Q2 2020

SECURED OPTIONS

QUARTERLY COMMENTARY

GLENMEDE Investment Management

HIGHLIGHTS

- The S&P 500 Index rose 20.5% and the CBOE S&P 500 PutWrite Index rose 11.0% for the period.
- The Glenmede Secured Options strategy ("strategy") outperformed the CBOE S&P 500 PutWrite Index by 2.1% gross (1.9% net) for the Second Quarter and 5.8% gross (5.0% net) over the previous 12 months.
- The Glenmede Secured Options Strategy ("the strategy") outperformed the CBOE BuyWrite Index by 4.0% gross (3.8% net) for the Second Quarter and 9.2% gross (8.5% net) over the previous 12 months.

Following First Quarter of 2020's most volatile quarter since the Great Financial Crisis, the markets adapted with the expectation for volatile trading days to remain throughout the Second Quarter. The quarter did not disappoint, with the most dramatic back-to-back quarterly drawdown and recovery in the S&P 500 Index since the Great Depression. Following the 19.6% decline in the First Quarter and the VIX closing at record highs, the S&P 500 Index rallied 20.5% with the VIX remaining well above longer-term averages throughout the quarter. While the S&P 500 Index has returned to price levels similar to the Fourth Quarter 2019, the uncertainty priced into the market as measured through volatility is notably higher relative to Fourth Quarter 2019. For example, the market implied probability of moving 10% in either direction over the next quarter is ~50%, compared to the ~10% market implied probability at the end of the Fourth Quarter 2019. Said another way, while the index price levels are similar to those in the Fourth Quarter 2019, the uncertainty surrounding the confidence in these levels is significantly higher.

The end of First Quarter saw a difficult period for short volatility strategies with the fastest transition in history from a bull market to a bear market, with the S&P 500 Index declining ~34% in just 23 trading days. The start of the Second Quarter continued the pain for short volatility strategies with the quickest retracement in history of a bear market, with the S&P 500 Index closing within 5% of all-time highs in 76 trading days. As a reference, the average bear market over the past 100 years has taken approximately 5x as many days to reach the bear market bottom, versus this bear mark's retracement of being within 5% of all-time highs.

Our Secured Options strategy, which seeks to capture both Equity Risk Premium (ERP) and Volatility Risk Premium (VRP) by primarily selling cash-secured puts on the S&P 500 Index, returned +13.1% before fees (+12.9% net) in the Second Quarter, and returned -1.7% before fees (-2.4% net) over the previous 12 months. Our benchmark, the CBOE S&P 500 PutWrite Index (Ticker: PWT) returned +11.0% for the Second Quarter and returned -7.5% for the previous 12 months. The CBOE S&P 500 BuyWrite Index (Ticker: BXM) returned +9.1% and -10.9% respectively. Since our benchmark also has roughly 50% exposure to each of the two risk premia, we believe all relative under/outperformance may be attributed to our active options selection process. Our options selection process added 2.1% during the Second Quarter and 5.8% over the previous 12 months relative to the CBOE PutWrite Index and added 4.0% during the Second Quarter and 9.3% over the previous 12 months relative to the CBOE BuyWrite Index. The whipsaw nature of the drawdown and recovery proved to be one of the more challenging periods for short volatility strategies, particularly rigidly systematic strategies. The Secured Options strategy's active options selection process allowed it to capture more of the retracement relative to our benchmark.

Looking ahead, the uncertainty of this market rebound as measured through volatility remains high as investors look for clarification on the potential economic impacts of the virus and how additional spikes could dampen the recovery. Looking at options into year-end, the market is pricing in a notable spike in volatility around the U.S. Presidential Election as uncertainty of a Democratic sweep or another four years of President Trump is creating a potentially binary event for the market. While the markets could remain range-bound until more transparency of these issues becomes clear, we have noted an increased demand for portfolio protection in S&P 500 Index options in case the current V-shaped recovery starts to become W-shaped.

