2025 MID-YEAR ECONOMIC & MARKET OUTLOOK

A Mid-Year *Transition*

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Executive Summary

- Markets encountered significant volatility in the first half of 2025, ultimately rewarding patient investors who had diversified portfolios.
- Higher U.S. tariffs have increased uncertainty and raised recession risks, but peak tariffs and tariff uncertainty are likely in the rearview mirror.
- Congress has passed a relatively large and comprehensive reconciliation bill that is front-end loaded with stimulus.
- Resurgent inflation remains an ongoing risk and will likely lead the Federal Reserve to move cautiously with further rate cuts, but the exact path will be scenario dependent.
- Even with the market recovery, valuations for most assets are now more reasonable than at the start of the year and are unlikely to be the inhibiting factor for future returns.

2025: A Rocky First Half for Those Paying Attention

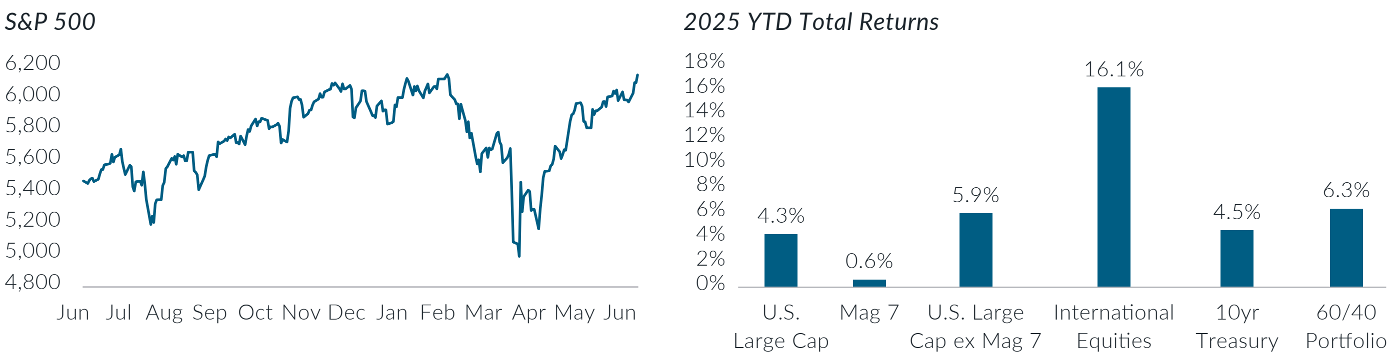
"Life moves pretty fast. If you don't stop and look around once in a while, you could miss it."

– Ferris Bueller, *Ferris Bueller's Day Off*

Investors who closed their eyes and did not open their account statements in the first half of the year may have made it to this point in 2025 without feeling overly concerned about their investments, with most asset classes delivering a positive return. Diversified and balanced investment portfolios could have generated a low-single-digit return in aggregate. Of course, such an approach to one's investments would likely also require never looking at social media, reading a newspaper, or glancing at a TV.

While the result of the first half of 2025 would suggest a calm and orderly market, the actual path taken was quite the opposite. The S&P 500 Index declined nearly 20% from its peak to the low on April 8, triggered mostly by concerns about tariff policies outlined by the current administration, but rebounded even faster following the announcement on April 9 that the most onerous of those tariffs would be paused while the U.S. negotiated with its trade partners (Exhibit 1).

Exhibit 1: Diversification adds value amid a rocky first half of 2025[1]



Source: Glenmede, FactSet
Data as of 6/25/2025

Source: Glenmede, Bloomberg, MSCI
Data as of 6/25/2025

While markets essentially recovered close to their peak earlier in the year, not all has returned to exactly as it was before the decline. During the first half of the year, investors were rewarded for diversification rather than concentration, a departure from 2024. While most asset classes delivered positive returns, the Magnificent 7 declined.[2] Other large

[1] Shown in the left panel is the prior one-year history of the S&P 500, which is a market capitalization weighted index of U.S. large cap stocks. Shown in the right panel are 2025 year-to-date total returns for U.S. Large Cap (S&P 500), Magnificent 7 (Apple, Alphabet, Amazon, Meta, Microsoft, Nvidia, Tesla), U.S. Large Cap ex Magnificent 7 (S&P 500 ex-Mag 7), International Equities (MSCI All Country World ex-U.S. Index), 10yr U.S. Treasuries (Bloomberg U.S. Treasury Bellwethers 10Y Index) and 60/40 Portfolio (60% MSCI ACWI Index, 40% Bloomberg U.S. Aggregate Index). References to individual securities should not be construed as a recommendation to buy, hold, or sell. Past performance may not be indicative of future results. One cannot invest directly in an index.

[2] The Magnificent 7 is a collection of the largest public technology and tech-adjacent companies, including Amazon, Apple, Alphabet (Google), Meta (Facebook), Microsoft, Nvidia, and Tesla.

cap stocks, bonds, and a diversified portfolio including a mix of stocks and bonds delivered single-digit returns, while international stocks delivered stand-out returns of over 15%.

Understanding the circumstances of these first-half results and what drivers lie ahead can help inform investment expectations as well as how to position portfolios over the intermediate term. The primary factor behind the market movements in the first half of 2025 was the previously mentioned tariff announcements, but the second half of the year, and perhaps 2026 as well, are likely to see a broadening of influence beyond trade policy. While trade policy will likely continue to be one of the key drivers, the reconciliation bill matches this level of contribution with a near-offsetting magnitude of force. Meanwhile, the ongoing influence of a resilient consumer, above-normal productivity growth, and a Fed that would like to bring monetary policy back to a more neutral (less restrictive) stance are likely secondary factors behind the ongoing economic expansion.

Echoes of Smoot-Hawley: Upending Terms of Trade

"Bueller…? Bueller…? Bueller…? … In 1930, the Republican-controlled House of Representatives, in an effort to alleviate the effects of … the Great Depression, passed the… Anyone? Anyone? … The Hawley-Smoot Tariff Act? … Did it work? Anyone? Anyone…? It did not work, and the United States sank deeper into the Great Depression."

