Putting Assets in the Right Buckets

For Optimal Investment Returns

New Covenant Trust Company, N.A.

NCTC- Who We Are

- New Covenant Trust Company empowers churches, church institutions and church members to create and sustain healthy and vibrant ministries through faithful stewardship of their investments.
- Wholly owned subsidiary of the Presbyterian Foundation
- A limited purpose national bank regulated by the Office of the Comptroller of the Currency.
- Through a culture of servant leadership and unparalleled expertise, our people and our lasting relationships with our clients are our greatest assets.
- Our philosophy, approach and services are driven by the shared faith, values and integrity of the Presbyterian Church (U.S.A.).
- Our priority is the same now as it has always been — to take excellent care of each and every client, no matter the size of their account.

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Money is Fungible

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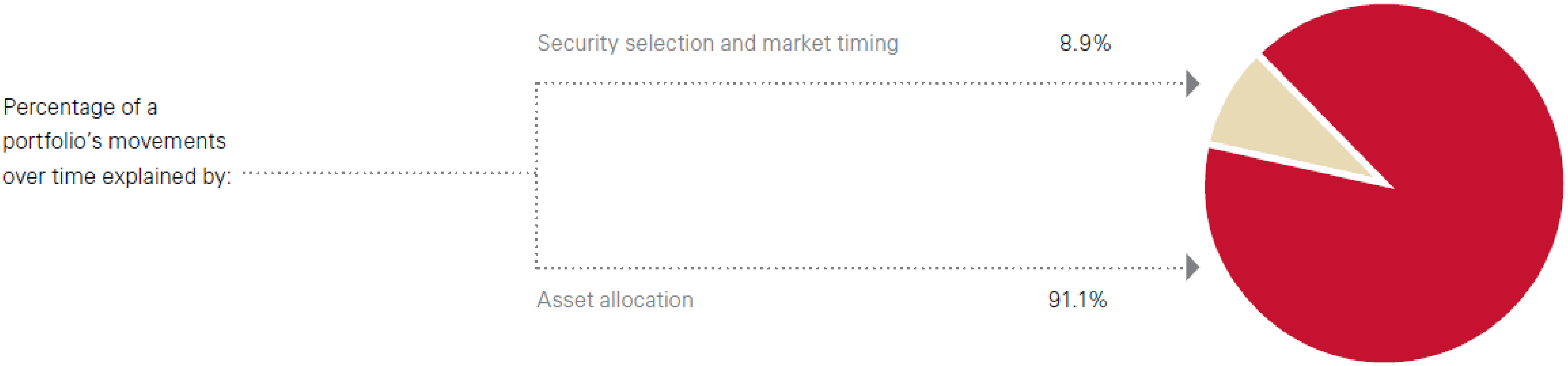
Asset Allocation Driver of Returns

Figure 4. Investment outcomes are largely determined by the long-term mixture of assets in a portfolio



Note: Calculations are based on monthly returns for 709 American funds from January 1990 to September 2015. For details of the methodology, see the Vanguard research paper *The Global Case for Strategic Asset Allocation and an Examination of Home Bias* (Scott et al., 2016).

Sources: Vanguard calculations, using data from Morningstar, Inc.

Duration Matching Your Assets

Immediate:	**Soon:**	**Later:**	**Much Later:**
Monthly liquidity	1-3 Yrs.	3-7 Yrs.	7-10+ Yrs.
Bank Checking/Savings	Conservative Income (MMKT, CDs, Bonds)	Balanced (20%-50% stocks)	Balanced Growth (50%-80% stocks)
Payroll	Project Funding	Capital Projects	Endowments
Bills	Reserves	Specific Savings	Long Term Savings

Long Term Expected Return Estimates

0.0%-0.40%	1-3%	3-5%	5-8%

Worst 12-Month Drawdown Risk Estimates

Stable Value	-1% -5%	-10%-22%	-20%- 35%

**Risk return estimates are wide-range estimates based on historical data. They are not an indication or a guarantee of any actual outcome. They should be used for illustrative purposes only. Past performance is not an indication or a guarantee of any actual future result.*

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Immediate Needs

Time Horizon: 0-1 Years

Examples:
- Monthly payroll
- Bills
- Immediate spending

Investment Types:
- Bank Checking/ Savings
- Money Markets

Benefits:
- Liquidity
- Safety
- Stable Value

Risks:
- Inflation Risk
- Business Risk

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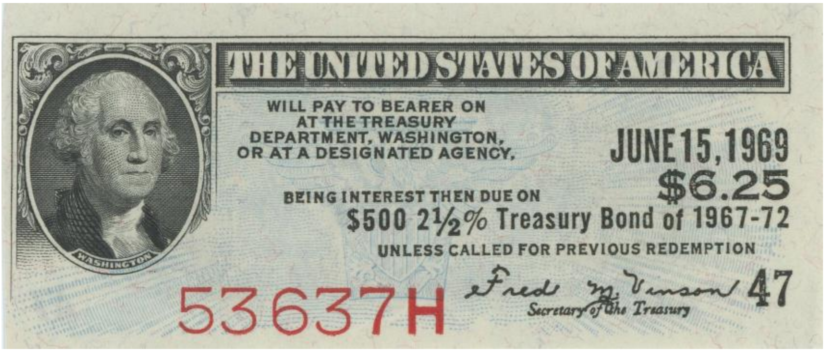
Short-Term Needs



