GLENMEDE Investment Management LP

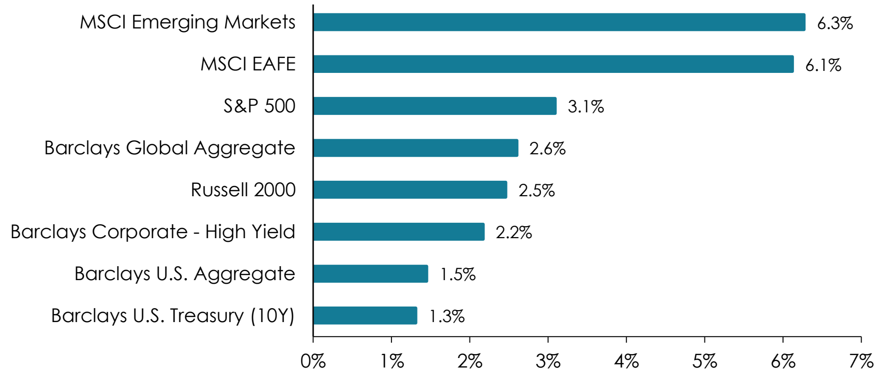
THE QUARTERLY STATEMENT

Q2 2017

SECOND QUARTER 2017 MARKET HIGHLIGHTS

- Mixed messages from hard and soft economic data
- Q1 earnings rebounded
- Flatter yield curve

SECOND QUARTER 2017 INDEX RETURNS



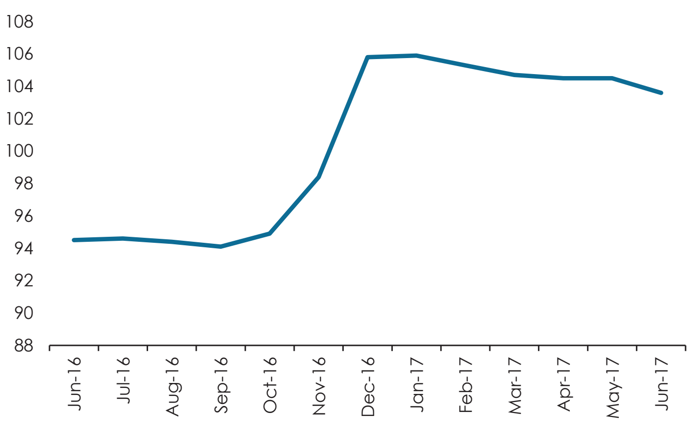
Source: Glenmede Investment Management L.P. and FactSet *Data through 6/30/17*

Market Commentary

Relative to the positive asset class returns across the board at the start of the year, the continuing upward market trajectory in the second quarter may be perceived as "more of the same." Underneath the surface, however, the second quarter served as a reality check for investors, with returns driven by economic data and business fundamentals as opposed to the latter half of 2016 and early 2017 when implications of the U.S. presidential election and sensational news headlines dominated the market's movement.

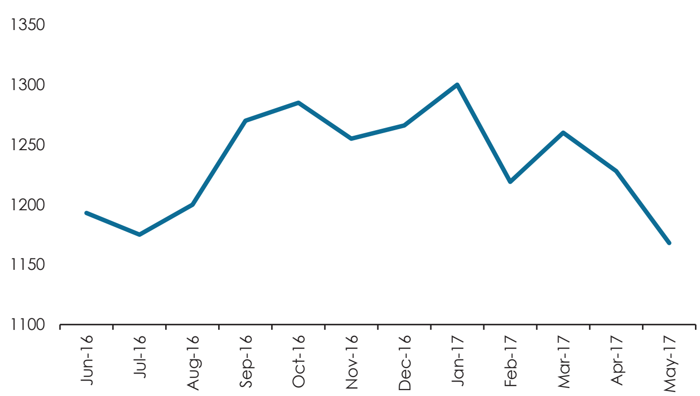
In deciphering the economic data released during the quarter, it is important to distinguish between its various types. "Soft" data, which is generally based on surveys including sentiment indicators such as the National Federation of Independent Business (NFIB) Small Business Optimism Index, showed a strong positive jump after the election and remained at a stable but elevated level **(Exhibit 1a)** through quarter-end. On the other hand, "hard" data such as building permits, displayed less concrete evidence of increased economic activity **(Exhibit 1b)**. This coincided with the International Monetary Fund's June decision to decrease its growth forecast for the U.S. from 2.3% to 2.1% after abandoning the assumption that new tax cuts and fiscal spending plans would lift growth.