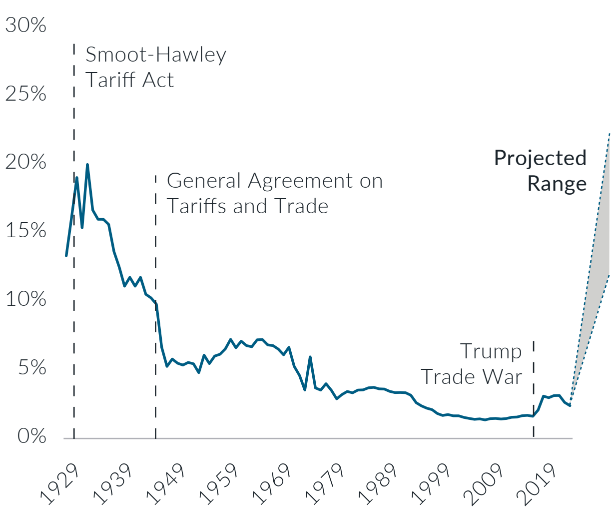
– Ben Stein as an economics professor, *Ferris Bueller's Day Off*

President Trump's April 2 "Trade Liberation Day" announcement was well publicized, but investors were nevertheless caught off guard by the magnitude of the tariffs. These initial figures would have lifted the average effective tariff rate charged by the U.S. on imported goods from less than 2% to over 25%. Economists quickly determined that the first-order impact of tariffs of that magnitude would have been a sharp ~2.5% economic headwind. This likely would have been a large enough change on its own to tip the U.S. into recession.

The market quickly reflected this likelihood, sending a clear signal to the administration that there was a problem with the proposed plan. Over the course of the next week, economists, investors, and business leaders lobbied the administration to adjust its stance on the policies, leading to the 90-day reciprocal tariff extension announced on April 9.

Exhibit 2: Significant tariff policy changes are intended to change the landscape of global trade[3]

U.S. Effective Tariff Rate



Major Trade Policy Priorities & Actions

Incentivize Domestic Manufacturing
- 10% universal tariffs with some exemptions
- Facing court challenges
- *Likely to remain, implementation method may evolve*

Bolster Strategic Industries
- 25%+ product-specific tariffs (extra incentive)
- Steel, aluminum, copper, lumber, autos, semis/chips, pharma, solar panels, smartphones
- *Likely to remain, with some exceptions*

Guardrail China Trade
- 30% tariffs and surcharges on small packages
- Intended to structurally change trade relationship
- *Likely to remain, final rate still uncertain*

Reset Fair Trade Arrangements
- Reciprocal and Canada/Mexico tariffs
- Used as leverage to lower rate and trade barriers and deficits
- *Likely negotiable*

Source: Glenmede, Piper Sandler, U.S. International Trade Commission | Data as of 6/25/2025

[3] Shown in the left panel are effective tariff rates on U.S. imports over time, which includes nominal tariffs on final goods as well as on imported inputs used in production. The projected range refers to a range of possible outcomes for effective tariff rates based on Glenmede analysis. Shown in the right panel is a summary of trade actions announced under the second Trump administration. Actual results may differ materially from expectations.

However, this 90-day extension, recent additional tariff announcements, and additional extension to August 1 still leave investors and economists in a position of trying to determine the path of tariffs and trade policy. The tea leaves, as they have been scattered among comments made by the administration's representatives, Trump himself, and one of the original advocates, Robert Lighthizer,[4] suggest that the tariffs have an ideological structure. The order of the tariffs by categories further implies that while some of them are intended to remain largely in place over the longer term, others are simply supposed to stimulate negotiations (Exhibit 2).

First are the 10% universal tariffs on all goods crossing U.S. borders, which are intended to, on the margin, incentivize domestic manufacturing. Such tariffs are unlikely to have an impact on items for which the cost differential between producing here and overseas is large, but they may impact goods where the differential is smaller, likely in areas where there is a lower input cost from labor and a higher degree of manufacturing automation. While the administration's use of the International Emergency Economic Powers Act (IEEPA)[5] to implement these tariffs is currently being challenged and could be struck down in the courts, there are other viable avenues for the administration to implement the same tariffs.[6,7,8] The robust set of available options suggests that any successful court challenge will likely be short-lived, and the administration's desire to provide a base incentive for onshoring points to its intention for this to be a longer-term cornerstone of trade policy.

Second are the 25%+ product-specific or sector-specific tariffs, which are intended to more heavily protect or incentivize onshoring the production of key resources (steel, aluminum, copper, lumber, etc.) as well as key manufacturing capabilities (autos, semiconductors, pharmaceuticals, solar panels, smartphones, etc.). These tariffs were implemented on a basis of national security under Section 232 of the Trade Expansion Act of 1962,[9] which arguably provides a firmer legal foundation and is less susceptible to court challenges. The argument being made is that the U.S., for national security reasons, needs some degree of self-sufficiency where these resources and capabilities are concerned rather than having to rely on outside entities. Similar to the 10% baseline tariffs, these tariffs are also a key component of the administration's trade agenda.

Third are the tariffs on China, which are intended to reorient the trade relationship between the two nations. On a bipartisan basis, this relationship has long been perceived as one of the most out-of-balance trade relationships among America's major trade partners. U.S.-China negotiations have succeeded in lowering the implemented tariff rates from the untenably high 145% level, but the levels remain near ~30%, on top of the pre-existing tariffs from the first Trump administration. There is some potential for further negotiation given that China has plenty of room to adjust its treatment of U.S. goods. However, the likelihood of additional reductions in short order is low given the difficulty of these negotiations and the adversarial nature of the relationship.

