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Halftime Report: The Next Drivers of Change

2026 Mid-Year Economic & Market Outlook

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Executive Summary

- Both equity and bond markets experienced notable volatility through the first half of 2026, though returns remain positive.
- A host of drivers, from fiscal stimulus to productivity gains, should support above-trend growth this year.
- Several high-profile public offerings and substantial investments in artificial intelligence (AI) are expected to remain at the forefront of markets.
- New leadership at the Federal Reserve, the path of inflation, and the midterm elections are the key developments that may introduce change in the second half of the year.
- Equity valuations remain elevated, but strong earnings growth provides support, and select pockets of relative value persist.
- Investors should maintain neutral risk positioning and seek to actively rebalance and diversify portfolios.

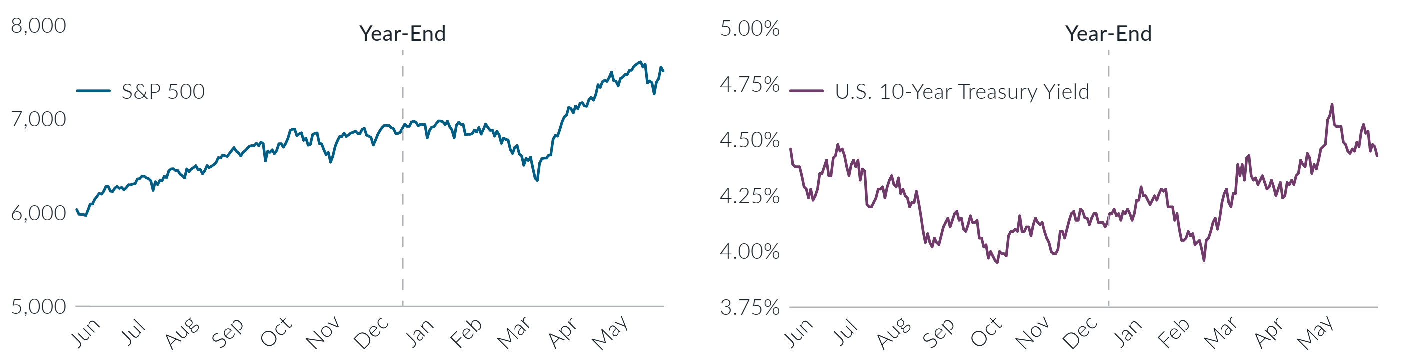
Introduction: The Score at the Half

"The game is ninety minutes." — Brian Clough, English soccer player and manager

With the World Cup on home soil this summer, what better way to check in on 2026 than a commercial-free halftime report. And just like the World Cup, where the group stage is only the beginning of the tournament, there is much more to the year than its first half.

The opening months of 2026 tested investors with sharp swings in both directions as equities surged, stumbled, and recovered. Through all of it, returns ended positive for most corners of equity markets. The S&P 500 sits notably higher than it did at year-end 2025 despite a spring geopolitical-driven drawdown that briefly erased the year's gains (Exhibit 1). In addition to the 15% returns logged by U.S. large cap equities in the first half, emerging markets led with a gain north of 24%, U.S. small caps advanced more than 21%, and even core bonds finished the half in positive territory.

Exhibit 1: Both equity and bond markets have experienced notable volatility to start the year[1]



Source: Glenmede, FactSet — As of 6/15/2026

Bonds told a similar story of motion without material net travel, with yields tracing a wide arc and partly round-tripping back to where they began the year. The yield on 10-year U.S. Treasuries swung from roughly 4% in late February to nearly 4.75% in early May on the back of energy-related supply disruptions. However, yields have since fallen some due to easing inflation expectations.

Altogether, with nearly every major asset class in the green at the midpoint, most diversified portfolios have performed well so far in 2026.

[1] Shown on the left is the S&P 500, a market capitalization weighted index of U.S. large cap stocks. Shown on the right is the yield on 10-year U.S. Treasury bonds. Past performance may not be indicative of future results. One cannot invest directly in an index.

