New Covenant Funds.

Global equity markets garnered positive returns over the first quarter of 2024, due to optimism that major central banks will begin to cut interest rates sometime this year. Generally upbeat corporate earnings reports also bolstered investors' confidence. Global fixed-income assets lost ground for the quarter. U.S. Treasury yields rose across the curve—with the exception of 1- and 2-month Treasury bills—over the quarter (bond prices move inversely to yields). While it is true that equity performance has broadened thus far in 2024—Japanese equities are enjoying a strong rally and the "Magnificent Seven" mega-cap technology stocks are ending their run in favor of the "Fab Four" or maybe the "Terrific Trio"—quite a bit of good news is already priced into the U.S. market.

Economic backdrop

Global equity markets garnered positive returns over the first quarter of 2024, due to optimism that major central banks will begin to cut interest rates sometime this year. Investors had a positive reaction to the Federal Reserve's (Fed) monetary policy announcement and so-called dot plot of economic projections, released in March, which indicated that the central bank remained on track to pivot to interest-rate cuts as soon as June of this year. Generally positive corporate earnings reports also bolstered the markets. This offset previous concerns that stickier-than-expected inflation data would prompt the Fed and other central banks to delay a pivot to interest-rate cuts. Developed markets outperformed their emerging-market counterparts during the quarter. North America led the major developed markets for the quarter due to notable strength in the U.S. All three major U.S. equity market indexes reached new highs late in the quarter, with the broad-market S&P 500 Index recording its strongest start to a calendar year since 2019.[1] The Pacific ex. Japan region was the primary developed-market laggard, as Hong Kong and New Zealand recorded negative returns for the quarter. Europe was the top-performing region within emerging markets for the quarter, led by strength in Greece and Poland. Conversely, Latin America was the most notable underperformer due to relative weakness in Brazil and Chile.[2]

Global fixed-income assets, as measured by the Bloomberg Global Aggregate Bond Index, declined 2.1% in the first quarter. High-yield bonds registered modest gains for the quarter and led the U.S. fixed-income market, while U.S. Treasury securities,

[1] According to The Wall Street Journal. March 29, 2024.
[2] All equity market performance statements are based on the MSCI ACWI Index.

©2024 SEI®

corporate bonds, and mortgage-backed securities recorded losses.[3] Treasury yields rose across the curve—with the exception of 1- and 2-month Treasury bills—over the quarter. Yields on 2-, 3-, 5- and 10-year Treasury notes increased 0.36%, 0.39%, 0.37% and 0.32%, respectively. The spread between 10- and 2-year notes widened from –0.35% to –0.39% over the quarter, and the yield curve remained inverted.[4]

Global commodity prices, as measured by the Bloomberg Commodity Total Return Index, rose 2.2% for the first quarter. The West Texas Intermediate (WTI) and Brent crude oil prices rallied during the period as ongoing geopolitical tensions in the Middle East spurred investors' worries about a disruption in oil exports. WTI and Brent crude oil prices ended the quarter with gains of 16.0% and 13.0%, respectively. The New York Mercantile Exchange (NYMEX) natural gas price plunged 24.7% over the quarter amid slowing demand due to above-average winter temperatures in the U.S. The 8.8% decline in the gold spot price was attributable to stronger-than-expected U.S. economic data and the rise in U.S. Treasury yields during the quarter. (The gold price typically moves inversely to bond yields.) Wheat prices were down 10.6% for the period amid relatively weaker demand for exports from the U.S.[5]

As widely anticipated, the Federal Open Market Committee (FOMC) maintained the federal-funds rate in a range of 5.25% to 5.50% following its meeting on March 19-20. In a statement announcing the continuation of the pause in its rate-hiking cycle, the FOMC noted, "Inflation has eased over the past year but remains elevated. The Committee does not expect it will be appropriate to reduce the target range until it has gained greater confidence that inflation is moving sustainably toward 2 percent."