Last are the remaining reciprocal tariffs on other countries as well as the tariffs announced before April 2 on Canada and Mexico. Many of these tariffs are on weaker legal footing due to the use of IEEPA and are not as central to the ideology behind the trade policies of this administration. The preferred longer-term outcome is likely a negotiated settlement that lowers the tariffs and other trade barriers that trade partners impose on U.S. goods. While one would think that the court challenges would weaken the negotiating position of the U.S., discussions continue and have shown some potential. Initial progress has been officially reported with the U.K., and there have been verbal indications of progress from administration officials about negotiations with Japan, Vietnam, and India. Recent tariff announcements at the beginning of July, however, suggest that this progress is sporadic at best, and the path to that preferred outcome may not be straight or immediate. The administration has again extended the deadline for implementation to August 1, and has previously suggested that countries negotiating in good faith may receive individual extensions. Renegotiation of trade arrangements appears to be the primary purpose of these tariffs, indicating a much lower likelihood they will remain in place.

[4] Lighthizer, Robert. No Trade Is Free: Changing Course, Taking on China, and Helping America's Workers. Broadside Books, 2023.

[5] The International Emergency Economic Powers Act of 1977 (IEEPA) authorizes the President to regulate international commerce after declaration of a national emergency or in response to threats to the U.S.

[6] The Trade Act of 1974: Section 122 authorizes the President to address a balance of payments deficit or to prevent an imminent and significant depreciation in the dollar.

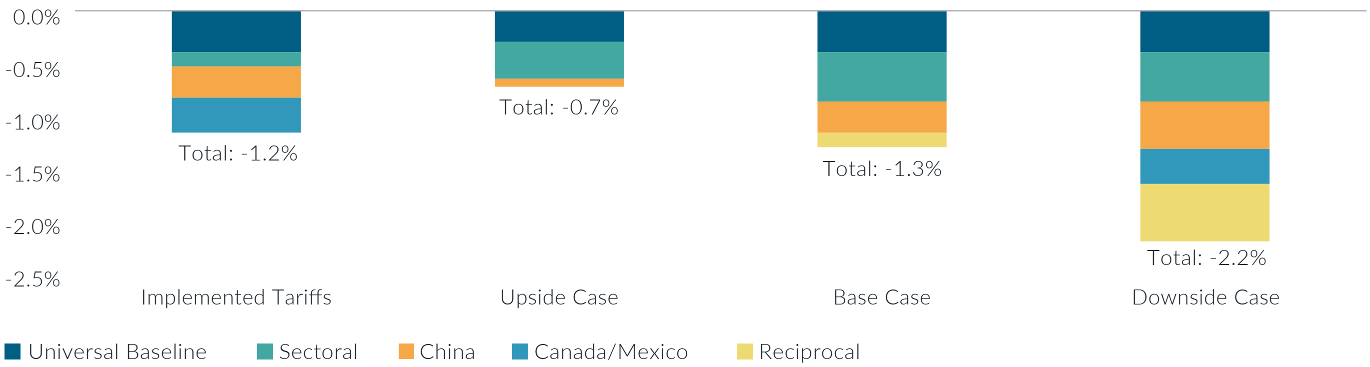
[7] The Trade Act of 1974: Section 301 authorizes the President to take appropriate action in response to unreasonable or discriminatory burdens to U.S. commerce.

[8] The Trade Act of 1930: Section 338 grants the President the authority to impose tariffs of up to 50% on imports from countries that discriminate against the U.S.

[9] The Trade Expansion Act of 1962: Section 232 delegates congressional authority to the President to impose import restrictions that threaten national security.

Exhibit 3: Tariff impact is likely to be notable, and a range of outcomes remains possible[10]

Trump 2.0: Estimated Likely Tariff Impact on GDP Growth



Source: Glenmede, U.S. Census Bureau, Observatory of Economic Complexity — Data as of 6/26/2025

Thinking through the administration's intentionality and legal position establishes Glenmede's framework for expectations regarding the tariffs (Exhibit 3). The base case assumes that the universal, sectoral, and China tariffs are implemented as communicated and that a portion of the reciprocal tariff negotiations fail, leading to a ~1.3% tariff-related headwind to the U.S. economy. The upside case of a less than 1% headwind assumes some successful negotiation and reduction of universal, sectoral, and China tariffs as well as full removal of reciprocal tariffs. The downside case of a more than 2% headwind represents complete failure in negotiations and a return to the tariffs announced on April 2. The likelihood of the downside case appears to decline with each pronouncement of progress in negotiations, but some risk of setbacks remains. In any case, this framework helps investors narrow the range of possibilities. Since the real GDP of the U.S. is growing at a roughly 2.0% to 2.5% trend pace, tariffs alone are unlikely to be the sole factor tipping the U.S. into recession, unless the administration chooses to steer more aggressively to the downside case.

The "One Big Beautiful Bill"

"The question isn't, 'What are we going to do?' The question is, 'What aren't we going to do?'"

– Ferris Bueller, *Ferris Bueller's Day Off*

Despite initial skepticism regarding what would be included in the bill, as well as concern for the cumulative cost, a relatively comprehensive bill that includes a long list of items quickly made its way through Congress. On July 3, the House of Representatives, tossing aside its version of the bill that it had previously passed in May, voted through a version of the bill that the Senate had approved just two days before, meeting the President's target delivery of July 4. This final version of the bill, with a total price tag of $2.8 trillion over 10 years, includes the full extension of the 2017 Tax Cuts and Jobs Act (TCJA) as well as provisions such as no taxes on tips, no taxes on overtime earnings, a tax credit for seniors, and favorable changes to business expensing for structural investments and research and development (Exhibit 4). To offset the costs of the new spending items, the bill also contains more than $1 trillion in spending reductions, of which stronger work requirements for Medicaid are the most controversial. Not counted in the bill are the the tariff collections, the run rate of which has been estimated to total around $2.8 trillion[11] in revenue, providing a notable offset to the reconciliation bill's estimated cost.

[10] Implemented Tariffs includes 30% China tariffs, 25% Canada/Mexico tariffs, 25%+ steel/aluminum/auto tariffs and 10% universal baseline tariffs with all applicable exemptions. Upside Case includes 10% China tariffs and 25%+ sectoral tariffs (steel, aluminum, autos, copper, lumber, pharmaceuticals, semiconductors, solar panels). Base Case includes 30% China tariffs, 25+% sectoral tariffs, 10% universal baseline tariffs and a quarter of the full announced program of reciprocal tariffs. Downside Case includes 60% China tariffs, 25% Canada/Mexico tariffs, 25%+ sectoral tariffs, 200% alcohol tariffs from the European Union, 10% universal baseline tariffs and the full announced program of reciprocal tariffs. All figures shown are projections as a share of nominal U.S. gross domestic product (GDP) and are subject to change. Actual results may differ materially from projections.

