Presbytery of the Highlands of New Jersey

2025 Mid-Year Review and Outlook: Expect the Unexpected

NEW COVENANT TRUST
A Subsidiary of the Presbyterian Foundation

The Presbytery of the Highlands of New Jersey

New Covenant Trust Company

Who We Are

- Wholly owned subsidiary of the Presbyterian Foundation – we were founded in 1998 to expand the depth and expertise of the investment management, financial planning, and gift planning capabilities of the Foundation.

- A limited purpose national bank regulated at the federal level by the Office of the Comptroller of the Currency (OCC) - NCTC is held to the highest standards of Client care as well as the highest of industry standards and best practices.

- New Covenant Trust Company empowers Presbyterian churches, Presbyteries, Synods, ecumenical & faith-based institutions, and church members to create and sustain healthy and vibrant ministries through faithful stewardship of their investments.

- The Presbyterian Foundation stewards $2.6 billion in assets for PCUSA constituents. Of this total, NCTC manages $770 million for 450 Clients – with portfolio sizes ranging from $250,000 - $35,000,000, the overwhelming majority of which are assets titled to local PCUSA Churches and Mid-Councils.

- 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.

Partners in Ministry

Presbyterian Institutional Focus

Today, NCTC serves as investment manager and ministry partner to more than one-third of all PCUSA Mid-councils with assets totaling $160 million. More than any other financial services provider, we know and understand the dynamics, opportunities, and challenges facing local Presbyterian Churches, Presbyteries, and Synods throughout the country.

Current Level of Engagement in the Presbytery of the Highlands

Currently, NCTC stewards $14 million across several Churches in the Presbytery. We are in the Presbytery 3-4 times/year for in person meeting with these Church Clients as well as virtually per their preference. Client may receive a reduced fee schedule because of the collaborative relationship with Highlands.

On-Going Support - Foundation & New Covenant Trust Company

The Presbyterian Foundation & NCTC have been and will continue to offer educational content to local Churches in the Presbytery. Topics ranging from church property issues, investment management, sustainable spending, socially responsible investing, church financial best practices, stewardship, planned giving, and capital campaigns are examples of the content we can provide.

Our Team

21 experienced, diverse, credentialed, professional, and faithful individuals

Through a culture of servant leadership and unparalleled expertise, our people and the lasting relationships they build with our clients are our greatest assets.

- **Client Engagement**
- **Client Service & Account Administration**
- **Investment Management & Portfolio Construction**
- **Trading & Execution**
- **Legal & Compliance**

Credentials include:

- **Certified Financial Planner ®**
- **Chartered Financial Analyst ®**
- **Certified Trust & Fiduciary Advisor**
- **Accredited Investment Fiduciary**
- **Certified Public Accountant**
- **Juris Doctor**

Your Team

Rose Niles – Presbyterian Foundation – Ministry Relations Officer (MRO)

Rose is your Foundation MRO for the Northeast. Rose will continue to support Highlands Presbytery, constituent churches, and donors by providing ongoing stewardship and other related resources offered through the Presbyterian Foundation.

Financial & Investment Planning Professional

On-going communications, investment & planning guidance, policy development, spending analysis, and ad-hoc planning related requests

Investment Officer

Ensures the Client portfolio remains balanced and invested in a manner consistent with your goals, objectives, socially responsible preferences, and other investment policy guidelines.

