Benchmark:** Russell 3000 Index
- › **Sub-Adviser:** Parametric Portfolio Associates LLC (Parametric)
- › The Fund invests primarily in a diversified portfolio of equity securities that are components of an index that represents broad exposure to the U.S. equity market (the “Index”), includes approximately 3,000 securities and is not concentrated in any particular industry. The Fund will seek generally to replicate the performance of the Index, 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.) (“Presbyterian Principles”).

### Implementation of the Presbyterian Principles:

1. **The Socially Responsible Screen** follows the social witness principles established by the General Assembly of the Presbyterian Church (U.S.A.) (“Presbyterian Principles”). The fund seeks to avoid investments in: tobacco, alcohol and gambling, for-profit prisons, and some companies related to weapons production, antipersonnel land mines, handguns and assault weapons
2. **Environmental, Social and Governance (ESG)** tilting applies ESG scores from Sustainalytics, via a systematic portfolio construction process, that seeks to achieve the following criteria:
  - Diversification is maintained as the weight in an excluded stock is simply re-allocated to a risk-equivalent stock
  - The Fund’s Tracking Error is constrained
  - Industry sector tilts remain within +/-0.60% of benchmark weight
  - The maximum overweight per security is constrained to +0.25% or less

Source: Parametric, New Covenant Funds Prospectus 10/31/2021.

# New Covenant Growth Fund

## Tilts based on Sustainalytics' ESG risk ratings

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- › ESG risk ratings on Key Performance Indicators (KPI), both sector-specific and worldwide
- › Exposure: a set of ESG-related factors that pose potential economic risks for companies; also viewed as a company's sensitivity or vulnerability to ESG risks
- › Management: commitments and actions that demonstrate how a company approaches and handles an ESG issue through policies, programs, corporate governance, and potential failure of management through involvement in controversies

Source: Sustainalytics

# New Covenant Income Fund

## Portfolio construction

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- › **Investment objective:** The Fund's investment objective is a high level of current income with preservation of capital.
- › **Benchmark:** Bloomberg Intermediate US Aggregate Bond Index
- › **Sub-Advisers:** Income Research & Management; Western Asset Management
- › The Fund invests primarily in corporate bonds and government bonds issued or guaranteed by the U.S. Government or one of its agencies, and mortgage-backed and asset backed securities. The Fund seeks to invest consistent with social-witness principles established by the General Assembly of the Presbyterian Church (U.S.A.) ("Presbyterian Principles").

### Implementation of the Presbyterian Principles

- 1. The Socially Responsible Screen** follows the social witness principles established by the General Assembly of the Presbyterian Church (U.S.A.) ("Presbyterian Principles"). The fund seeks to avoid investments in: tobacco, alcohol and gambling, for-profit prisons, and some companies related to weapons production, antipersonnel land mines, handguns and assault weapons
- 2. Environmental, Social and Governance (ESG)** screening seeks to tilt the portfolio toward the issuers with the highest ESG ratings (MSCI or proprietary manager ranking methodologies)
  - Income Research + Management utilizes a proprietary ESG ranking methodology that classifies companies as Leaders, Neutral, or Laggards. This manager seeks to limit laggards to 12% of the portfolio.
  - Western Asset Management utilizes MSCI ESG ranking/rating classifications. This manager seeks to limit companies whose MSCI ESG rating is below BBB to 12%.

Source: Income Research + Management, Western Asset Management, New Covenant Funds Prospectus 10/31/2021.

# New Covenant Income Fund

## MSCI ESG fund ratings

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- › Aims to provide fund level transparency to help clients better understand and measure the ESG characteristics of the total portfolio, and rank or screen funds based on a diverse set of ESG exposure categories
- › Designed to assess the resilience of a fund's aggregate holdings to long term ESG risks and opportunities; Highly rated funds consist of issuers with leading or improving management of key ESG risks
- › Evaluation of ESG attributes of the funds which fall under three categories:
  - Sustainable Impact: fund exposure to companies that address core environmental and social challenges
  - Values Alignment: screens funds for investments that align with ethical, religious or political values
  - Risk: understand fund exposure to ESG-related risks

Source: MSCI

# Important information

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The Russell 3000 Index measures the performance of the largest 3000 U.S. companies representing approximately 98% of the investable U.S. equity market.

The Bloomberg U.S. Intermediate US Aggregate Bond Index is an unmanaged index generally representative of intermediate investment grade government and corporate debt securities with maturities of 10 years or less.

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](http://www.sustainalytics.com)

MSCI is a leading provider of critical decision support tools and services for the global investment community. MSCI ESG Research products and services are provided by MSCI ESG Research LLC, and are designed to provide in-depth research, ratings and analysis of environmental, social and governance-related business practices to companies worldwide. ESG ratings, data and analysis from MSCI ESG Research LLC are also used in the construction of the MSCI ESG Indexes. MSCI ESG Research LLC is a Registered Investment Adviser under the Investment Advisers Act of 1940 and a subsidiary of MSCI Inc. For more information, visit [www.msci.com](http://www.msci.com)

Tracking Error is the risk that an investment's performance may vary substantially from the performance of the Index it tracks.

A Basis Point is equal to one hundredth of one percent.

# Important information

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***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.***

Investing involves risk including possible loss of principal. There is no assurance that the objectives of any strategy or fund will be achieved or will be successful. No investment strategy, including diversification, can protect against market risk or loss. Holdings subject to change.

Current and future portfolio holdings are subject to risk. In addition to the normal risks associated with equity investing, 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.

Environmental, social and governance (ESG) guidelines may cause a manager to make or avoid certain investment decisions when it may be disadvantageous to do so. This means that these investments may underperform other similar investments that do not consider ESG guidelines when making investment decisions.

# Important information

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The Fund seeks 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 Fund seeks 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 Fund may also screen companies for other reasons when deemed appropriate to implement the Presbyterian Principles. The Fund 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 Fund may underperform other similar mutual funds that do not consider social-witness principles in their investing.

The Fund is subject to tracking error risk or the risk that the Fund's performance may vary substantially from the performance of the Index it tracks. The Fund may invest in derivatives, which are often more volatile than other investments and may magnify the Fund's gains or losses. Bond and bond funds are subject to interest rate risk and will decline in value as interest rates rise.

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 SEI funds, which are distributed by SEI Investments Distribution Co (SIDCO). SIMC and SIDCO are wholly owned subsidiaries of SEI Investments Company (SEI).