[11] Congressional Budget Office, Estimated Budgetary Effects of an Amendment in the Nature of a Substitute to H.R.1, the One Big Beautiful Bill Act, June 29, 2025, cbo.gov/publication/61534.

Exhibit 4: A rather comprehensive reconciliation bill[12]

"The One Big Beautiful Bill Act"—Major Components

Included

Individuals
- Full extension of all expiring TCJA cuts
- No tax on tips/overtime/car loan interest
- Higher SALT cap
- Enhanced deduction for seniors
- Enhanced Child Tax Credit
- Medicaid work requirements
- MAGA account pilot program

Business/Entities
- Full extension of all expiring TCJA cuts
- Manufacturing structures expensing
- Private college/university excise tax

Other
- Clean energy credits termination
- Opportunity zone program renewal

Not Possible

Individuals
- Lower individual tax rates
- New tax bracket for millionaires
- No tax on Social Security
- Municipal bond tax-exemption revocation
- Elimination of mortgage interest deduction
- Elimination of estate tax

Business/Entities
- Lower corporate tax rate
- Increased stock buyback tax
- End deductibility of corporate SALT
- Eliminate nonprofit status of hospitals
- Repeal corporate AMT
- Private foundation tax increase

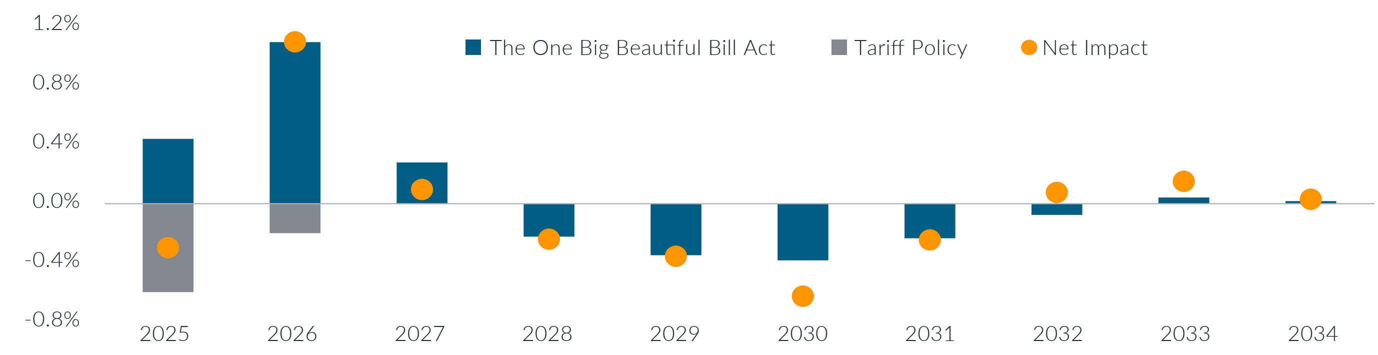
Other
- Tariff legislation
- Remedies for unfair foreign taxes

Source: Glenmede Data as of 7/4/2025

The impact of the tax cut extensions and those additional provisions creates a tailwind to the economy of nearly 1.0% over the 10-year period. The shape of that tailwind is important—much of this stimulus is front-end loaded in the first four years, 2025 to 2028, which should make the stimulus feel larger than 1% during those years. Combining this with the impact from tariffs creates an interesting picture. In 2025, the impact from tariffs is larger than the impact of the reconciliation bill, which should feel like a net headwind throughout this year (Exhibit 5).

Exhibit 5: Front-loaded new spending will likely resemble notable stimulus in 2025 and 2026[13]

U.S. Federal Government Fiscal Impulse (% of GDP)



Source: Glenmede, Joint Committee on Taxation, Congressional Budget Office Data as of 7/2/2025

[12] The information shown in the left panel are the highlights of what has been included in "The One Big Beautiful Bill Act." Shown in the right panel are additional provisions that have not been included in the final version. TCJA refers to the Tax Cuts and Jobs Act of 2017. SALT cap is the legislated cap on the deduction of state and local income taxes from federal income taxes. MAGA refers to the Money Account for Growth and Advancement program, which aims to set up savings accounts for children with contributions from the government to advance financial futures. AMT is the Alternative Minimum Tax. Actual results may differ materially from expectations.

[13] Data shown are the expected fiscal stimulus effects by year due to key policy changes associated with The One Big Beautiful Bill Act in the form drafted by the U.S. Senate on June 27, 2025 (blue bars) and tariffs implemented through executive action between January 6 and May 13, 2025 (gray bars). Orange dots represent the net impact between both dimensions of policy change. The analysis does not include the impact of tariffs announced but not yet implemented, nor the effects of trade agreements that have not yet reached a legally binding stage. Actual results may differ materially from expectations and are subject to change alongside adjustments to fiscal policies.

In sharp contrast, the impact of tariffs in 2026 will feel like it is fading as most of the change in tariff levels will have been felt in the prior year. Meanwhile, the impact from the reconciliation bill's stimulus will fully kick into gear in 2026, with the net impact of these two forces feeling like a tailwind of over 1% to the economy. All else being equal, this should imply an acceleration of the U.S. economy in 2026 from its tariff-constrained slower growth in 2025.