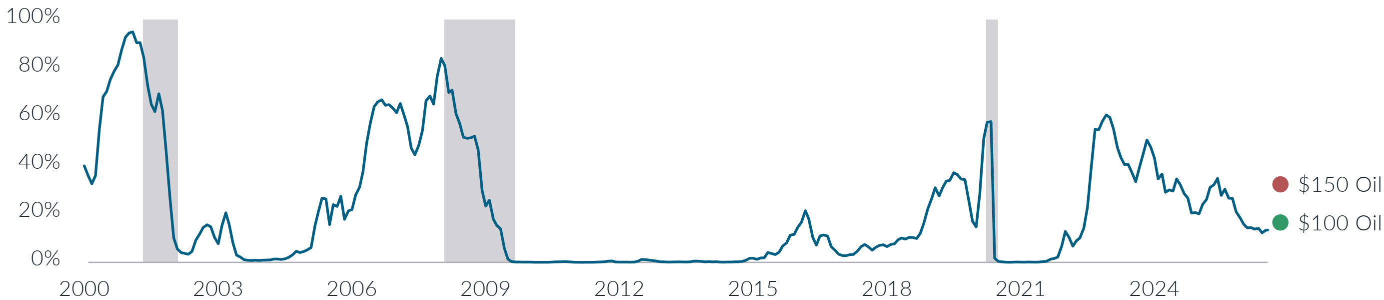
The Economy Still on the Front Foot

"I learned all about life with a ball at my feet." — Ronaldinho, Brazilian soccer player

In soccer, the strongest teams tend to win on fundamentals rather than flair, and the U.S. economy still has the fundamentals. Recession risk remains contained, and above-trend growth is still the base case. Glenmede's Recession Model, which estimates the likelihood of recession over the next 12 months, continues to read near the low end of its historical range at about 15% (Exhibit 2). However, the economic outlook retains a significant element of uncertainty given the still-unresolved conflict in the Middle East, which introduces an extra dimension of risk that must be accounted for. Even under a shock overlay that assumes crude oil prices spike back toward triple digits and beyond, the model is not flashing the kind of warning that has preceded past downturns. Even under a scenario in which crude oil prices spike back up to $150 per barrel and remain there for some time, the likelihood of recession rises only to roughly 30%, suggesting continued resilience in the U.S. economy.

Exhibit 2: Recession odds remain low despite elevated uncertainty[2]

Glenmede Recession Model



Source: Glenmede | As of 6/15/2026

Behind that resilience is a roster of competing drivers. Glenmede expects U.S. real GDP growth of roughly 2.7% in 2026, above the consensus estimate near 2.1% and comfortably above the economy's long-term baseline. That figure is the net result of forces pulling in both directions. Fiscal stimulus is the largest contributor on the positive side of the ledger: the tax cuts in the One Big Beautiful Bill Act (OBBBA) are expected to add meaningfully to growth, with retroactive individual tax relief landing in household pockets through larger-than-normal refunds. Productivity offers a further, if more modest, lift as the early impacts of AI begin to emerge in the data.

Working the other way are tariffs. The spillover effects of duties enacted last year, plus several new measures announced this year, are expected to be notable headwinds. However, after the Supreme Court ruled against tariffs enacted under the International Emergency Economic Powers Act (IEEPA), the refunds already being issued are expected to substantially offset the negative impact of tariff policy on growth this year. Slower-than-normal job growth, a consequence of immigration policy and AI-related efficiency, rounds out the negatives.

Glenmede's 2.7% real GDP growth projection is slightly lower from the beginning of the year, owing to the negative impacts from the conflict-driven shock to energy markets. The U.S. economy is much more insulated to energy shocks than it has been in prior decades due to the country's transition from a large net importer to a notable net exporter of energy goods. That said, higher prices at the pump tend to prompt consumers to pull back on discretionary spending. Large fiscal stimulus is all well and good, but higher prices at the pump may determine how much of that extra cash flow actually results in net higher economic activity.