Time Horizon: 6 Mos-3 Years

Examples:
- Operating Reserves
- Near-term projects

Investment Types:
- Certificates of Deposit (CD's)
- Money Markets
- Short Term Bonds

Risks:
- Inflation Risk
- Duration Risk
- Credit Risk

Benefits:
- Safety
- Liquidity
- Stable Value

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Medium-Term Needs

Time Horizon: 3-7Years

Examples:
- Capital Projects
- Savings for specific future needs

Investment Types:
- Conservative to Balanced(20-50% stocks)
    - Global stocks/ stock mutual funds
    - Bonds/ bond mutual funds
    - Short Term Bonds
    - CD's

Benefits:
- More growth seeking to keep place with inflation
- Some reduced volatility with still relatively conservative allocations

Historically, higher-return assets have brought increased risk

Best, worst, and average returns for various stock/bond allocations, 1926–2021

Past performance is no guarantee of future returns. The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index.

Source: Vanguard, as of December 31, 2021.

Notes: Stocks are represented by the Standard & Poor's 90 Index from 1926 – March 3, 1957, the Standard & Poor's 500 Index from March 4, 1957 through 1974, the Wilshire 5000 Index from 1975 through April 22, 2005, the MSCI US Broad Market Index from April 23, 2005 through June 2, 2013, and the CRSP US Total Market Index thereafter. Bonds are represented by the Standard & Poor's High Grade Corporate Index from 1926 to 1968, the Citigroup High Grade Index from 1969 to 1972, the Lehman Brothers U.S. Long Credit AA Index from 1973 to 1975 the Barclays Capital U.S. Aggregate Bond Index from 1976 to 2009 and the Bloomberg U.S. Aggregate Float Adjusted Bond Index thereafter. Data are through December 31, 2021. The average annual returns are subject to rounding.

Risks:
- Market Risk
- Duration Risk
- Credit Risk

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Long-Term Needs

Time Horizon: 7-10+ Years

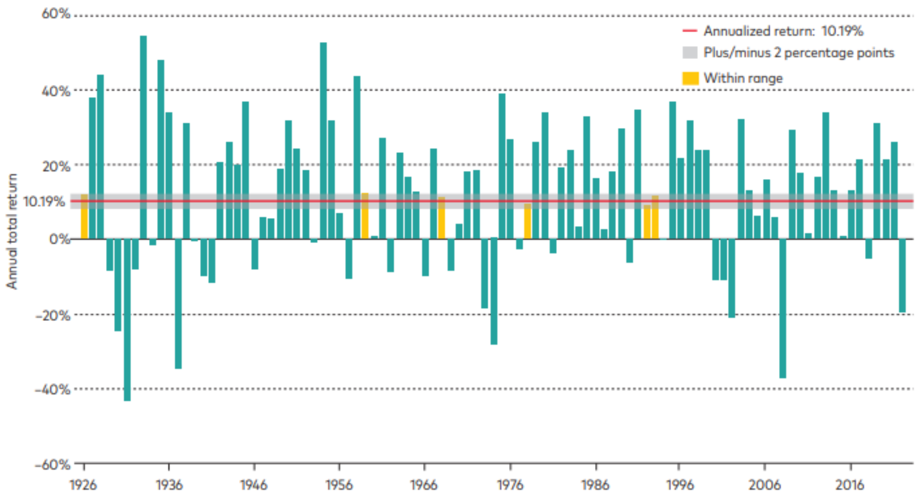
Examples:
- Endowments (restricted and unrestricted)
- Long term savings

Investment Types:
- Balanced Growth (50-80% stocks)
    - Global stocks/ stock mutual funds
    - Bonds/ bond mutual funds
    - Cash management for endowment spending or cash needs

Benefits:
- Growth greater than inflation
- Growth supporting spending rates
- Growth for future generations

U.S. stock market 1926–2022

Returns fell within 2 percentage points of the annualized return of 10.19% in only 6 out of 97 years.



U.S. stock market returns based on Standard & Poor's 90 Index from 1926 to March 3, 1957; S&P 500 Index from March 4, 1957, through 1974; Dow Jones Wilshire 5000 Index from 1975 to April 22, 2005; MSCI US Broad Market Index from April 23, 2005, to June 2, 2013; and CRSP US Total Market Index thereafter. Assumes all distributions were reinvested. Past performance is not a guarantee of future results. The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index.

Source: Vanguard.

Risks:
- Market Risk
- Investor Risk
- Sequence of Return Risk

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Asset Management Best Practices

1. Start with your goals and objectives, define timelines
2. Match each asset's return goals and timelines with the appropriate investing approach
3. Document each account's purpose, goal, and timeline in a written Investment Policy Statement (IPS)
4. Seek broadly diversified and balanced investment approaches
5. Remain conscious of fees and expenses
6. Remain disciplined in your investment plan through market volatility
7. Seek professional expertise as appropriate or needed

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Thank You!

We’re here to help you at any stage of your investment journey.

New Covenant Trust Company
newcovenanttrust.com
800-858-6127 x6

You can also reach out to your Ministry Relations Officer (MRO) at presbyterianfoundation.org/mro

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