EXHIBIT 1a: NFIB Small Business Optimism Index



Source: NFIB *Data through June 2017*

EXHIBIT 1b: Building Permits (Thousands)

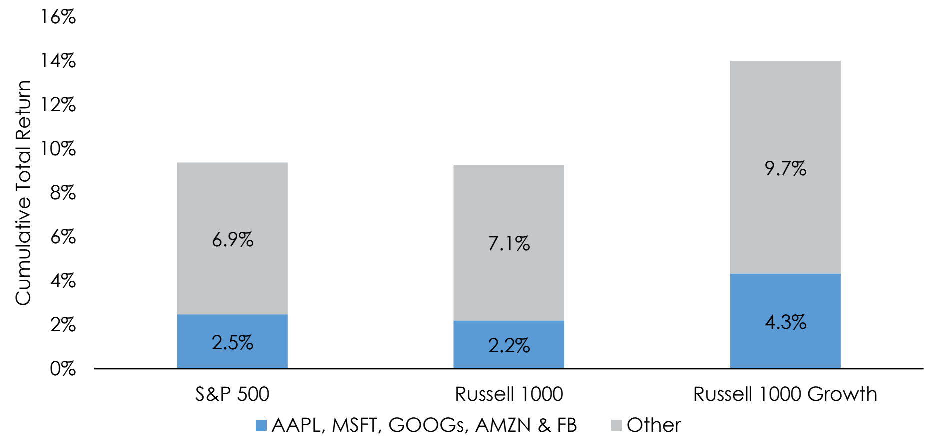


Sources: Glenmede Investment Management L.P. and FactSet
Data through May 2017

Despite lackluster "hard" economic data this quarter, on an absolute level economic indicators remained encouraging. U.S. unemployment reached its lowest level in 15 years during the quarter and the blended first quarter earnings for the S&P 500 reached its highest year-over-year growth rate since Q3 2011. Forward-looking earnings estimates for the second quarter project growth of 6.4% domestically and 13.7% internationally, which should continue to support the equity market's current valuation.

Even with these mixed messages, the VIX, a measure of volatility, remains near surprisingly record low levels, implying that market participants are complacent. When looking at the composition of realized returns generated by the S&P 500 year-to-date, however, a few high-flying technology stocks have dominated the return stream **(Exhibit 2)**. This has translated into the continued outperformance of growth stocks, which have outpaced value stocks by nearly 9.5% year-to-date.

EXHIBIT 2: Benchmark Contribution of
Apple, Microsoft, Alphabet, Amazon and Facebook
January 1, 2017 through June 30, 2017