Baseline of Consumer Resilience and Productivity Growth

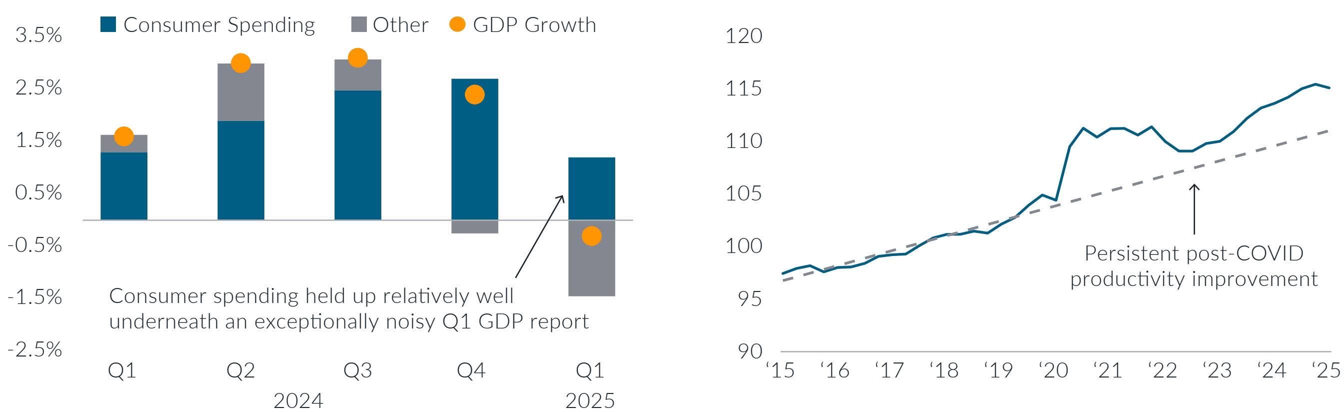
"Come on back to my office. I'll lay out the facts for you, Dave. We know you've got the money… We just have to spend it, that's all."

– Tom Bueller, *Ferris Bueller's Day Off*

The previously mentioned drivers, tariffs, and fiscal policy should be considered additional drivers on top of a baseline economy that had two engines: a resilient consumer base and technology-enabled, above-average productivity growth (Exhibit 6). The consumer, despite numerous surveys suggesting that the aggregate mood has turned sour, has continued to spend, powered by a robust labor market and relatively healthy wage growth.

Exhibit 6: U.S. economic expansion faces these risks from a position of strength, driven by strong consumption and productivity[14]

Components of U.S. Real GDP Growth | *U.S. Labor Productivity*



Source: Glenmede, Bureau of Economic Analysis
Data as of 3/31/2025

Source: FactSet, Piper Sandler, Bureau of Labor Statistics
Data as of 3/31/2025

At the heart of this economic expansion is a surprising amount of productivity growth. The pandemic awakened many businesses to the efficiency of video communications, reducing the need for inefficient travel and providing the initial boost to productivity in 2020. Since 2023, generative artificial intelligence appears to have picked up the productivity baton, providing knowledge workers and consumers with efficiency-enhancing tools for composition, research, and creative projects, applications for which are still emerging.

Scenarios: Paths and Probabilities from Here

"You fellas have nothing to worry about. I'm a professional."

– Garage Attendant, *Ferris Bueller's Day Off*

The economic headwind from tariffs and the fiscal tailwind from the reconciliation bill—which meet an economy powered by a resilient consumer and a unique base of productivity growth—point to an overall economy that will continue to grow into 2026. Nevertheless, the direction is far from guaranteed. In fact, each of the first two key drivers still have embedded

[14] Shown in the left panel are the components of U.S. real gross domestic product (GDP) growth by quarter on a seasonally adjusted annualized basis. Orange dots represent the total growth figures from all components. Shown in the right panel is U.S. non-farm labor productivity, measured as output per hour for all U.S. persons employed by non-farm businesses. Labor productivity figures are shown compared to the pre-COVID trendline based on 2015-2019 data.

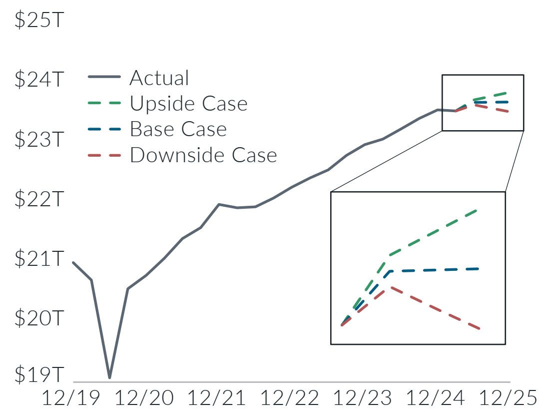
risks related to their own magnitude. Trade negotiations could fail, leading to a re-imposition of tariffs at the April 2 levels. The reconciliation bill, with thin voting margins in Congress, could run into roadblocks, leading the final legislation to be either much smaller in magnitude or much different in the contours of the bill and timing of fiscal stimulus.

Exhibit 7: Tariff proposals have increased the risk of recession, though the path taken from here remains uncertain[15]

2025 Policy Scenarios

Scenario Probability	Tariff Policy	Fiscal Policy	Monetary Policy
Upside Case 35%	• Tariffs reduced by negotiation or courts	• TCJA extended • Tax cuts offset tariffs	• Inflation key risk • Modest or no rate cuts
Base Case 55%	• Some tariffs negotiated down • Other tariffs remain in place	• TCJA extended • Some additional fiscal offsets	• Stagflation concerns • Cautious rate cut path
Base Case 10%	• All tariffs move forward • Trade partners retaliate	• TCJA extended • No fiscal offsets	• Growth concerns intensify • Fed eases aggressively