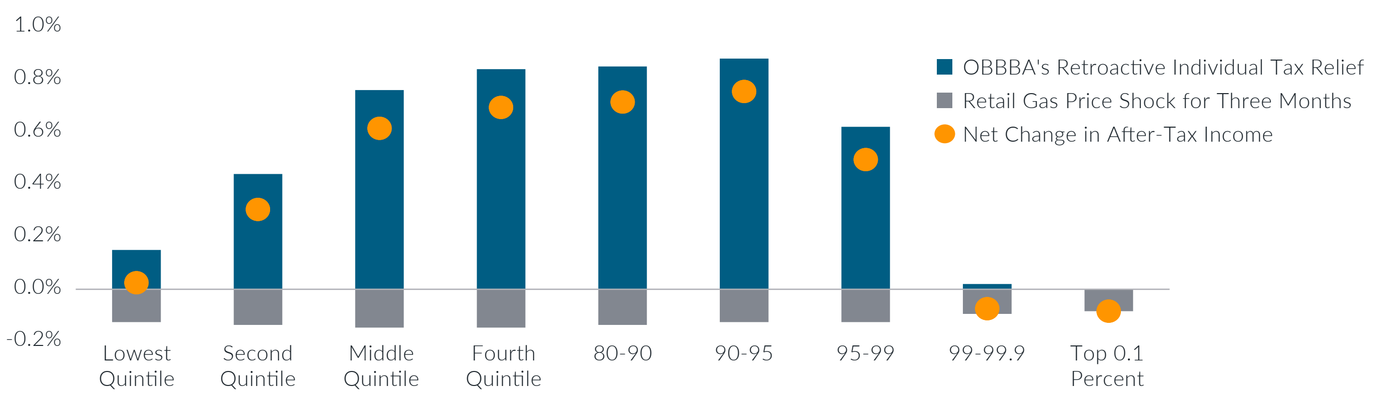
Gasoline prices near and above $4 per gallon, where they have sat in the national averages since late March, are a real headwind, and one that does not fall evenly. For most income groups, the retroactive tax relief more than offsets the energy hit, leaving a net gain in after-tax income. That boost appears to be largest for the middle and upper-middle of the

[2] Glenmede's Recession Model estimates the probability of a U.S. recession within the next 12 months, combining long-term excess indicators (manufacturing, employment, debt balances) and near-term leading indicators (monetary policy, credit markets, business sentiment). Shaded areas represent U.S. recessions. The model was established in 2015; data shown for prior periods represent back-tested results. The dots represent a shock overlay for crude oil rising to $100 per barrel (green) and $150 per barrel (red). Though created in good faith, there can be no guarantee these indicators will be accurate. Actual results may differ materially from projections.

income distribution (Exhibit 3). However, because energy consumption is a greater share of lower-income budgets, higher prices at the pump appear to be completely offsetting the fiscal stimulus for the lowest quintile of the income distribution.

Exhibit 3: Larger tax refunds should lift household income, though energy costs offset part of the gain[3]

Expected After-Tax Income Growth Net of Energy Costs



Source: Glenmede, Piper Sandler, Tax Policy Center | As of 6/15/2026

Despite the energy-related headwinds, the U.S. economy appears to be holding up relatively well in aggregate and appears on track to grow well above trend.

What to Watch in the Second Half

"The game is about moments." — Pep Guardiola, Catalan soccer player and manager

If the first half of the year was the group stage, the second half is the knockout rounds that ultimately decide the tournament. Four developments stand to define the second half for the economy and markets:

- A wave of high-profile public offerings
- The scale of the bet on AI
- A Federal Reserve under new leadership navigating sticky inflation
- A midterm election that could reshape the policy landscape

None is fully settled, and each carries the potential to change the outlook.