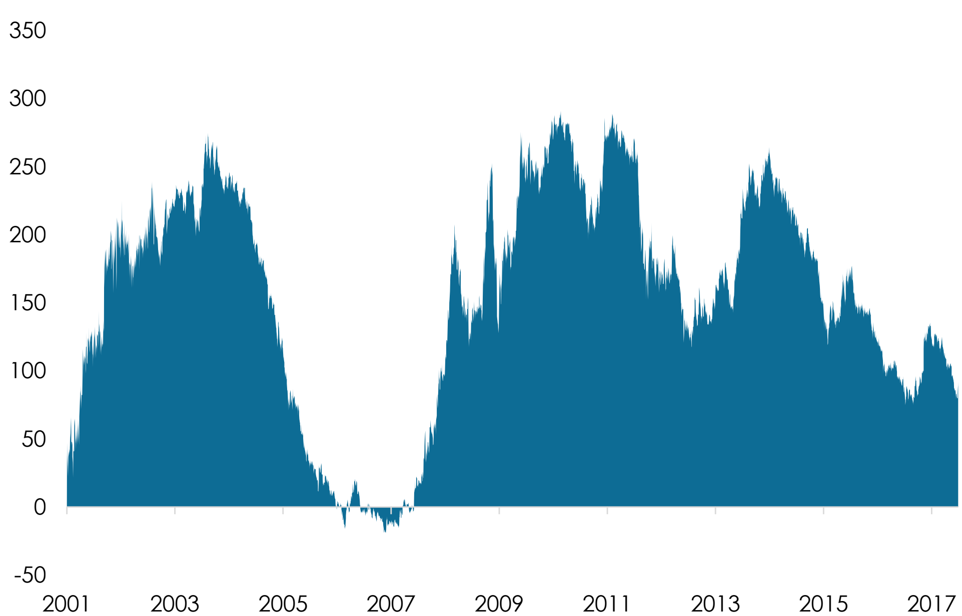


Sources: Glenmede Investment Management L.P. and FactSet

Equity's "risk-on" sentiment was at odds with fixed income markets this quarter as rates continued to fall on the long-end of the yield curve. This decline, coupled with rising rates on the short-end as a result of the Fed's much anticipated rate increase in June, contributed to one of the lowest spreads between the two- and ten-year Treasury since the financial crisis, as seen in **Exhibit 3**.

Even though equity and fixed income returns are positive year-to-date, it remains to be seen whether or not the full economic data set will sustain the market's trajectory in the back half of the year. Weakness in inflation data and oil's recent price frailty could pose a risk to earnings' stability if they persist. Additionally, fixed income investors remain skeptical of the Fed's intention to raise rates again this calendar year, as evidenced in the market's implied probability. As the second half of the year commences, we remain cautiously optimistic but also mindful of the contradictory views in the equity and fixed income markets.

EXHIBIT 3: 10-Year Versus 2-Year Treasury Spread



Sources: Glenmede Investment Management L.P. and Bloomberg *Data through June 2017*

"Profits are opinion, cash [or dividends] are a fact"

While fixed income and equity markets continue to disagree about the future prospects of the domestic economy, investors desiring the income characteristics associated with bonds and the capital appreciation potential of stocks may want to consider an equity strategy focused on dividend yield and growth. Dividends, as referenced in the timeless adage above, tend to be more reliable than firm profitability alone. Consider the Russell 1000: isolating stocks within this universe with trailing yields greater than the index's average yield illustrates that over the past 20 years, this category of securities has outperformed its benchmark by 90 basis points annually with lower volatility **(Exhibit 4a)**. That is, simply owning names with higher yields than the index enhanced performance versus holding the index itself.

EXHIBIT 4a: Yield Universe

	Russell 1000	Yield < Russell 1000	Yield ≥ Russell 1000
Geometric Average Return	8.6%	7.8%	9.5%
Standard Deviation	20.6%	23.1%	19.5%

Sources: Glenmede Investment Management L.P. and FactSet
Past performance is not indicative of future results. Data reflects average annualized returns from 6/30/1997 through 6/30/2017. This chart is for illustration only, and does not reflect any actual portfolio return.

While yield as a factor has generated excess return, an investor may also want to analyze the stability and growth of the income over time to, at minimum, keep pace with inflation. As shown in **Exhibit 4b**, segmenting the Russell 1000 into a dividend growth (defined as growth greater than zero in the past 12 months) and non-growth universe was also additive to relative performance over the past 20 years. In fact, using the growth component generated similar results to the yield universe, producing 100 basis points of annualized excess return with even less volatility.

EXHIBIT 4b: Dividend Growth Universe

	Russell 1000	Growth ≤ 0	Growth > 0
Geometric Average Return	8.6%	7.8%	9.6%
Standard Deviation	20.6%	24.7%	17.3%

Sources: Glenmede Investment Management L.P. and FactSet.
Past performance is not indicative of future results. Data reflects average annualized returns from 6/30/1997 through 6/30/2017. This chart is for illustration only, and does not reflect any actual portfolio return.

In combination, these two factors resulted in a more powerful outcome versus analysis of either factor in isolation **(Exhibit 4c)**. The blend theoretically produced superior risk-adjusted performance, higher upside/downside capture, and lower beta relative to benchmark—all elements that would contribute to a more diversified portfolio with enhanced risk-adjusted returns.