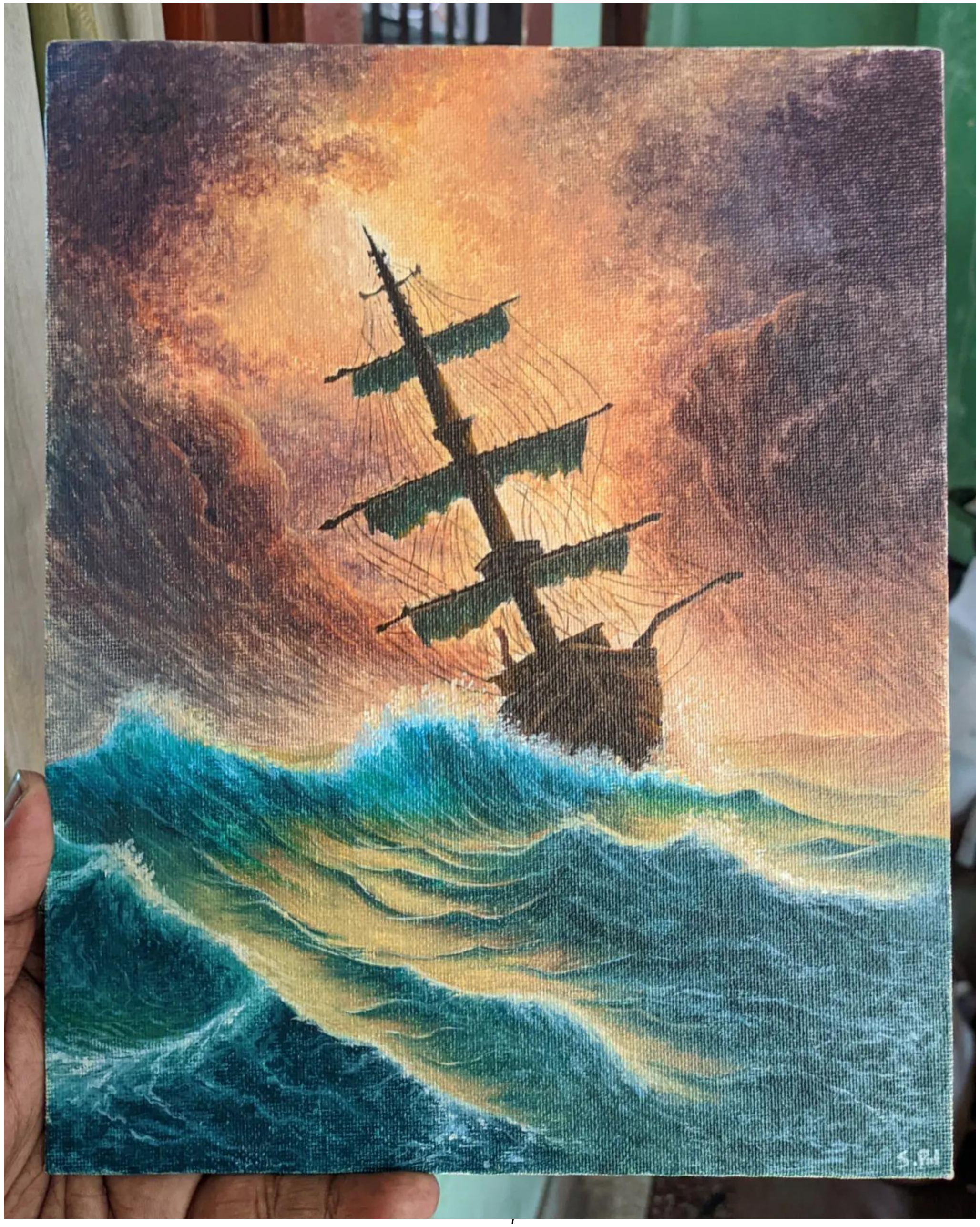
Trust Officer

Daily point of contact for all administrative matters – deposits, withdrawals, on-line access, updating authorized signers, and other administrative ad-hoc requests.