During a news conference following the FOMC's meeting, Fed Chair Jerome Powell noted that continued strong labor market data would not preclude rate cuts. Powell said "Strong hiring in and of itself would not be a reason to hold off on rate cuts." He also acknowledged that the January and February consumer-price index (CPI) data and core personal-consumption expenditure (PCE) inflation for January came in a bit hotter than expected. Powell said, "We don't really know if this is a bump on the road or something more. We'll have to find out."

On the geopolitical front, the Russia-Ukraine and Israel-Hamas military conflicts continued. Russia's invasion of Ukraine marked its second anniversary on February 24, with little hope for a resolution in the near term. Republican Party leaders in the U.S. House of Representatives rejected a bipartisan bill approved in the Senate that would have provided $95 billion in military aid for Ukraine, Israel, and Taiwan. In mid-March, the administration of President Joe Biden announced a plan to send $300 million more in ammunition and other weapons to Ukraine while the U.S. Congress debated a new aid package.

The U.S.- and U.K.-led coalition (with support from Australia, Bahrain, Canada, Denmark, and the Netherlands) continued to engage in a military conflict with the Houthi movement, an Iran-backed militant group that seized Sanaa, Yemen's capital, in 2014. In late February, the coalition struck 18 Houthi targets in Yemen, including underground weapons storage facilities, missile storage facilities, air defense systems, radars, and a helicopter. In a news release, the U.S. Central Command noted that the military strikes sought to "degrade Houthi capability and disrupt their continued reckless and unlawful attacks on international commercial and U.S. and U.K. vessels in the Red Sea, Bab Al-Mandeb Strait, and the Gulf of Aden." The Houthis have attacked U.S. military bases in Iraq and Syria, as well as numerous commercial ships in the Red Sea. This has forced international shipping companies to reroute their vessels around the Cape of Good Hope in South Africa, putting upward pressure on freight costs. In late March, the Houthis reached agreements with China and Russia to allow safe passage for their ships through the Red Sea and Gulf of Aden.

Elsewhere, in late March, the Francis Scott Key Bridge over the Patapsco River in Baltimore, Maryland, collapsed after a Singapore-registered cargo ship struck its support columns. The accident resulted in the deaths of six construction workers who had been repairing potholes on the bridge. Consequently, Baltimore Harbor, which is a major global shipping channel, was closed, leading to a back-up for cargo ships that were unable to pass through the river into the Chesapeake Bay and, ultimately, the Atlantic Ocean. There initially were concerns that the disaster could disrupt the global supply chain and have a negative impact on the local economy, as many dockworkers are employed in the cargo shipping industry and an estimated 30,000 vehicles crossed the bridge each day.

---

[3] According to the Bloomberg US High Yield Index, the Bloomberg US Corporate Investment Grade Index, and the Bloomberg US Treasury Index.
[4] According to the U.S. Department of the Treasury. April 1, 2024.
[5] According to market data from The Wall Street Journal.

Central banks

- The Fed's so-called dot plot of economic projections indicated a median federal-funds rate of 4.6% at the end of 2024, unchanged from its previous estimate issued in December, signaling that the central bank still may reduce the federal-funds rate by roughly 75 basis points (0.75%)—most likely in three increments of 25 basis points—by the end of 2024. The dot plot also projected that core personal-consumption-expenditures (PCE) inflation could tick up from its most recent annual increase of 2.4% in January to 2.6% by the end of 2024.[6] 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).