EXHIBIT 4c: Hypothetical Portfolio Characteristics from 6/30/1997 - 6/30/2017 (Annualized)

	Russell 1000	Yield < Russell 1000 Dividend Growth ≤ 0	Yield ≥ Russell 1000 Dividend Growth ≤ 0	Yield ≥ Russell 1000 Dividend Growth > 0
Geometric Average Return	8.6%	7.5%	7.7%	10.0%
Standard Deviation	20.6%	26.2%	24.8%	17.9%
Alpha		-2.5%	-0.8%	3.1%
Beta		1.2	1.0	0.7
Sharpe		0.2	0.2	0.4
Up Capture		118%	91%	79%
Down Capture		125%	90%	65%
Up/Down Capture		-7%	1%	14%

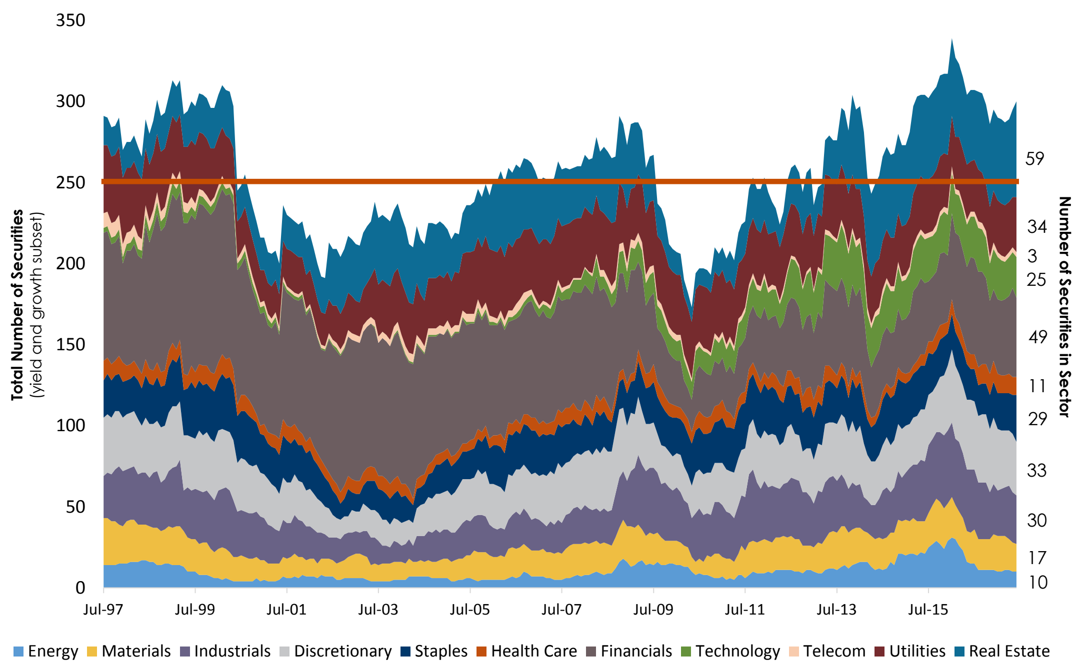
Sources: Glenmede Investment Management L.P. and FactSet
This represents past performance of a selected group of stocks over the indicated timeframe and results could vary materially for individual investors. It is not indicative of future results. Please see important disclosures relating to hypothetical performance at the end of this presentation.

It is important to understand how this opportunity set behaves over time. In the past 20 years, there would have been 250 names on average to select from in the yield and growth subset of the index **(Exhibit 5)**. This universe, along with its relatively low average annual turnover of 28 % could provide a stable base for the creation of a diversified equity portfolio.

Moreover, sector composition has evolved gradually over time, further allowing sector diversification. For instance, sectors that have historically paid little or no dividends, such as technology, have entered the dividend growth fold over the past few years. This trend has had a balancing effect: it has lowered the influence of financials and other highly-weighted sectors in both the benchmark and consequently the yield and growth universe while providing opportunities in other sectors such as technology to develop **(Exhibit 6)**.