Communications & Reporting

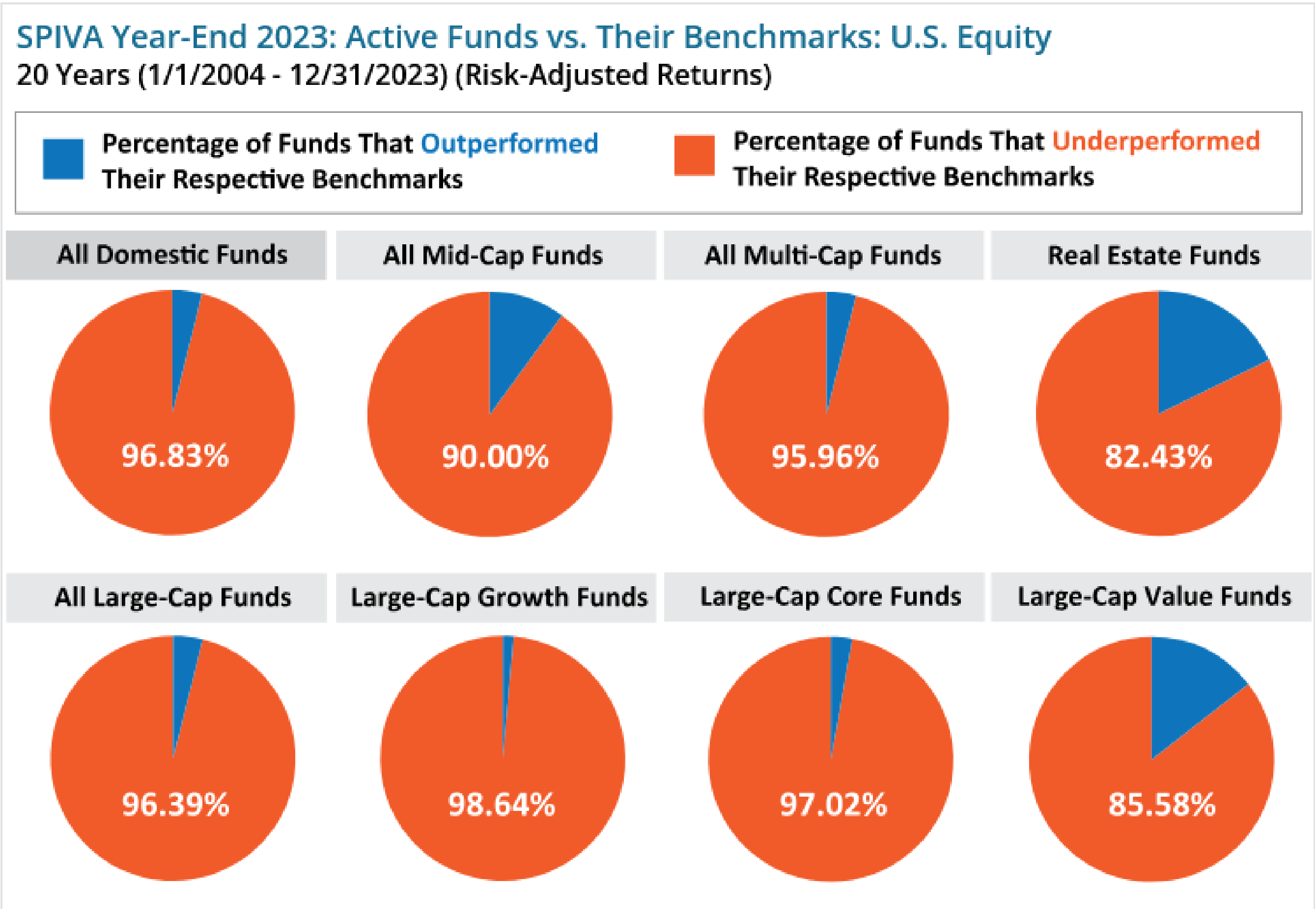
- Monthly or Quarterly account statements
- Independently prepared performance reports
- Daily, secure online Client portal for all appropriate individuals
- Investment newsletters written by our Director of Investments
- NCTC Investment Committee themes and recommendations
- Formal Client Reviews provided on a frequency and platform of your preference

2025 Review: Expect the Unexpected



2025 Key Theme: Focus on the Fundamentals

Investment Philosophy: Evidence-Based



Source: SPIVA® U.S. Scorecard, S&P Dow Jones Indices LLC, eVestment Alliance. | Performance is calculated using returns divided by standard deviation, a measure of risk. | Indexes are not available for direct investment and performance does not reflect expenses of an actual portfolio. Chart is provided for illustrative purposes. This is not to be construed as an offer, solicitation, recommendation, or endorsement of any particular security, product, service, or considered to be tax advice. There are no guarantees investment strategies will be successful. Past performance is no guarantee of future results. Investing involves risks, including possible loss of principal.