- Following its meeting on March 20, the Bank of England (BOE) left the Bank Rate unchanged at a 15-year high of 5.25%. However, the rate decision was not unanimous; one of the nine BOE Monetary Policy Committee (MPC) members supported a 25-basis-point reduction in the benchmark interest rate. In its announcement of the rate decision, the BOE commented that inflation is falling "relatively sharply," and acknowledged that its "restrictive stance of monetary policy is weighing on activity in the real economy, is leading to a looser labor market, and is bearing down on inflationary pressures. Nonetheless, key indicators of inflation persistence remain elevated." The central bank also noted that wage increases are slowing.[7]

- The European Central Bank (ECB) left its benchmark interest rate unchanged at 4.50% following its meeting on March 7. In a statement announcing the rate decision, the ECB's Governing Council stated, "Although most measures of underlying inflation have eased further, domestic price pressures remain high, in part owing to strong growth in wages. Financing conditions are restrictive and the past interest rate increases continue to weigh on demand, which is helping push down inflation." The central bank also reiterated its position that "future decisions will ensure that policy rates will be set at sufficiently restrictive levels for as long as necessary.[8] Elsewhere in Europe, the Swiss National Bank unexpectedly reduced its benchmark rate by 25 basis points to 1.50% following its meeting on March 21—the first rate cut by a major central bank during the current global monetary policy tightening cycle that began in early 2022.[9]

- In a notable departure from its longstanding policy of maintaining negative interest rates, the Bank of Japan (BOJ) raised its benchmark rate from -0.1% to a range of 0.0% to 0.1% after its meeting on March 18-19. In addition, the BOJ discontinued its program of yield-curve control, under which it had maintained an upper yield limit of 1.0% for the 10-year Japanese Government Bond. In a statement announcing the monetary policy actions, the central bank noted, "With the price stability target of 2 percent, [the BOJ] will conduct monetary policy as appropriate, guiding the short-term interest rate as a primary policy tool, in response to developments in economic activity and prices as well as financial conditions from the perspective of sustainable and stable achievement of the target."[10]

Index data (First quarter 2024)

- The Dow Jones Industrial Average increased by 6.14%.
- The S&P 500 Index rose by 10.56%.
- The NASDAQ Composite Index increased by 9.31%.
- The MSCI ACWI (Net), used to gauge global equity performance, appreciated by 8.20%.
- The Bloomberg Global Aggregate Index, which represents global bond markets, decreased by 2.08%.
- 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 12.45 in December to 13.01.
- WTI Cushing crude oil prices, a key indicator of movements in the oil market, rose from $71.65 a barrel in December to $83.17 at the end of March.
- The U.S. dollar ended the quarter at $1.26 against sterling, $1.08 versus the euro, and at 151.35 yen.

[6] Federal Reserve.
[7] Bank of England.
[8] European Central Bank.
[9] Swiss National Bank.
[10] Bank of Japan.

Portfolio review

The Growth Fund's lack of exposure to larger energy stocks in the benchmark weighed on results over the quarter. Its selection in industrials and financials also proved costly.

During the quarter, the Income Fund's overweight to 30-year Treasurys benefited performance with the yield curve flattening. Other contributors included overweights to corporate bonds, including 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, transportation, energy, and higher-quality CMBS tranches. Its slightly long duration posture detracted from performance with yields rising over the quarter, as did an overweight to the underperforming agency mortgage-backed securities (MBS) sector and an underweight to lower-quality CMBS tranches. Income Research & Management's overweights to corporate bonds, financials, ABS, and CMBS proved beneficial, as did an underweight to agency MBS. Selection in money center banks, transportation, consumer cyclical, ABS, specified agency MBS pools, and CMBS at the top of the capital structure contributed as well. Detractors included underweights to industrials and non-corporates. Western Asset Management's longer duration posture weighed on performance. Other detractors included an overweight to agency MBS and allocations to non-dollar currencies. This was partially offset by overweights to 30-year Treasurys, corporates, industrials, financials, banks (through money center banks), ABS, CMBS, and non-corporates; allocations to non-agency mortgages and AAA rated CLOs; and selection in dollar-denominated sovereigns and foreign agencies.

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, with overweights in the belly and the long end of the yield curve. With the Federal Reserve 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. We added slightly to duration positioning as yields moved higher over the quarter. 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 the Federal Reserve nears the conclusion of its rate-hiking cycle and markets reprice to reflect the prospect of fewer rate cuts this year.

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.

©2024 SEI®

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