U.S. Real GDP with Projections



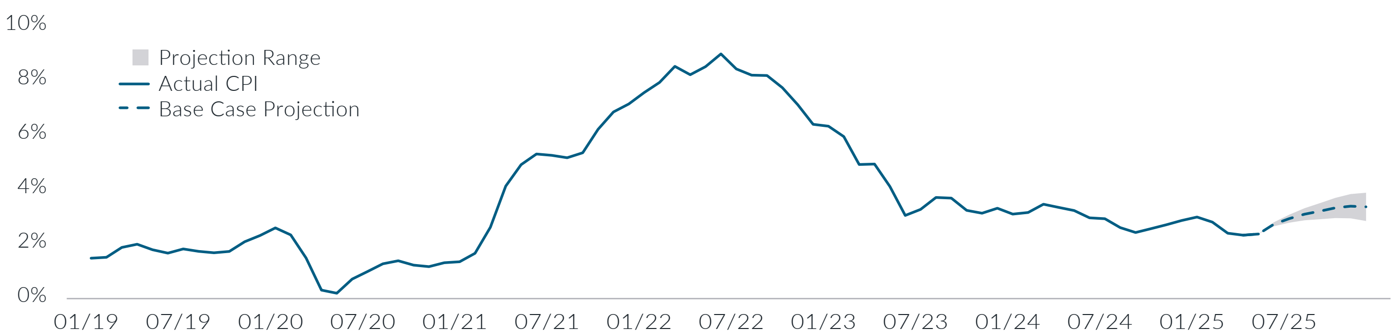
Source: Glenmede

Data as of 6/26/2025

Investors should consider at least three broad scenarios for potential outcomes and continually adjust their estimation of the likelihood of those scenarios (Exhibit 7). The base case, with a near 55% likelihood by Glenmede's estimation, is one in which tariffs provide an estimated 1.3% headwind and a reconciliation bill containing full extension of the TCJA plus some of the additional provisions passes, providing some offsetting stimulus. This should lead to slow growth in 2025 but an acceleration of growth in 2026. The downside case, now with a relatively low likelihood of 10%, assumes a breakdown occurs in trade negotiations as well as a less stimulative reconciliation bill, leading to a weaker economic outlook. The upside case, with a notable likelihood of ~35%, includes marginally more successful trade negotiations and follow-through of current political momentum behind the reconciliation bill that delivers a smaller tariff headwind and notable amount of fiscal stimulus.

Exhibit 8: Tariffs may keep inflation elevated through year-end, though the precise path remains uncertain[16]

Headline CPI with Tariff Impact Projections



Source: Glenmede, FactSet, Blue Chips Economic Indicators, Federal Reserve Bank of San Francisco

Data as of 6/26/2025

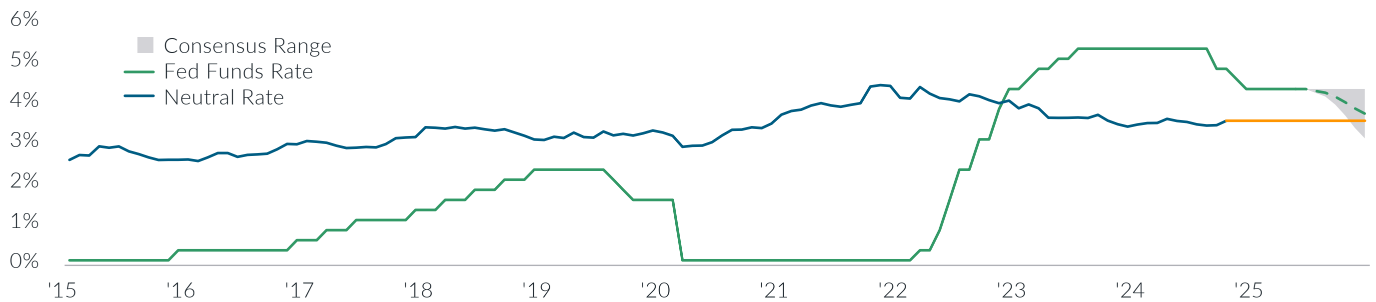
[15] Shown in the left panel are hypothetical scenarios. TCJA refers to the Tax Cuts and Jobs Act of 2017. Shown in the right panel in solid blue are actual U.S. real gross domestic product (GDP) on a seasonally adjusted annualized basis by quarter. The dashed lines represent Glenmede's projections. Actual results may differ materially from expectations or projections.

[16] Data shown in blue is year-over-year percent change in the U.S. Consumer Price Index (CPI). The dashed blue line represents Glenmede's base case projections, and the gray region represents a range of plausible outcomes. Projections assume all price increases are passed on to consumers. Actual results may differ materially from expectations or projections.

Each of these scenarios likely has an impact that cuts both ways (Exhibit 8). The upside scenario for tariffs and fiscal policy leads to a stronger economic outcome but also likely leads to stronger inflation. Inflation has been quite reasonable as of late, not yet justifying the concerns, but it may be too early to see the impact of tariffs fully reflected in official data sources. For this reason, the Fed will likely move quite cautiously with its rate cuts over the next year as the incoming data evolve (Exhibit 9).

Exhibit 9: The Fed's next steps will largely hinge on how trade policy evolves and the economic impact that follows[17]

Fed Funds vs. Neutral with Projections



Source: Glenmede, FactSet | Data as of 6/26/2025

The most recent (June 17-18) survey of the Federal Open Market Committee (FOMC), which determines the federal funds target rate, showed a significant number of respondents expecting the rate to remain unchanged through the rest of 2025, although there was a slightly larger number of voters seeing two cuts. At this point, the base case should probably be for one rate cut in 2025, but the likelihood of no cuts or two or more are relatively equal around that trajectory, depending on how tariff negotiations and fiscal policy play out in the second half. Complicating the issue may be the potential for higher energy prices as geopolitical tensions have flared in the Middle East.

2025 Mid-Year Investment Playbook

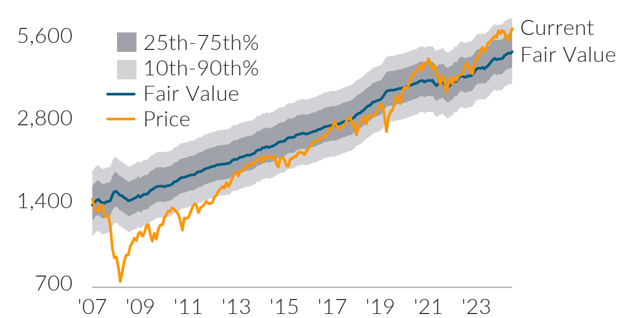
"I am not going to sit [by] as the events that affect me unfold to determine the course of my life. I'm going to take a stand. I'm going to defend it. Right or wrong, I'm going to defend it."

– Cameron, *Ferris Bueller's Day Off*

Investors should neither be lulled into complacency by the projection for an ongoing economic expansion, nor stunned into inaction by the variety of different paths that the future may take. Instead, investors should look at markets for what they are—a discounting mechanism that attempts, or at least should attempt, to price in the variety of future paths. Most of the time markets are quite good at doing this, but occasionally they do not properly account for either risks or upside.

