

New Covenant Funds.



Global equities, as measured by the MSCI ACWI Index, finished in positive territory in the third quarter of 2025, amid optimism regarding the Fed's interest-rate cut and anticipated monetary policy easing by other major central banks, as well as generally upbeat corporate earnings news. Emerging markets outperformed developed markets. Global fixed-income assets posted modest gains for the quarter. U.S. Treasury yields moved lower across the yield curve. (Bond prices move inversely to yields.) Diversification within equity markets remains our key call for the remainder of 2025.

Economic backdrop

Global equities, as measured by the MSCI ACWI Index, finished in positive territory in the third quarter of 2025, amid optimism regarding the Federal Reserve's (Fed) interest-rate cut and anticipated monetary policy easing by several other major central banks, as well as generally upbeat corporate earnings news, particularly in the information technology sector. Emerging markets outperformed developed markets.

The Far East led the emerging markets during the quarter, bolstered by strength in China, Thailand, and Taiwan. Additionally, Latin America's robust performance was attributable to significant upturns in Peru and Colombia. Eastern Europe registered a positive return for the quarter, but was the primary emerging-market laggard due to relative weakness in Poland. North America was the strongest performer among the developed markets for the quarter, with notable rallies in both Canada and the U.S., while the Far East benefited from strength in Singapore and Japan. Conversely, the Nordic countries ended the quarter in negative territory due to a sharp market decline in Denmark.¹

Global fixed-income assets, as represented by the Bloomberg Global Aggregate Bond Index, edged up 0.6% (in U.S. dollars) in the third quarter. Investment-grade corporate bonds led the U.S. fixed-income market, followed by high-yield bonds, mortgage-backed securities (MBS), and U.S. Treasuries. Treasury yields moved lower across the yield curve. Yields on 2-, 3-, 5-, and 10-year Treasury notes declined by corresponding margins of 0.12%, 0.07%, 0.05%, and 0.08%, ending the quarter at 3.60%, 3.61%, 3.74%, and 4.15%, respectively. The 10-year to 3-month yield curve normalized after being inverted (3-month yields were higher than 10-year yields) at the beginning of the quarter, widening to +0.14% as of September 30.²

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

² According to the U.S. Department of the Treasury. As of September 30, 2025.

Global commodity prices, as measured by the Bloomberg Commodity Index, gained 3.7% in the third quarter. The spot prices for West Texas Intermediate (WTI) and Brent crude oil fell 4.2% and 1.1%, respectively, over the quarter, hampered by an increase in supply and softer demand. Ongoing geopolitical tensions in the Middle East, Russia, and Ukraine contributed to the 16.8% surge in the gold price to numerous record highs over the quarter as investors sought safe-haven assets. The 5.4% decline in the New York Mercantile Exchange (NYMEX) natural gas price for the quarter was attributable to softer demand, high output, and growing inventories. The wheat price was down 5.6% for the quarter amid an increase in global production. Furthermore, the upcoming harvest in the U.S., the European Union (EU), and the Black Sea region is expected to yield abundant new supply, which would weigh on wheat prices.

U.S. trade policy remained a focal point for global financial markets in the third quarter. In late August, a U.S. federal appeals court upheld a lower-court decision striking down the tariffs that President Donald Trump has implemented this year. The court ruled by a 7-4 margin that Trump had exceeded his authority under the International Emergency Economic Powers Act (IEEPA). The court found that IEEPA does not explicitly authorize the president to impose tariffs, which fall under the purview of the U.S. Congress. However, the court let the tariffs remain in place until mid-October to allow time for a potential U.S. Supreme Court appeal. In late September, Trump announced in a social media post that his administration would be imposing tariffs of 100% on branded or patented pharmaceutical drugs (with an exception for companies building plants in the U.S.); and 25% on heavy trucks, which took effect on October 1. Additional tariffs of 50% on kitchen cabinets, vanities, and similar products, and 30% on upholstered furniture, are scheduled to be implemented on October 14.

On the geopolitical front, towards the end of the quarter, Trump introduced a 20-point plan to end the Gaza war between Israel and Hamas. Among other provisions, the proposal calls for the creation of a "Board of Peace" to oversee interim governance in Gaza, and Israel would gradually withdraw its military forces but maintain a security buffer zone around Gaza.

The plan also leaves open the possibility of a Palestinian state, but does not mention a "two-state solution." Trump stated that, if Hamas does not accept the terms of the plan, "Israel would have my full backing to finish the job of destroying the threat of Hamas."

Central banks

- In a split 11-1 vote, the Federal Open Market Committee (FOMC) reduced the federal funds rate by 25 basis points (0.25%) to a range of 4.00% to 4.25% following its meeting on September 16-17—its first rate cut since December 2024. Stephen Miran, a recent appointee of President Donald Trump, supported a 0.50% rate decrease. In a statement announcing the rate decision, the FOMC commented, "In considering additional adjustments to the target range for the federal funds rate, the Committee 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 3.6% at the end of 2025, down from its previous estimate of 3.9% issued in June, signaling that the central bank anticipates two more federal funds rate cuts by the end of this year. The Fed estimated that core inflation, as measured by the core personal-consumption expenditures (PCE) price index—which measures the prices that consumers pay for goods and services (excluding volatile food and energy prices) to reveal underlying inflation trends—will rise 3.1% for the 2025 calendar year, unchanged from its forecast in June. Additionally, the FOMC pegged U.S. gross domestic product (GDP) at 1.6% in 2025—an upward revision from the projected 1.4% annual growth rate in its previous dot plot.
- As widely anticipated, the European Central Bank (ECB) left its benchmark interest rate unchanged at 2.00%—its lowest level since November 2022—following its meeting on September 10-11, citing concerns regarding the impact of the Trump administration's tariffs on inflation and economic growth in the region. In a news release announcing the rate decision, the ECB's Governing Council noted that its inflation outlook is unchanged since its meeting in August and that it is "determined to ensure that inflation stabilises at its 2% target in the medium term." The Governing Council also said that its "interest rate decisions will be based on its assessment of the inflation outlook and the risks surrounding it, in light of the incoming economic and financial data, as well as the dynamics of underlying inflation and the strength of monetary policy transmission. The Governing Council is not pre-committing to a particular rate path."
- At its meeting on September 17, the Bank of England (BOE) voted by a 7-2 margin to maintain the Bank Rate at 4.00%—remaining at its lowest level since March 2023. Two BOE Monetary Policy Committee (MPC) members

