VIEWS | DECEMBER 2025

Quarterly market commentary: New Covenant Funds.

Global equities, as measured by the MSCI ACWI Index, garnered positive returns in the fourth quarter of 2025. Investors were encouraged by central bank monetary policy easing, relatively strong corporate earnings, and softening trade tensions between the U.S. and China. Emerging markets outperformed developed markets for the quarter. Global fixed-income assets posted marginal gains for the quarter. U.S. Treasury yields moved lower in all but the 20- and 30-year segments of the yield curve. We believe that both monetary and fiscal policies will remain supportive of risk assets.

Economic backdrop

Global equities, as measured by the MSCI ACWI Index, garnered positive returns in the fourth quarter of 2025. Investors were encouraged by central bank monetary policy easing, relatively strong corporate earnings, and softening trade tensions between the U.S. and China. Emerging markets outperformed developed markets for the quarter.

The Nordic countries were the strongest performers among the developed markets for the fourth quarter led by Finland and Sweden. Europe benefited from sharp upturns in Austria, Ireland, Spain, and Switzerland. The Pacific ex Japan and Pacific regions underperformed due to market downturns in Australia and New Zealand. Europe and Eastern Europe were the top emerging-market performers over the quarter, bolstered by strength in Hungary and Poland. Conversely, Chinese stocks listed on the Hong Kong Stock Exchange recorded negative returns. The Gulf Cooperation Council (GCC) countries also lagged due to weakness in Saudi Arabia, Qatar, and Kuwait.

Global fixed-income assets, as represented by the Bloomberg Global Aggregate Bond Index, edged up 0.2% (in U.S. dollars) in the fourth quarter. Mortgage-backed securities (MBS) led the U.S. fixed-income market, followed by high-yield bonds, investment-grade corporate bonds, and U.S. Treasury securities. Treasury yields modestly declined in the short and intermediate parts of the yield curve, and moved slightly higher in the 7-, 10-, 20-, and 30-year segments. (Bond prices move inversely to yields.) Yields on 2-, 3-, and 5-year Treasury notes dipped by corresponding margins of 0.13%, 0.06%, and 0.01%, ending the quarter at 3.47%, 3.55%, and 3.73%, respectively, while the 10-year yield ticked up 0.02% to 4.18% The 10-year to 3-month yield curve widened by 35 basis points (0.35%) to +0.51% as of the December 31.[1]

Global commodity prices, as measured by the Bloomberg Commodity Index, rose 5.8% in the fourth quarter. The spot prices for West Texas Intermediate (WTI) and Brent crude oil fell 7.9% and 7.8%, respectively, during the quarter due to increased output from both Organization of the Petroleum Exporting Countries (OPEC) and non-OPEC producers and softer demand. Additionally, investors were concerned that a proposed peace plan for the Russia-Ukraine conflict, released in November, could increase exports from Russia. The 12.1% rise in the gold price for the quarter was in response to Federal Reserve (Fed)

[1] According to the U.S. Department of the Treasury. As of December 31, 2025.

interest-rate cuts in November and December, as well as escalating geopolitical tensions, particularly the U.S. government's blockade of Venezuelan oil tankers in the Caribbean Sea. After climbing steadily for much of the quarter, the New York Mercantile Exchange (NYMEX) natural gas price ended the period down 5.2% following a steep decline in late December. The downturn was attributable mainly to investors' profit-taking, a decrease in demand due to forecasts of milder winter weather in parts of the U.S., as well as record-high output and rising inventories.

On November 12, President Donald Trump signed a spending package to reopen the federal government after a 43-day shutdown—the longest in U.S. history—after the House of Representatives and Senate passed the legislation by votes of 222-209 and 60-40, respectively. The political dispute centered on the demand of the Democrats, who are the minority party in both houses of Congress, for an extension of the enhanced Affordable Care Act (ACA) health insurance subsidies enacted during the COVID-19 pandemic in 2021, and to restore the cuts to the Medicaid program mandated in the One Big Beautiful Bill Act, which Trump signed into law in July.

The agreement funds the government through January 30, 2026; provides full funding through the end of the fiscal year on September 30 for the Department of Agriculture, the legislative branch, and military construction; and guarantees the rehiring of furloughed workers and back pay for all federal employees. Furthermore, though the bill did not extend the Affordable Care Act (ACA) subsidies, the Senate pledged to hold a vote on the issue by mid-December. However, the proposed legislation on the subsidies failed to garner the 60 votes needed to pass.