Market Returns Have Been Substantial

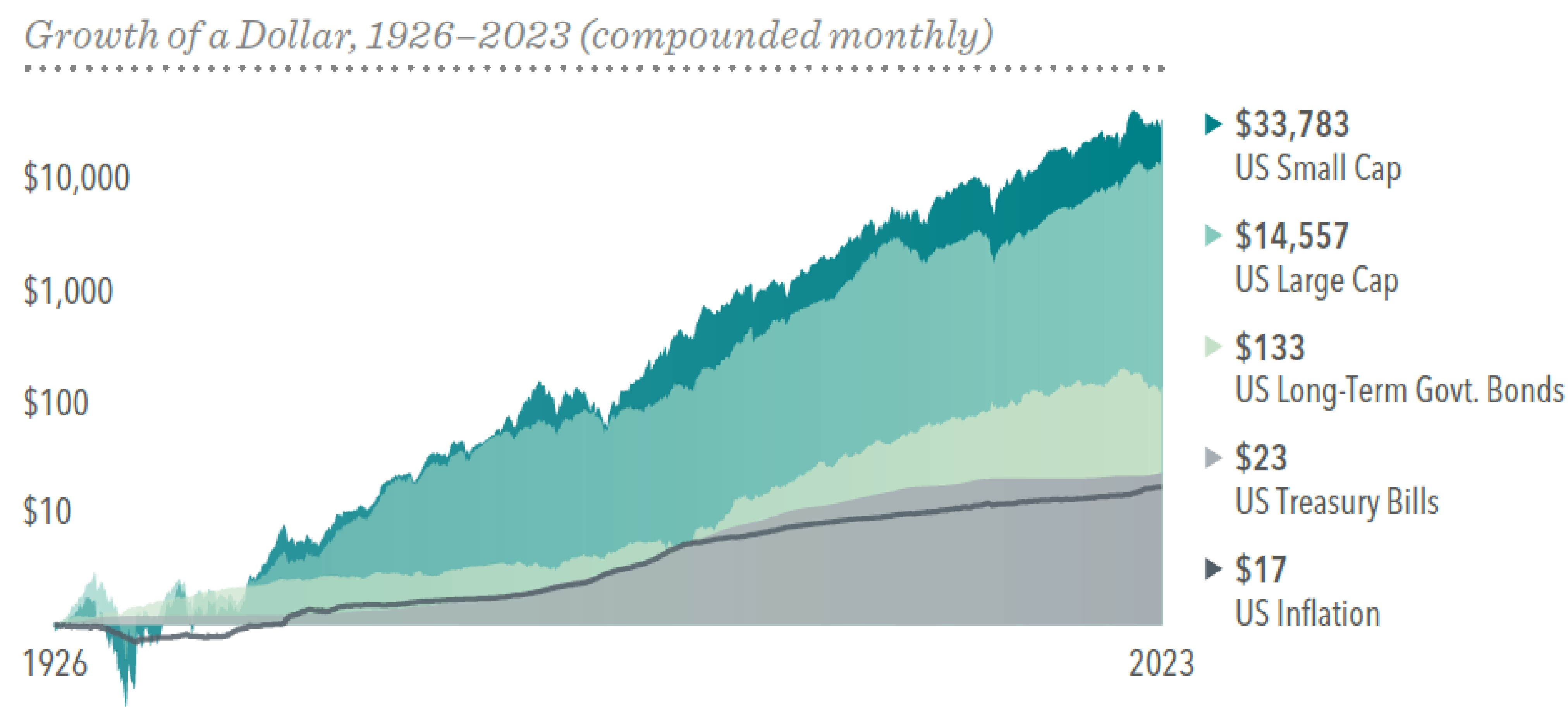


Exhibit 4: In USD. US Small Cap is the CRSP 6–10 Index. US Large Cap is the S&P 500 Index. US Long-Term Govt Bonds is the Bloomberg US Government Bond Index Long. US Treasury Bills is the IA SBBI US 30 Day TBill TR USD. US Inflation is measured as changes in the US Consumer Price Index. Data presented in the Growth of a Dollar chart is hypothetical and assumes reinvestment of income and no transaction costs or taxes. The chart is for illustrative purposes only and is not indicative of any investment.

Asset Allocation is the 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 Assets for Effective Asset Allocation

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 Bills	Project Funding Reserves	Capital Projects Specific Savings	Endowments Long Term Savings