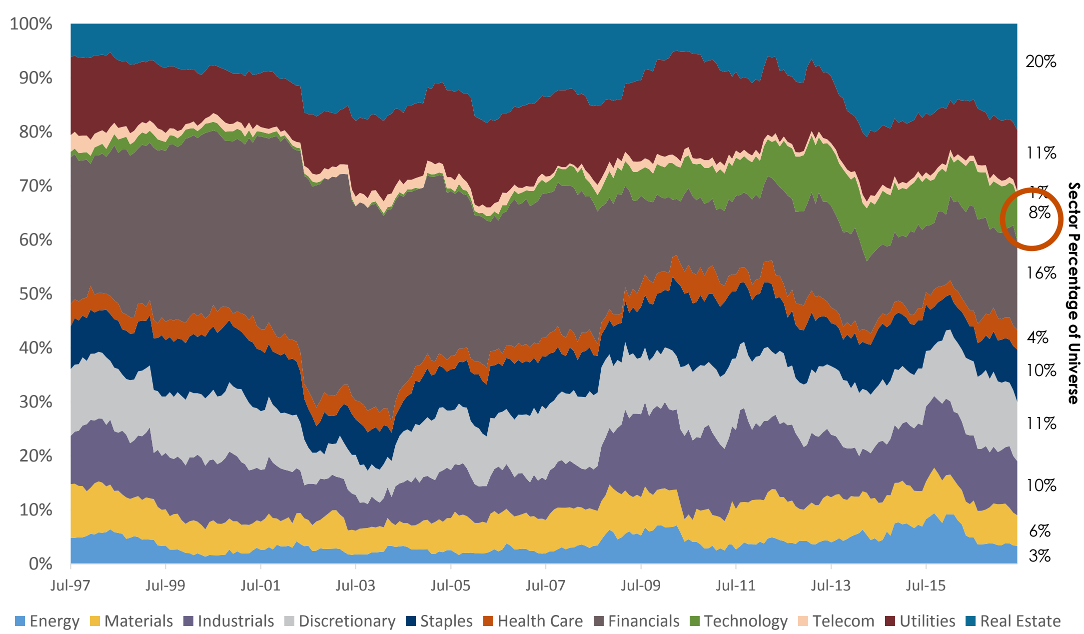
With the current income-starved investment environment, using a yield and growth universe for an equity portfolio's stock selection could be a natural component of a U.S. large capitalization equity portfolio strategy. If interested in how we incorporate the building blocks of yield and dividend growth into prospective security selection, please visit our website at www.glenmedeim.com.

EXHIBIT 5: Yield and Growth Universe - Number of Securities Per Sector Over Time



Sources: Glenmede Investment Management L.P. and FactSet *Data through June 2017*

EXHIBIT 6: Yield and Growth Universe - Historical Sector Breakdown



Sources: Glenmede Investment Management L.P. and FactSet *Data through June 2017*

THE QUARTERLY STATEMENT is a Glenmede newsletter written by
Peter J. Zuleba, III, CFA®, President of Glenmede Investment Management.

The chart presented in Exhibit 4c reflects reported performance of the stocks in the Russell 1000 over the indicated timeframe which met the following criteria: Yield < Russell 1000 with a Dividend Growth ≤ 0; Yield ≥ Russell 1000 with a Dividend Growth ≤ 0; Yield ≥ Russell 1000 with a Dividend Growth > 0. Performance of this portfolio is shown with the benefit of hindsight, including the ability to adjust the method for selecting securities until returns for the past period are maximized. This chart is presented for illustration only, and does not represent the performance of any actual portfolio at Glenmede. Actual investment results for a given portfolio would differ, potentially materially due to trading decision, rebalancing, and more. Furthermore, all these results reflect performance of portions of an index, which do not reflect management fees that are charged on investor accounts. You cannot invest in an index.

Geometric average return*: is the average rate per period on investments that are compounded over multiple periods.* ***Standard Deviation****: measures dispersion of a set of data from its mean.* ***Alpha****: measures risk-adjusted performance against the relative benchmark.* ***Beta****: systematic risk of a portfolio; represents sensitivity to the benchmark.* ***Sharpe Ratio****: sharpe ratio is a simple measurement of risk-adjusted performance.* ***Upside Capture****: Relative return to the Russell 1000 Index for periods with positive market returns.* ***Downside Capture****: Relative return to the Russell 1000 Index for periods with negative market returns.*

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