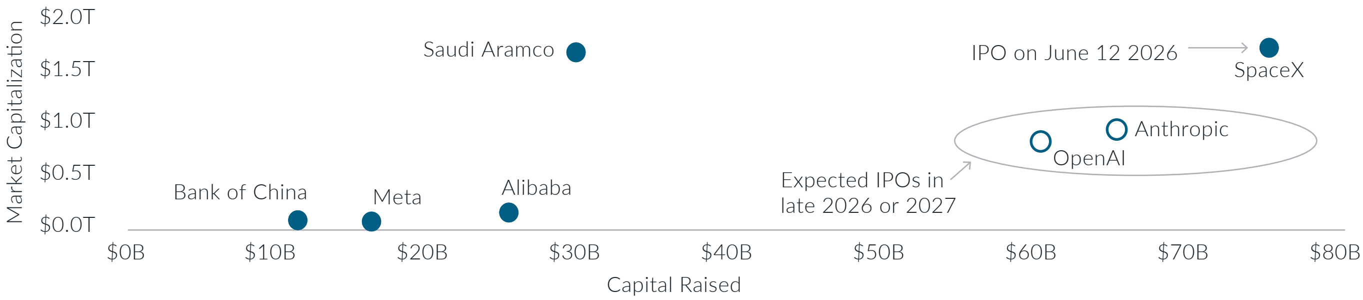
The Return of Mega IPOs

After several quiet years, a small group of high-profile companies is set to draw attention back to the market for initial public offerings (IPOs). The number of companies that have gone or are planning to go public this year remains modest by historical standards, but the size of the firms involved is not. Total capital raised via public equity issuance is expected to reach a new all-time high of $225 billion in the U.S. this year, driven by a handful of mega cap listings rather than a broad surge in issuance. SpaceX has already completed its offering, while Anthropic and OpenAI are in confidential registration with listings expected later in the year or early next year (Exhibit 4).

[3] Shown is the expected increase in after-tax income from retroactive individual income tax provisions of the One Big Beautiful Bill Act (OBBBA) and the impact of a gasoline price shock for three months, by income group (Tax Policy Center percentiles). Actual results may differ materially from expectations.

Exhibit 4: SpaceX, Anthropic, and OpenAI are positioned to rank among the largest listings on record[4]

Size of Initial Public Offerings: Historical and Projected



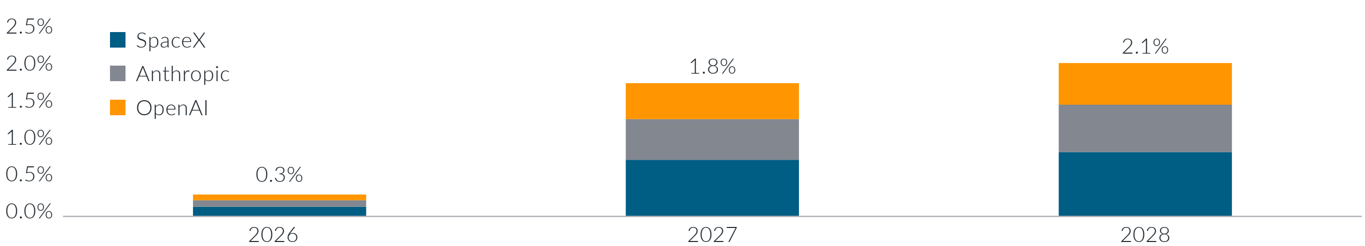
Scale alone, however, can flatter the story. Controlling for the expanding size of the equity market over time, the surge is still notable, if not as groundbreaking as it may initially appear. Issuance as a share of total market capitalization sits well below the peaks of the late 1990s when technology companies rushed to participate in the dot-com mania that enthralled public markets.

There have been some concerns among market participants that these mega IPOs will prompt massive buying pressure from passive index-tracking investment products that will be forced to acquire shares. However, the path into the major market indices is likely to be more gradual than the headlines suggest. Index providers have split on how to handle these listings, with some suspending their existing inclusion rules to fast-track entry, while others have held to existing seasoning and float requirements. More importantly, these companies are debuting with a record-low number of shares available to trade. Since most major indices use a "free float-adjusted" weighting formula, their initial index footprint will likely be relatively small.

