



Quarterly market commentary: New Covenant Funds.

Global equity markets, as measured by the MSCI ACWI Index, registered modest gains in the third quarter of 2026. Market upturns in July and August, bolstered by investors' optimism regarding relatively strong corporate earnings, particularly for artificial intelligence (AI)-related technology companies, offset a decline in September amid concerns that sticky inflation might lead central banks to keep monetary policy rates higher for longer, as well as a steep rise in bond yields. (Bond prices move inversely to yields.) Developed markets outperformed emerging markets during the period. Global fixed-income assets, as represented by the Bloomberg Global Aggregate Bond Index, declined 2.5% for the quarter, as U.S. Treasury yields moved significantly higher across the curve. We maintain our focus on taking advantage of diversification benefits but also remain attuned to the economic environment (including inflation!) and its likely winners and losers.

Economic backdrop

Global equity markets, as measured by the MSCI ACWI Index, registered modest gains in the third quarter of 2026. Market upturns in July and August, bolstered by investors' optimism regarding relatively strong corporate earnings, particularly for AI companies, offset a decline in September amid concerns that sticky inflation might lead central banks to keep monetary policy rates higher for longer, as well as a steep rise in bond yields. (Bond prices move inversely to yields.) Developed markets outperformed emerging markets during the period.

The Far East, along with the Pacific and Pacific ex Japan regions, were the strongest-performing developed markets for the quarter due to market rallies in Singapore and Hong Kong. In contrast, European stocks incurred losses attributable primarily to weakness in Switzerland, the Netherlands, and Belgium. Eastern Europe led emerging markets over the period, bolstered by notable strength in Poland, while Emerging Europe benefited from upturns in both Poland and the Czech Republic. Conversely, Jordan + Egypt + Morocco posted a negative return due to a downturn in Egypt. Asia, the Far East, and the Association of Southeast Asian Nations (ASEAN) also lost ground for the quarter. Downturns in Korea and India weighed on the Asia market, while the Far East region was hampered by weakness in China and Korea. Market slumps in Thailand and the Philippines detracted from the performance of the ASEAN region.¹

Global fixed-income assets, as represented by the Bloomberg Global Aggregate Bond Index, fell 2.5% in the third quarter as Treasury yields climbed, pressuring bond prices. Uncertainty surrounding central bank monetary policy also weighed on investor sentiment. High-yield bonds posted the smallest losses within the U.S. fixed-income market for the period, followed

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

by U.S. Treasury securities, investment-grade corporate bonds, and mortgage-backed securities (MBS). U.S. Treasury yields moved significantly higher across the curve during the quarter. Yields on the 10-year note and 30-year bond reached multi-year highs in August and September, fueled by concerns about inflation and tighter Fed monetary policy, as well as a surge in debt issuance from AI-related companies, which has resulted in increased competition with the U.S. government to attract investors. Yields on 2-, 3-, 5-, and 10-year Treasury notes rose 0.74%, 0.85%, 0.90%, and 0.85%, ending the quarter at 4.88%, 5.00%, 5.09%, and 5.29%, respectively. The 10-year to 3-month yield curve widened by 52 basis points (0.52%) to +1.09% as of the end of the period.²

Global commodity prices, as represented by the Bloomberg Commodity Index, gained 16.2% in the third quarter. The ongoing conflict in the Middle East led to higher oil prices as investors priced in the risk of supply disruptions and reduced tanker traffic through the Strait of Hormuz. The West Texas Intermediate (WTI) and Brent crude oil prices surged 30.1% and 34.4%, respectively, during the quarter. The gold price was up 3.7% over the period due to a weakening U.S. dollar (the gold price tends to move inversely to the dollar), uncertainty surrounding the conflict in the Middle East, and expectations that the Fed would raise monetary policy rates. The New York Mercantile Exchange (NYMEX) natural gas price fell 7.6% for the quarter as strong U.S. production, reduced liquefied natural gas (LNG) export demand, and rapidly growing storage inventories led to oversupply. Expectations that inventories would enter the winter heating season well above historical averages further pressured prices, outweighing support from ongoing disruptions in the global energy market. The 14.7% upturn in the wheat price during the quarter was attributable to growing concerns about global supply, including drought-related reductions in U.S. wheat production, lower crop forecasts in parts of Europe, and disruptions to global supplies from Russia and Ukraine, two of the world's largest wheat exporters.