Exhibit 10: Equity valuations sit above fair value[18]

U.S. Large Cap - Long-Term Valuation & Ranges



Source: Glenmede, FactSet, MSCI | Data as of 6/26/2025

[17] Data shown in orange are Glenmede's estimates of the neutral federal funds rate over time (i.e., the level of rates that is neither economically stimulative nor restrictive) based on expectations for real interest rates via the Holston-Laubach-Williams model and Glenmede's 10yr inflation expectations. Fed Funds Rate in green is the target rate midpoint. The dashed green lines represents a base case projection based on current pricing in fed funds futures and the gray region around that represents a range of plausible outcomes. Actual results may differ materially from projections.

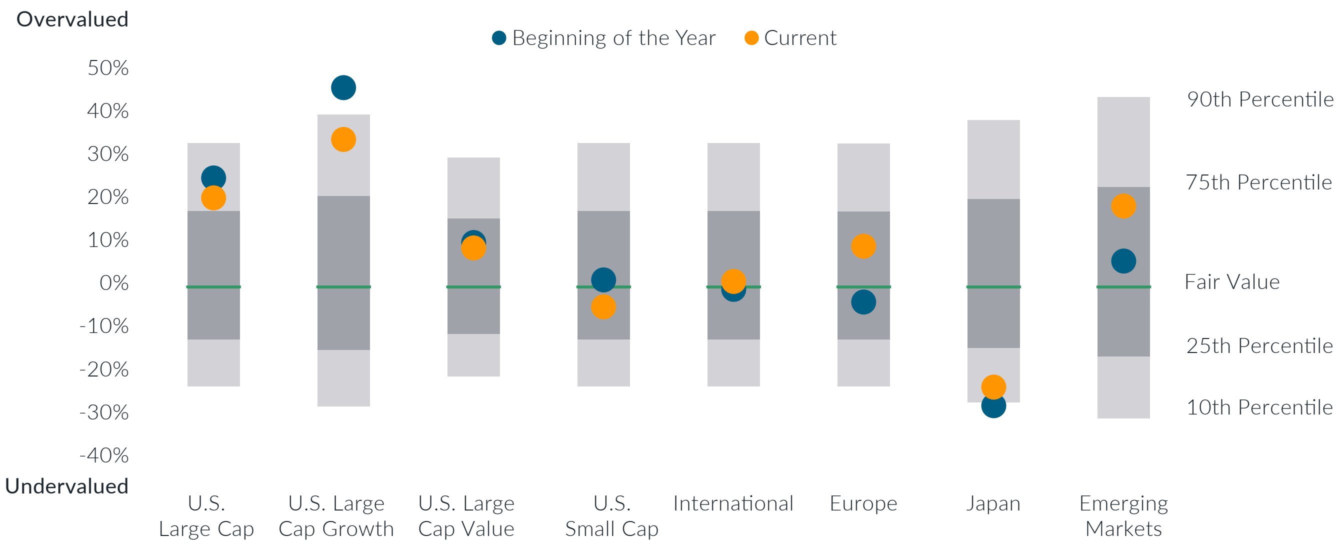
[18] Glenmede's estimate of long-term fair value for U.S. large cap is based on normalized earnings, dividend yield, and book value using MSCI's USA Index, a total return index with dividends reinvested. Past performance may not be indicative of future results. Glenmede's estimates of fair value are arrived at in good faith, but longer-term targets for valuation may be uncertain. One cannot invest directly in an index.

Following the rebound from their lows, U.S. large cap equity markets appear to be leaning in a more optimistic direction, reflecting an investor mood that is likely not overly focused on the potential downside and perhaps pricing in a decent degree of the upside case (Exhibit 10). However, they are neither priced at some dramatic extreme, nor have they rebounded to the valuation levels seen at the start of the year. This picture implies that investors should not carry aggressive allocations to equities, nor should they underallocate relative to longer-term targets in their portfolios.

Digging deeper into market valuations, one can see that other areas of markets appear notably more attractive. Less growth-oriented domestic equities and smaller companies are available at more reasonable and even discount valuations (Exhibit 11). International equities, even after their outsized appreciation so far this year, also continue to offer compelling valuations.

Exhibit 11: While U.S. equities have recovered from earlier declines, valuations remain below their highs[19]

Long-Term Normal Valuation & Ranges



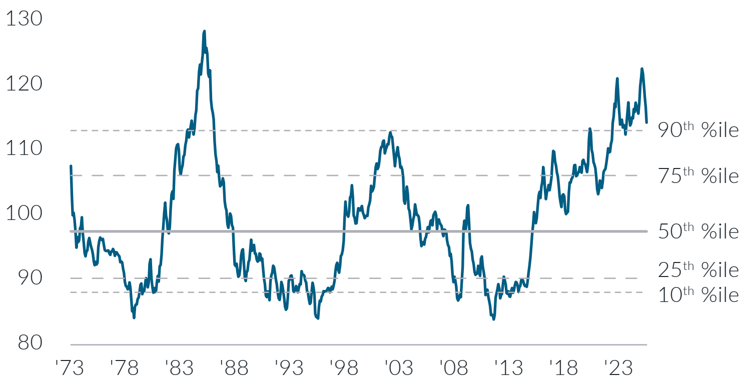
Source: Glenmede, FactSet, MSCI — Data as of 6/26/2025

A contributing factor to the recent outperformance from international markets has been the weakening of the U.S. dollar. It is important to note that this weakening comes after a long period of strength that may have driven the dollar to unsustainably high levels (Exhibit 12). In large part, investor perceptions surrounding the exceptionalism of the U.S. market and economy drove this rise, but the magnitude of that exceptionalism has been questioned thus far in 2025. Further, the divergent performance of domestic and international equity markets has reminded investors of the benefits of global diversification and is serving as an argument for many to review and restructure this relative positioning, typically in favor of modestly higher international allocations. It is reasonable to expect that the U.S. dollar may experience some ongoing depreciation, in which case international markets should feel a performance tailwind relative to domestic markets.