There was an unexpected development regarding U.S. trade policy in mid-November. The Trump administration reversed several tariffs that were previously imposed on food imports in an effort to cut costs for both consumers and businesses, and ease inflationary pressures in the food sector. The lower tariffs, which were applied retroactively to November 13, include beef, coffee, and more than 100 agricultural and food products. The lower levies apply to imports from all countries—not just those with trade deals. Several U.S.-based businesses have challenged the legality of the tariffs with the U.S. Supreme Court, which could issue a decision on the matter sometime in January. Additionally, just before the end of the year, Trump announced a one-year delay for tariffs on imported lumber-based goods, including upholstered furniture, kitchen cabinets, and vanities. The levies were scheduled to take effect on January 1.

On the geopolitical front, in late November, the Trump administration announced a plan to end the Russia-Ukraine war, which began in February 2022. The plan would provide limited security guarantees for Ukraine, excluding direct military assistance. However, Ukraine would be required to cede the eastern Donbas region to Russia and accept Russia's control over other contested regions. Additionally, the plan would limit Ukraine's military forces to 600,000 members and bans Ukraine from joining the North Atlantic Treaty Organization (NATO), which provides security guarantees for its member nations.

In late December, Trump discussed the peace plan in a phone call with Russian President Vladimir Putin and met with Ukrainian President Volodymyr Zelensky at his Mar-A-Lago home in Florida. Trump and Zelensky reviewed a revised draft peace plan, which includes a referendum on territorial concessions and presidential elections in Ukraine. The original U.S. proposal faced criticism for being too favorable to Russia. Putin agreed to create two working groups—security and economic—with discussions expected to start in early January. Following the meeting, Trump and Zelensky expressed optimism that they could reach an agreement. However, it appeared that significant disputes—particularly over territory—could dampen the chances of a resolution in the near future.

Central banks

- In a split 9-3 vote, the Federal Open Market Committee (FOMC) reduced the federal funds rate by 25 basis points (0.25%) to a range of 3.50%-3.75% following its meeting on December 9-10. One FOMC member favored a 0.50% decrease, while two regional bank presidents voted to leave the rate unchanged. In a statement announcing the rate decision, the FOMC noted, "Job gains have slowed this year, and the unemployment rate has edged up through September. More recent indicators are consistent with these developments." The Committee also noted that inflation "remains somewhat elevated." The Fed's so-called dot plot of economic projections indicated a median federal funds rate of 3.4% at the end of 2026, signaling that the central bank anticipates just one rate cut for the year. The Fed projected that core inflation, as measured by the core personal-consumption expenditures (PCE) price index will rise 3.0% for the full 2025 calendar year and then cool to 2.5% in 2026.

- The European Central Bank (ECB) left its benchmark interest rate unchanged at 2.00% for its fourth consecutive meeting on December 18, citing signs of an improving economic outlook and a possible uptick in inflation. In a news release, the ECB's Governing Council commented, "Inflation has been revised up for 2026, mainly because staff now expect services inflation to decline more slowly. Economic growth is expected to be stronger than in the September projections, driven especially by domestic demand." The Governing Council also reiterated its commitment to "adjust all of its instruments within its mandate to ensure that inflation stabilises at its 2% target in the medium term..." ECB President Christine Lagarde commented, "There was a unanimous decision that was taken today concerning the rates that we decided to hold. But there was also a unanimous view that all optionalities should remain on the table and that we would stick to the meeting by meeting data-dependent approach with no rate path set and no set date for any move."

- At its meeting on December 17, the Bank of England (BOE) voted by a slim 5-4 margin to reduce the Bank Rate by 0.25% to a three-year low of 3.75%. Four BOE Monetary Policy Committee (MPC) members favored maintaining the policy rate at 4.00%. In a statement announcing the interest-rate cut, the MPC members commented that "inflation has fallen since the previous meeting, to 3.2%. Although above the 2% target, it is now expected to fall back towards target more quickly in the near term. Reflecting restrictive monetary policy, and consistent with evidence of subdued economic growth and building slack in the labour market, pay growth and services price inflation have continued to ease." The rate-cut announcement provided insights into the views of the MPC members. BOE Governor Andrew Bailey said, "Data news since our latest meeting suggests that disinflation is now more established...The key question for me now is the extent to which inflation settles at the 2% target in an enduring way." In a dissent from the majority vote, MPC member Megan Greene stated, "I remain concerned the disinflation process has slowed and may stall further. Forward-looking indicators of wage growth...remain above target-consistent levels."