The Middle East conflict remained a key geopolitical focus during the quarter as the fragile U.S.-Iran ceasefire framework repeatedly came under pressure. In July, renewed fighting in and around the Strait of Hormuz raised doubts about the viability of the U.S.-Iran memorandum of understanding (MOU), prompting additional U.S. military strikes against targets linked to threats against commercial shipping. The conflict intensified further in late August and September as U.S. forces struck Iranian military assets in the Strait. Tehran responded with missile launches toward Jordan, while the Trump administration's "Operation Economic Outcast" campaign sought to increase economic pressure on Iran.

Despite periodic military escalation, diplomatic efforts gradually shifted toward restoring maritime traffic through the Strait. By the end of the quarter, increased tanker traffic, the partial restoration of alternative export routes, and the ongoing U.S. blockade of Iranian oil exports had reduced Iran's ability to disrupt regional energy flows. U.S., Iranian, and regional officials continued discussions about a framework for the Strait's reopening, although attacks on shipping and energy infrastructure remained a persistent source of geopolitical risk.

U.S. trade policy returned to the geopolitical spotlight in August. After U.S.-Canada trade negotiations broke down on August 21, the Trump administration imposed 50% tariffs on roughly \$20 billion in Canadian imports, including wine, cement, and hockey sticks, with the new duties taking effect the following day. The tariffs represent a significant escalation in the trade conflict between the two countries. Trump also announced that levies on Canadian cars, trucks, auto parts, and steel will double to 50% beginning January 1, 2027, unless production is moved to the U.S. Canadian Prime Minister Mark Carney responded by pledging "dollar-for-dollar" retaliatory tariffs on U.S. goods, setting the stage for a broader North American trade war that could increase costs for manufacturers and consumers on both sides of the border.

² According to the U.S. Department of the Treasury. As of August 31, 2026.