SECURED OPTIONS Composite Performance (%)

As of 6/30/2020	QTD	YTD	1 YEAR	3 YEAR*	5 YEAR*	10 YEAR*	SINCE INCEPTION* (12/31/03)
Glenmede (Gross)	13.1	-8.2	-1.7	2.8	4.7	8.5	6.5
Glenmede (Net)	12.9	-8.5	-2.4	2.0	3.9	7.8	5.8
CBOE PutWrite TW	11.0	-11.9	-7.5	-0.8	2.8	6.9	5.7

Annualized

Glenmede Investment Management, LP claims compliance with the Global Investment Performance Standards (GIPS®).

Glenmede Investment Management, LP, a registered Investment Advisor, is an affiliate of the Glenmede Trust Company, NA (GTC). The "Firm" is defined as all investment advisory accounts managed by Glenmede Investment Management LP. Effective January 1, 2007, the Investment Product Management Group of GTC became Glenmede Investment Management, LP. All performance prior to January 1, 2007, shown here as the performance of GIM, was previously reported as the performance of the Investment Product Management Group of the Glenmede Trust Company.

Past performance is not indicative of future performance and may be lower or higher than the performance quoted. All of the composites' valuations and returns are computed and stated in U.S. Dollars. Additional information regarding the Company's policies for valuing portfolios, calculating performance and preparing compliant presentations, is available upon request. A GIPS® compliant presentation, as well as a complete list of firm composites and performance, can be requested from Jeffrey Coron at 215.419.6627. Please see the GIPS® presentation for further explanation.

The Secured Options composite included herein, from January 1, 2004 to June 30, 2010, is that of Glenmede Trust Company and has been linked to the performance of Glenmede Investment Management, LP. The investment decision makers and the investment process remains unchanged. The secured options composite will implement buy-write (covered call) and/or cash-secured put option strategies on stock ETFs, stock indices and/or individual stocks held by the portfolio. The strategy invests in options which have the risks of unlimited losses of the underlying holdings due to unanticipated market movements and failure to correctly predict the direction of the securities prices, interest rates and currency exchange rates. The strategy may invest in ADRs and foreign securities which involve greater volatility and political, economic, and currency risks and differences in accounting methods. This strategy seeks to balance the total return of the S&P 500 with risk mitigation from options. This investment may not be suitable for all investors. The CBOE Put/Write T-W Index is a benchmark index designed to track the performance of a hypothetical short put strategy. CBOE introduced the CBOE S&P 500 PutWrite T-W Index on July 3, 2014. The PWT Index replicates the methodology used to calculate the PUT Index, with one exception. That is, on each roll date the SPX puts are deemed to be sold at the Ptwap, a price equal to the time-weighted average of reported bid prices, of the selected SPX put option beginning at 11:30 a.m. ET and ending at 12:00 p.m. ET. Accordingly, Ptwap is used in place of the Pvwap on PWT roll dates. CBOE has not calculated a separate series of historical values for the PWT Index prior to July 2007. Rather, historical values for the PWT Index prior to July 2007, may be considered the same as PUT Index values. The unmanaged index is a total return index with dividends reinvested. One cannot invest directly in an index.

We calculate the Equity Risk Premium as the spread between the total monthly return of the S&P500 and the yield on the 10-year Treasury Bond in monthly terms. The average Equity Risk Premium over the entire period is calculated as the annualized average of each monthly Equity Risk Premium.

We calculate the Volatility Risk Premium as the spread between the closing price of the VIX Index and the subsequent 1-month realized price volatility of the S&P 500 Index. Each observation is a 1-month period starting on an options expiration date (the third Friday of the month).

The views expressed represent the opinions of the portfolio managers as of June 30, 2020. There can be no assurance that the same factors would result in the same decisions being made in the future. In addition, the views are not intended as a recommendation of any security, sector or product. Returns reported represent past performance and are not indicative of future results. Actual performance may be lower or higher than the performance set forth above. For institutional adviser use only, not intended to be shared with retail clients.

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