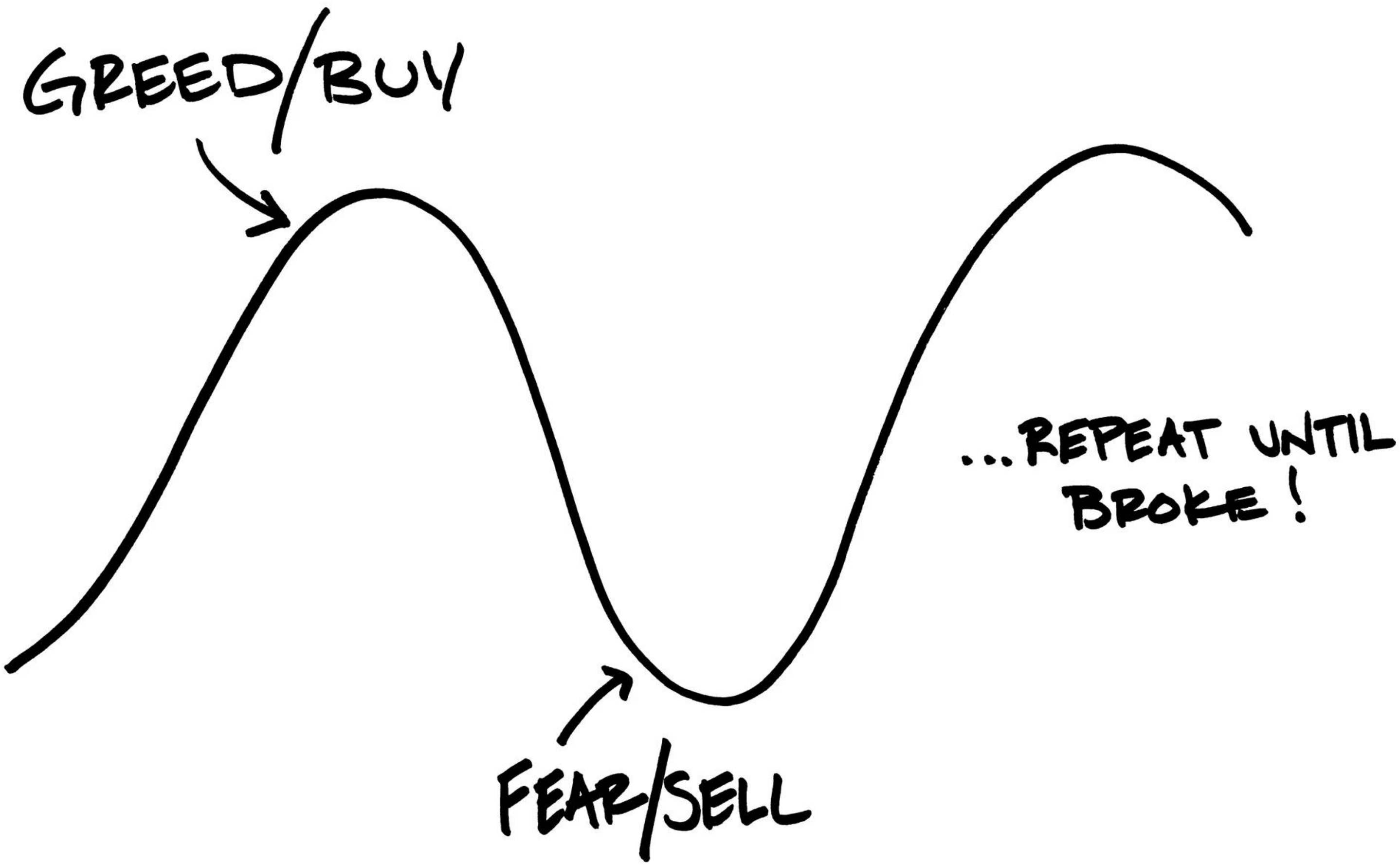
Long Term Expected Return Estimates

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

Worst 12-Month Drawdown Risk Estimates

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

Success by Not Making Mistakes

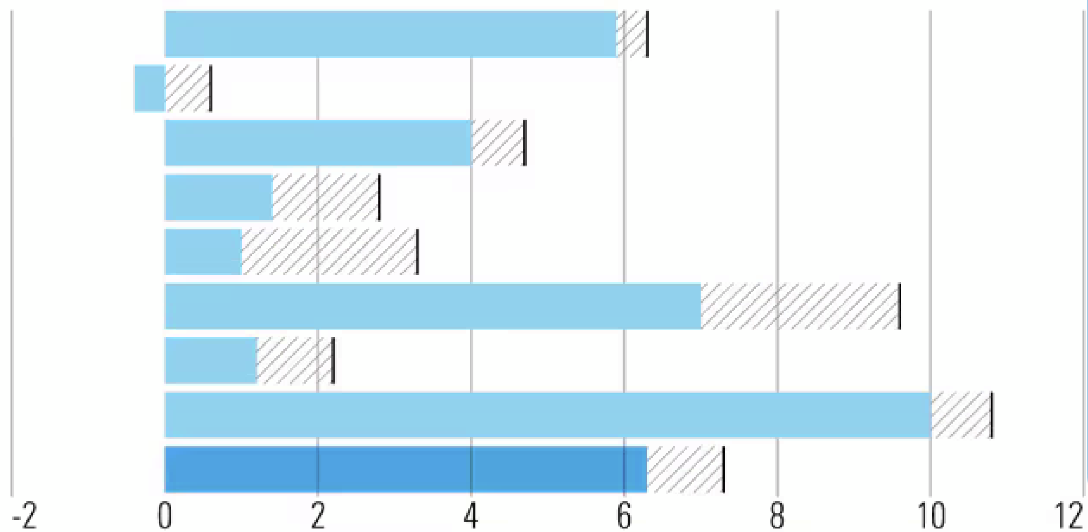


BEHAVIOR | GAP

Investor Gap is Persistent and Reliable

Investor Return Gaps by US Category Group (10-Year Returns)

U.S. Category Group	Investor Return %	Total Return %	Gap
Allocation	5.9	6.3	–0.4
Alternative	–0.4	0.6	–1.0
International Equity	4.0	4.7	–0.7
Municipal Bond	1.4	2.8	–1.3
Nontraditional Equity	1.0	3.3	–2.3
Sector Equity	7.0	9.6	–2.6
Taxable Bond	1.2	2.2	–1.0
US Equity	10.0	10.8	–0.8
Overall	**6.3**	**7.3**	**–1.1**



Source: Morningstar. Data as of Dec. 31, 2023. Excludes commodities category group. Gap numbers may not match differences in returns because of rounding.