avored a 0.25% reduction to the policy rate. Additionally, the MPC will slow the pace of the reduction of its holdings in U.K. gilts between October of this year and September 2026, to £70 billion from £100 billion over the previous 12-month period, in an effort to ease the upward pressure on gilt yields. During a news conference on September 18, BOE Governor Andrew Bailey said, "The new target means the MPC can continue to reduce the size of the Bank's balance sheet in line with its monetary policy objectives while continuing to minimize the impact of gilt market conditions." According to minutes of the meeting, the MPC members "judged that a gradual and careful approach to the further withdrawal of monetary policy restraint remained appropriate. The restrictiveness of monetary policy had fallen as Bank Rate had been reduced. The timing and pace of future reductions in the restrictiveness of policy would depend on the extent to which underlying disinflationary pressures would continue to ease."

- By a 7-2 majority, the Bank of Japan (BOJ) voted to maintain its benchmark interest rate at 0.50% at its meeting on September 18-19, indicating a sooner-than-expected unwinding of its monetary stimulus. The central bank has stood pat since raising the rate by 0.25% in late January of this year. Two BOJ Policy Board members favored a 0.25% rate hike. In a statement announcing the rate decision, the BOJ projected that the country's economic growth will moderate "as trade and other policies in each jurisdiction lead to a slowdown in overseas economies and to a decline in domestic corporate profits and other factors, although factors such as accommodative financial conditions are expected to provide support." The central bank also announced the sale of its holdings in exchange-traded funds (ETFs) (¥330 billion or US\$2.2 billion annually) and Japanese real-estate investment trusts (J-REITs) (¥5 billion or US\$33.8 million per year). At a news conference following the central bank's meeting, BOJ Governor Kazuo Ueda commented that he is monitoring the economic impact of the Trump administration's tariffs. "So far, we're not seeing a major impact from U.S. tariffs on Japan's economy," he said. "But we need to be mindful of downside economic and price risks, as the impact from U.S. tariffs will start to intensify."
- At its September 17 meeting, the Bank of Canada (BOC) reduced its policy rate by 0.25% to a three-year low of 2.50%—the first rate cut since March of this year. In a statement announcing the monetary policy decision, the BOC noted that, given Canada's weaker economic outlook and lower risk of higher inflation due to the Canadian government's removal of most retaliatory tariffs on imported goods from the U.S., "[the BOC] Governing Council judged that a reduction in the policy rate was appropriate to better balance the risks." During a news conference following the rate-cut announcement, BOC Governor Tiff Macklem acknowledged the ongoing uncertainty surrounding the Trump administration's tariffs on imported goods from Canada. "Through the recent period of trade upheaval, Governing Council has been proceeding carefully, paying particular attention to the risks and uncertainties facing the Canadian economy," he commented.

Index data (Third quarter 2025)

- The Dow Jones Industrial Average increased by 5.67%.
- The S&P 500 Index rose by 8.12%.
- The NASDAQ Composite Index advanced 11.41%.
- The MSCI ACWI (Net), used to gauge global equity performance, appreciated by 7.62%.
- The Bloomberg Global Aggregate Index, which represents global bond markets, rose 0.60%.
- 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 16.73 in June to 16.28.
- WTI Cushing crude oil prices, a key indicator of movements in the oil market, fell from \$65.11 a barrel in June to \$62.37 at the end of September.
- The U.S. dollar ended the quarter at \$1.35 against sterling, \$1.18 versus the euro, and at 147.69 yen.

Portfolio review

The Growth Fund's holdings in aerospace & defense, information technology, and energy challenged performance over the quarter. An overweight to the outperforming information technology sector pared these losses. The Fund benefited from not owning tobacco stocks.

The Income Fund's slightly longer duration and overweight to shorter maturities enhanced performance as short-term yields fell and the yield curve steepened over the quarter. Other contributors to performance included overweights to agency MBS, asset-backed securities (ABS), and commercial MBS (CMBS), as well as selection in specified agency MBS pools, banks, and high-quality consumer ABS. Detractors from performance included a small underweight to outperforming corporates, an allocation to AAA rated collateralized loan obligations (given a sharp decline in short-term yields), and positioning in higher-quality CMBS tranches as lower-quality tranches outperformed. Metropolitan West Asset Management's slightly longer duration, positioning for a steeper yield curve, and selection in agency MBS added to performance; this was pared by an underweight to corporates. Income Research and Management's overweights to ABS and CMBS helped performance; this was partially offset by selection in industrials.

Manager positioning and opportunities

Over the quarter, the Fund continued to provide exposure to U.S. large-, mid-, and small-cap stocks while avoiding securities that violate its investment screens. 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 Treasuries), ABS (on a solid labor market, strong consumer, and modest home price appreciation), and CMBS. Given tight spreads, the Fund retained a small underweight to corporates, primarily in industrials. In terms of yield-curve posture, the Fund remained in intermediate maturities following the Fed's September interest-rate cut. The Fund maintained a steepening bias given the likelihood of further rate cuts and upward pressure on long-term yields.

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 underweighting 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.