- In a unanimous vote at its meeting on December 18, the Bank of Japan (BOJ) raised its benchmark interest rate by 0.25% to a 30-year high of 0.75% and suggested that more rate hikes may be on the horizon. In a statement announcing the rate decision, the central bank said that economic growth initially may be moderate "as trade and other policies in each jurisdiction lead to some slowdown in overseas economies and to a decline in domestic corporate profits and other factors. Thereafter, Japan's economic growth rate is likely to rise, with overseas economies returning to a growth path." The BOJ projected that the inflation rate will fall below its 2% target rate in the first half of 2026 before moving higher in the medium-to-long term due to a rising labor shortage. At a news conference following the meeting, BOJ Governor Kazuo Ueda said, "The pace of future rate hikes will depend on data and economic developments at the time. We will make an appropriate decision so that we're not behind the curve on inflation, and that we can make a smooth landing toward our inflation target."

- The Bank of Canada (BOC) maintained its policy rate at a three-year low of 2.25% at its December 10 meeting. The central bank cited the nation's relatively strong economic growth, slowing inflation, and improvement in the labor market. "If inflation and economic activity evolve broadly in line with the October projection, [the BOC] Governing Council sees the current policy rate at about the right level to keep inflation close to 2% while helping the economy through this period of structural adjustment," the BOC commented. During a news conference following the rate-cut announcement, BOC Governor Tiff Macklem said, "It's been a difficult year for Canadians and Canadian businesses. But as the year is closing, it's looking better than it looked in the spring, in the summer." He noted that the U.S. tariffs on imports from Canada have not had a significant impact on the country's broader economy. "Governing Council sees the current policy rate at about the right level to keep inflation close to 2% while helping the economy," Macklem said.

Index data (Fourth quarter 2025)

- The Dow Jones Industrial Average increased by 4.03%.
- The S&P 500 Index rose by 2.66%.
- The NASDAQ Composite Index advanced 2.72%.
- The MSCI ACWI (Net), used to gauge global equity performance, appreciated by 3.29%.
- The Bloomberg Global Aggregate Index, which represents global bond markets, rose 0.24%.
- 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 16.28 in September to 14.95.
- WTI Cushing crude oil prices, a key indicator of movements in the oil market, fell from $62.37 a barrel in September to $57.42 at the end of December.
- The U.S. dollar ended the quarter at $1.35 against sterling, $1.17 versus the euro, and at 156.75 yen.

Portfolio review

The Growth Fund’s overweight to healthcare was beneficial as the sector outperformed over the quarter. Its holdings in the information technology sector outperformed relative to the benchmark’s information technology holdings.

The Income Fund was marginally positive for the quarter as gains from its slightly longer duration and positioning for a steeper yield curve more than offset the negative effects of positioning in higher-quality commercial MBS (CMBS) tranches. Other contributors included overweights to agency MBS, asset-backed securities (ABS), and CMBS; a small underweight to corporates; and selection in specified agency MBS pools, banks, and high-quality consumer ABS. Metropolitan West Asset Management’s yield-curve positioning and slightly longer duration added to performance. Income Research and Management’s overweights to ABS and CMBS contributed; 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 mortgage-backed securities (a high-quality, higher-yielding, liquid alternative to Treasurys), asset-backed securities (on a solid labor market, strong consumer, and modest home price appreciation), and commercial mortgage-backed securities. The Fund retained a small underweight to corporates, primarily in industrials. It added discount AI issues despite an inclination to reduce positioning at the margin given the tightness of spreads. In terms of yield-curve posture, the Fund continued to hold intermediate maturities following the Federal Reserve’s interest-rate cuts. A steepening bias remained given the likelihood of further rate cuts and upward pressure on long-term yields from inflation and debt concerns.

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 AND INDEX DEFINITIONS

For financial term and index definitions, please see: https://www.seic.com/ent/imu-communications-financial-glossary

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.

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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.

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