Investing Fundamentals Summary

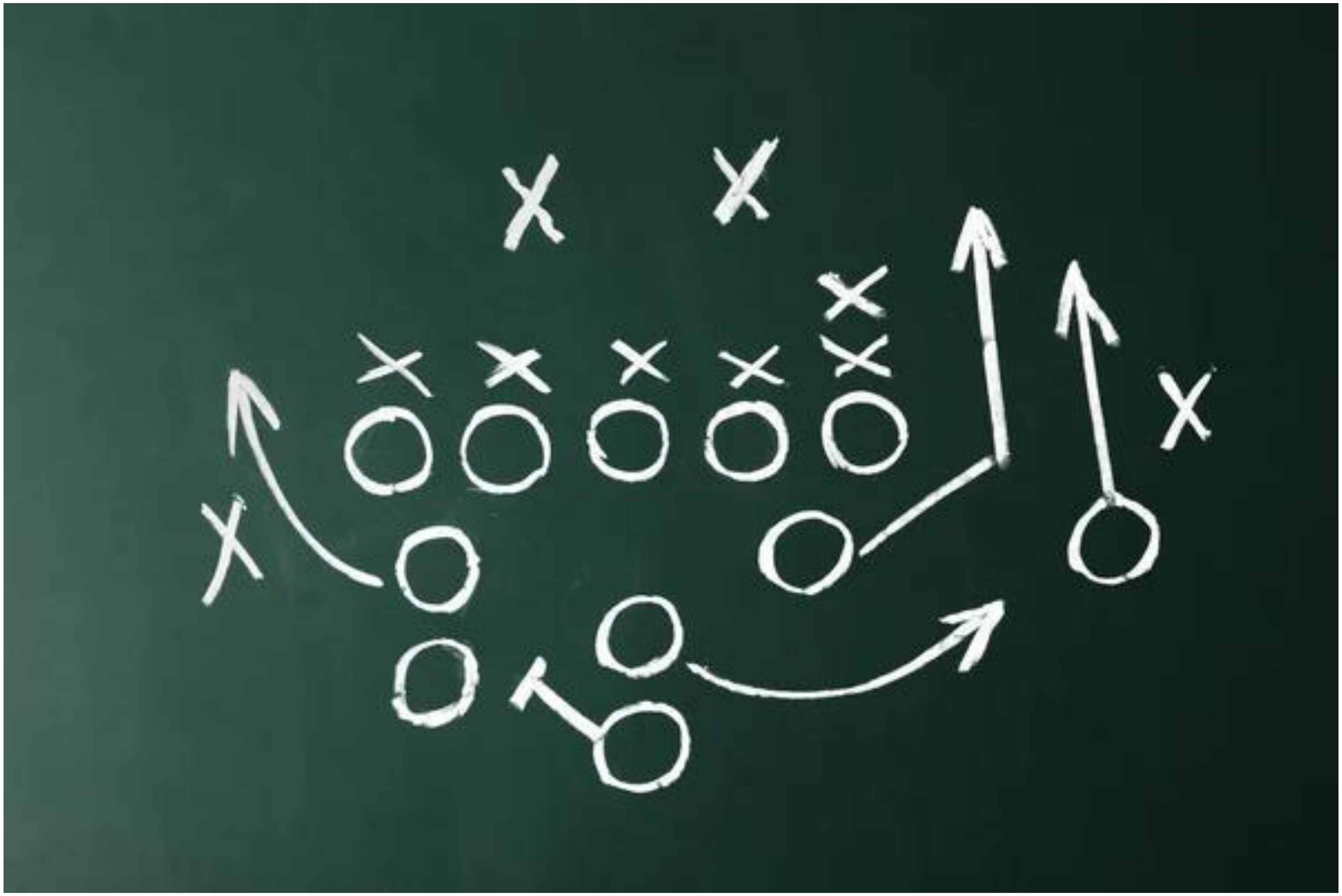
1. Start with goals and time horizon to discern an appropriate asset allocation.

2. Document and memorialize your plan in a written Investment Policy Statement.

3. Execute your efficient asset allocation through investments expected to earn market returns over time.
    - Low cost
    - Broadly diversified
    - Consistent with your values
    - Consistent and repeatable investment process