[19] Data shown are Glenmede's estimates of long-term fair value for U.S. Large Cap (MSCI USA), U.S. Large Cap Growth (MSCI USA Growth), U.S. Large Cap Value (MSCI USA Value), U.S. Small Cap (MSCI USA Small), International (MSCI All Country World ex-U.S.), Europe (MSCI Europe), Japan (MSCI Japan), and Emerging Markets (MSCI EM) based on normalized earnings, normalized cash flows, dividend yield, and book value for each index. Orange dots represent current valuation levels, and blue dots represent valuation levels at the beginning of 2025. Glenmede's estimates of fair value are arrived at in good faith, but longer-term targets for valuation may be uncertain. One cannot invest directly in an index.

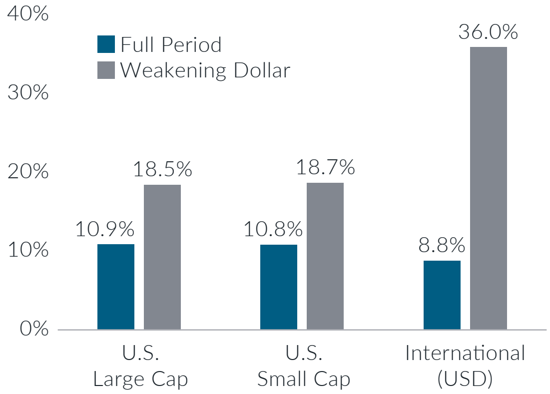
Exhibit 12: An equity portfolio comprising solely dollar-denominated investments is not properly diversified[20]

Real Broad Dollar Index



Source: Glenmede, Federal Reserve
Data as of 6/25/2025

Equity Market Performance (1973-Present)

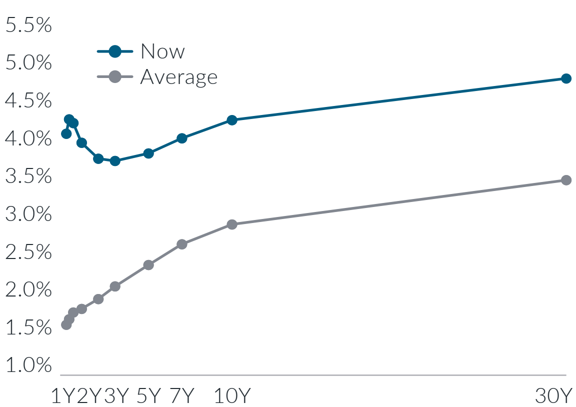


Source: Glenmede
Data as of 5/31/2025

In bond markets, the U.S. Treasury yield curve is generally looking more normal than it has in the past couple of years (Exhibit 13). A modest degree of inversion remains at the front end of the curve due to expectations that the Fed will eventually add a few rate cuts, but the rest of the curve slopes upward, as it usually does. Rates are also generally at a higher and more appealing level for investors. In fact, most major fixed income markets are priced quite close to fair value levels.

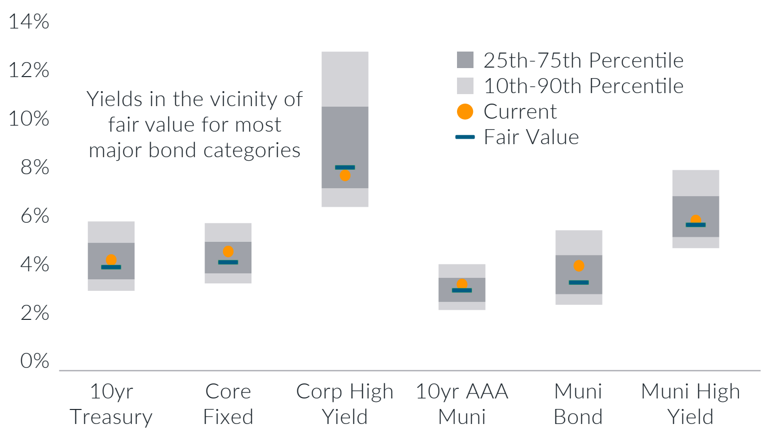
Exhibit 13: Most fixed income yields are higher than recent history and in the vicinity of fair value levels[21]

U.S. Treasury Yield Curve



Source: Glenmede, FactSet
Data as of 6/25/2025

Fixed Income: Current & Fair Value Yields



Source: Glenmede, FactSet
Data as of 6/25/2025

[20] Data shown in the left panel are weighted averages of the foreign exchange value of the U.S. dollar against the currencies of a broad group of major U.S. trading partners, adjusted for inflation to account for purchasing power differentials. Shown in the right panel is the annualized performance of U.S. Large Cap (S&P 500 Index), U.S. Small Cap (Russell 2000 Index), and International (MSCI All Country World ex-U.S. Index, backfilled prior to 1988 with the MSCI EAFE Index) equities since 1973 in blue, and the performance of each over the same period including only the months when the U.S. dollar was weakening in gray. Past performance may not be indicative of future results. One cannot invest directly in an index.

[21] Shown in the left panel is a snapshot of the U.S. Treasury yield curve in blue and the average of each maturity's yields over the past 20 years in gray. Shown in the right panel are Glenmede's estimates of long-term fair value for taxable and tax-exempt debt securities. Proxy indices for each asset class are as follows: Core Fixed (Bloomberg U.S. Aggregate), Corp High Yield (Bloomberg U.S. Aggregate Credit Corporate High Yield BB), Muni Bond (Bloomberg Municipal Bond), Muni High Yield (Bloomberg Municipal High Yield). Glenmede's estimates of fair value are arrived at in good faith, but longer-term targets for valuation may be uncertain. One cannot invest directly in an index.

As a result, investors should remain committed to their longer-term investment plans and maintain a neutral risk allocation relative to those plans, while proactively seeking opportunities to rebalance and diversify where appropriate. Proactive rebalancing and diversification can be employed to further manage the risk on the margin, but a long-term investment plan, if established correctly, should be well positioned to weather unexpected twists and turns in the market.

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