Central banks

- In a unanimous vote at its September 15-16 meeting, the Federal Open Market Committee (FOMC) raised the federal funds rate by 0.25% to a range of 3.75% to 4.00% —its first rate hike since July 2023. In its statement announcing the policy decision, the FOMC noted the continued stability of the U.S. economy. “While uncertainty remains elevated owing, in part, to geopolitical developments, domestic spending has been resilient,” the central bank stated. However, the FOMC cautioned, “Inflation remains elevated. Today’s policy action will support a timelier return to the Committee’s 2 percent goal.” The Fed’s so-called dot plot of economic projections indicated a median federal funds rate of 4.1% at the end of 2026, up from its forecast of 3.8% in June, signaling that the central bank anticipates one more rate hike this year. During a news conference following the FOMC meeting, Fed Chair Warsh acknowledged that inflation “is too high and has been for too long. Our decision comes at a time when the American economy appears to be strengthening.”
- The ECB voted unanimously to raise its benchmark interest rate by 0.25% to 2.50% at its September 9-10 meeting, citing the Mideast conflict’s ongoing impact on the European economy. In a news release, the ECB’s Governing Council commented, “The outlook remains highly uncertain, with risks to the upside for inflation and to the downside for economic growth. In relation to the energy shock, the updated scenarios put together by staff illustrate the broad range of outcomes for how growth and inflation would evolve under different assumptions about its intensity and duration, as well as its indirect and second-round effects.” In prepared remarks for a news conference following the rate announcement, ECB President Christine Lagarde and Vice President Boris Vujčić stated, “The conflict in the Middle East and recent developments in Russia’s unjustified war against Ukraine have pushed the path of energy prices up further. This is likely to keep headline inflation well above target into the first half of 2027 ... We are committed to setting monetary policy to ensure that inflation stabilises at our two per cent target in the medium term.”
- At its meeting on September 16, the BOE voted by a margin of 6-3 to maintain the Bank Rate at 3.75%. However, three Monetary Policy Committee (MPC) members supported a 0.25% rate increase. BOE Governor Andrew Bailey noted, “[I]f the conflict in the Middle East persists for an extended period...it is likely that policy may have to tighten.” The MPC stated, “Protracted conflict in the Middle East has contributed to further increases in crude and refined energy prices since the previous meeting, which remain more volatile and higher than pre-conflict ... Monetary policy is being set to ensure inflation comes down to 2% sustainably as the economy adjusts to the energy shock. The policy stance required to achieve this will depend on the scale and duration of the shock and how it propagates through the economy.” The central bank’s announcement provided insights into the views of the MPC members. Catherine L. Mann, who favored a 0.25% rate hike, commented, “Raising [the] Bank Rate is a better risk-management strategy when faced with uncertainty about inflation dynamics and second-round effects. Doing so avoids a worse outcome whereby inflation becomes embedded, which requires even tighter policy later.”
- At its meeting on September 17-18, the BOJ’s Policy Board voted by a 7-2 majority to raise its benchmark interest rate to a 31-year high of 1.25%. In a statement announcing the rate decision, the central bank noted that there could be more rate increases in the near future. “[G]iven that underlying CPI inflation has been approaching 2 percent and financial conditions have been accommodative, the Bank will continue to raise the policy interest rate and adjust the degree of monetary accommodation, in response to developments in economic activity and prices as well as financial conditions.” At a news conference following the meeting, BOJ Governor Kazuo Ueda commented, “If risks of underlying inflation overshooting 2% materialize, that could have a negative impact on Japan’s economy ... Our policy phase has changed.”
- The BOC kept its policy rate at 2.25% for the seventh time in a row at its September 2 meeting. In a statement announcing the monetary policy decision, the central bank commented that economic growth in Canada has strengthened and inflation has moved in line with its July forecast. “The continuing conflict in the Middle East is keeping energy prices high,” the BOC stated, “As well, new U.S. tariffs and Canadian counter-measures have been announced following the breakdown of trade talks between Canada and the United States. Both situations remain fluid.” At a news conference following the interest-rate announcement, BOC Governor Tiff Macklem said, “[T]he conflict in the Middle East has persisted without a clear path to resolution. Closer to home, the United States has imposed new tariffs on Canadian exports ... Monetary policy cannot offset the effects of tariffs or influence global energy prices. What we can do is ensure global developments don’t jeopardize price stability in Canada.”

Index data (Third quarter 2026)

- The Dow Jones Industrial Average decreased by 2.34%.
- The S&P 500 Index rose by 2.30%.
- The NASDAQ Composite Index advanced 2.61%.
- The MSCI ACWI (Net), used to gauge global equity performance, appreciated by 1.60%.
- The Bloomberg Global Aggregate Index, which represents global bond markets, fell 2.46%.
- 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 16.45 at the end of the prior quarter to 16.34.
- WTI Cushing crude oil prices, a key indicator of movements in the oil market, rose from \$69.50 a barrel to \$90.42.
- The U.S. dollar ended the quarter at \$1.33 against sterling, \$1.14 versus the euro, and at 157.14 yen.

Portfolio review

The Growth Fund’s lack of exposure to several energy stocks that posted strong gains over the quarter detracted. The Fund’s biotechnology holdings and an underweight to aerospace and defense were partially offset by overweights to asset-backed securities (ABS) and commercial mortgage-backed securities (CMBS), an underweight to corporates, an allocation to non-agency CMBS, and selection in high-quality consumer ABS and utilities.

The Income Fund’s slightly longer duration challenged performance as yields generally rose over the quarter. An overweight to agency mortgage-backed securities (MBS) detracted as the cohort underperformed comparable Treasuries.

Manager positioning and opportunities

Over the quarter, the Growth 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 (resilient consumer and labor market, modest home-price appreciation), and CMBS. It also retained a small underweight to corporates, primarily in industrials; exposure may decrease further at the margin given the tightness in spreads. In terms of yield-curve posture, the Fund favored intermediate maturities given the potential for an interest-rate increase from the Federal Reserve. The Fund’s steepening bias remained given the likelihood that inflation and debt concerns will push up long-term yields. Oil prices moved lower after the U.S. and Iran agreed to a tentative ceasefire, reducing inflation expectations. While uncertainty persists and isolated hostilities continue, markets appear comfortable believing the worst-case scenario has been avoided.

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.sei.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.

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.