4. Remain disciplined to your documented plan through market cycles. Succeed by avoiding mistakes.

2025 Playbook



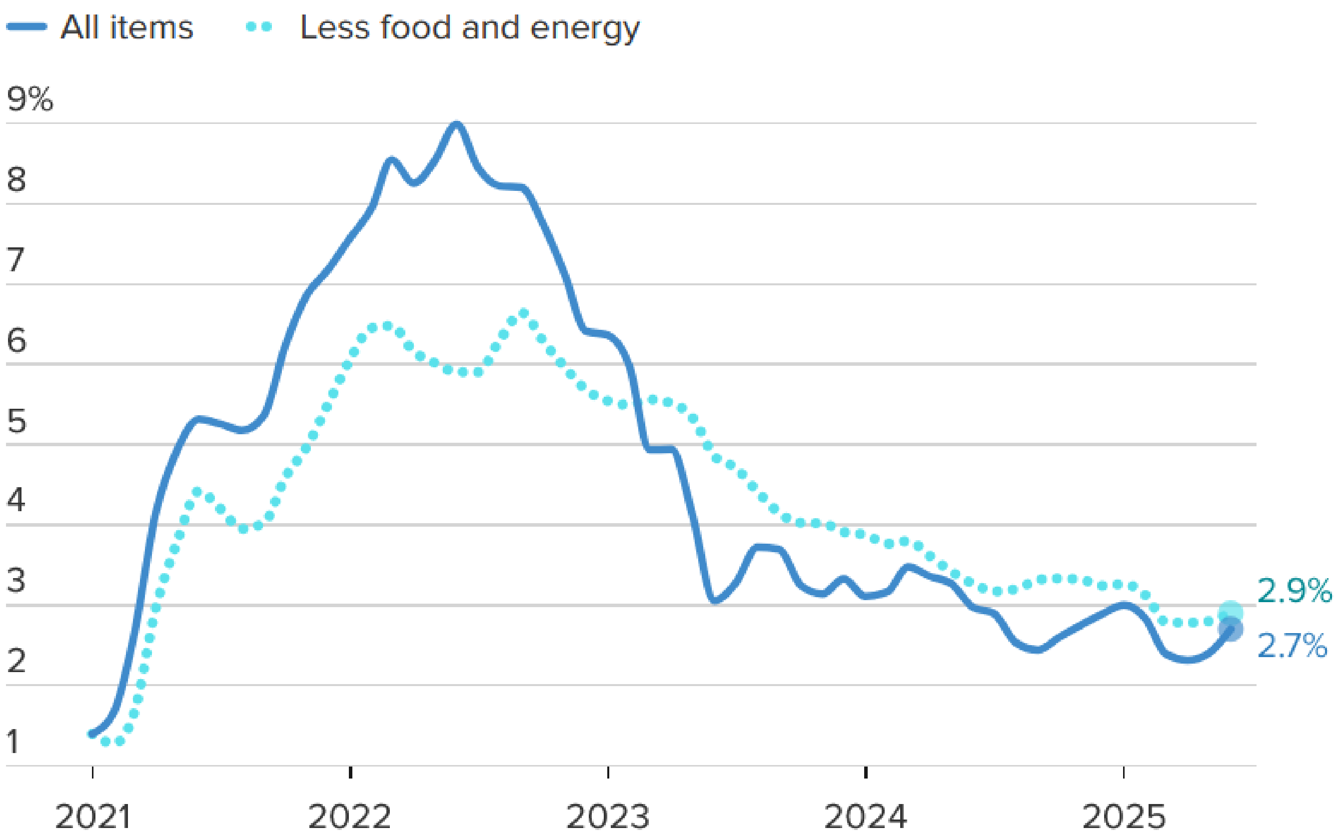
2025 Themes:

1. Inflation and the Fed
2. Tariff and Trade Policy
3. Artificial Intelligence

Inflation and the Fed:

U.S. consumer price index

Year-over-year percent change | Jan. 2021–June 2025



Note: Not seasonally adjusted

Source: U.S. Bureau of Labor Statistics

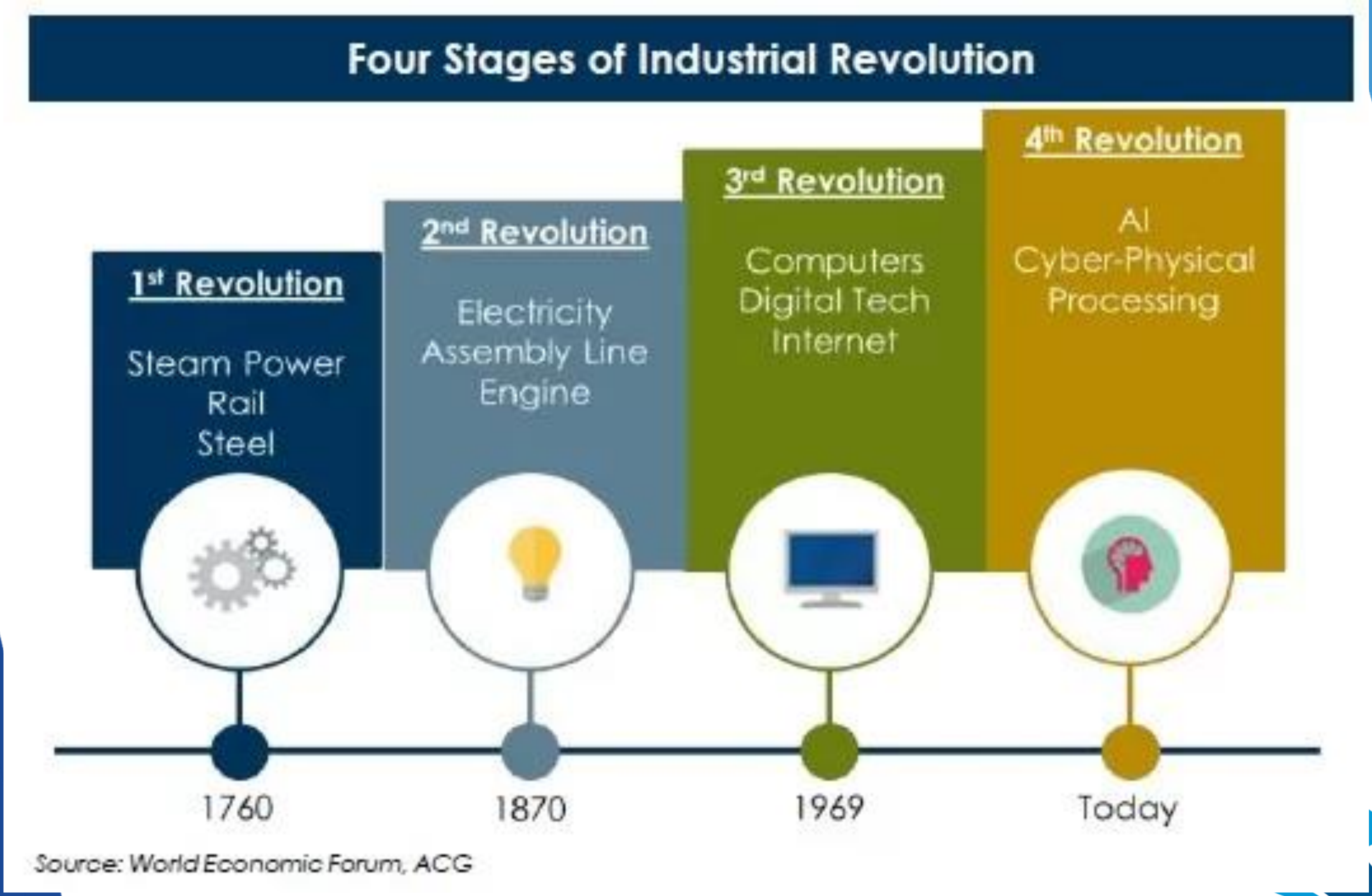
Data as of July 15, 2025

Tariffs and Trade:

Reciprocal Tariffs

Country	Tariffs Charged to the U.S.A. Including Currency Manipulation and Trade Barriers	U.S.A. Discounted Reciprocal Tariffs
China	67%	34%
European Union	39%	20%
Vietnam	90%	46%
Taiwan	64%	32%
Japan	46%	24%
India	52%	26%
South Korea	50%	25%
Thailand	72%	36%
Switzerland	61%	31%
Indonesia	64%	32%
Malaysia	47%	24%
Cambodia	97%	49%
United Kingdom	10%	10%
South Africa	60%	30%
Brazil	10%	10%
Bangladesh	74%	37%
Singapore	10%	10%
Israel	33%	17%
Philippines	34%	17%
Chile	10%	10%
Australia	10%	10%
Pakistan	58%	29%
Turkey	10%	10%
Sri Lanka	88%	44%
Colombia	10%	10%

Artificial Intelligence:



Preparing for 2025 and Beyond:

- Risk is to the downside in our view, expect and prepare for volatility and unexpected surprises.

- Now is an attractive time to evaluate replenishing cash reserves. Consider 12-24 months of spending in cash reserve.

- Evaluate asset allocations and ensure that exposure to equities are for assets with time horizons of 7+ years or more.

- Evaluate portfolios and ensure broad diversification, balance, and evidence-based investment strategies.

- When inevitable volatility hits, seek to zoom out to the appropriate context. Long term investors will be invested over decades and will see multiple cycles of bull markets, bear markets, expansions, and recessions. The average S&P 500 return has been +10.5% since 1926.

We can help at any stage in your Investment journey:

We know the church because we are the church. Serving PC(USA) organizations and churches is our purpose and our focus. We are more than an investment advisor at NCTC, we are your partner in ministry. Let us know how we can help.

Contact Information

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Thank You- Questions?

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