The trajectory on how those weights evolve over the next few years matters. As lockups expire and additional shares reach the market, the public float expands and these companies should grow into more meaningful index weights by 2028 (Exhibit 5). The driver of that growth is the underlying market capitalization of the companies; the expanding float governs how quickly the weight is realized, not how large it ultimately becomes. For index investors, the practical implication is that exposure in market indices is likely to build over time rather than arrive all at once immediately following listing.

Exhibit 5: Float-adjusted weighting should keep these listings to modest index weights at first, rising as lockups expire[5]

Projected Russell 1000 Index Weight



Source: Glenmede, Bloomberg, FactSet

As of 6/15/2026

4 Shown are the sizes of select historical and anticipated IPOs, measured by market capitalization and total capital raised. Figures for Anthropic and OpenAI are estimates based on publicly reported expected valuations and projected offering sizes; the projections are illustrative and subject to uncertainty. Historical IPOs are shown for comparison only and are not indicative of future results. References to individual securities should not be construed as a recommendation to buy, hold, or sell.

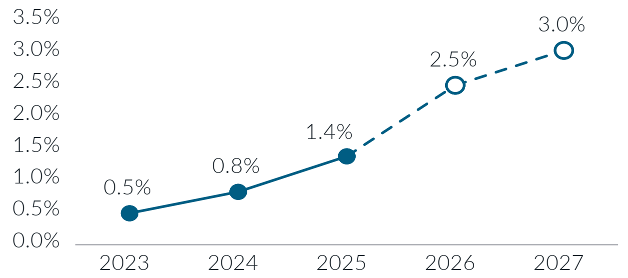
5 Shown are the projected weights of SpaceX, Anthropic, and OpenAI in the Russell 1000 Index at IPO and the two years that follow, assuming eventual index inclusion once eligibility criteria are met. Projected weights are based on estimated market capitalizations at listing, projected public float expansion, and the current market capitalization of the Russell 1000. The projections are hypothetical and provided for illustrative purposes only; they should not be interpreted as forecasts or investment recommendations. One cannot invest directly in an index. References to individual securities should not be construed as a recommendation to buy, hold, or sell.

The Big Bet on Artificial Intelligence

No single development looms larger over markets than the constant advancements being made in AI technology. Capital expenditures by the major AI hyperscalers have scaled from a rounding error a few years ago to a meaningful share of U.S. GDP, and those figures are still climbing (Exhibit 6). Roughly 2.5% of U.S. GDP is expected to be deployed in AI and AI-adjacent capex this year, rivaled in size and scope only by the buildout of the U.S. railroad and interstate highway systems.

Exhibit 6: AI infrastructure spending has scaled to a meaningful share of GDP[6]

Hyperscaler AI-Related Investment as % of GDP



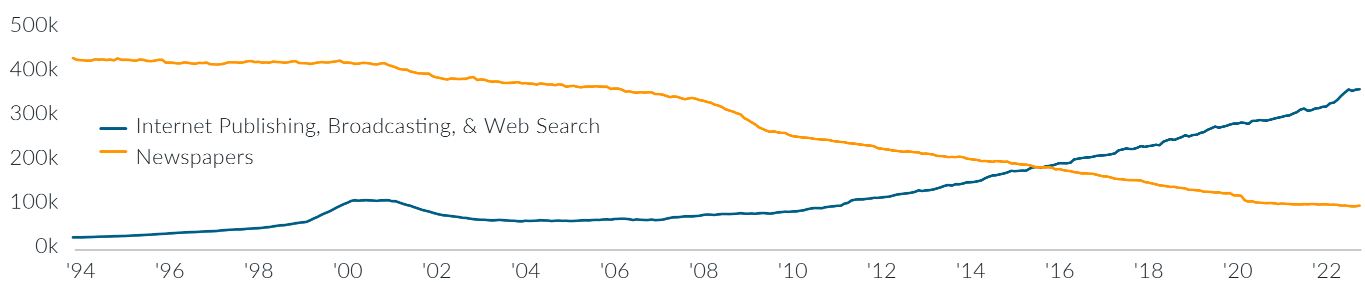
Source: Glenmede, Morgan Stanley As of 6/15/2026

Consider the scale a different way. Expected 2026 hyperscaler capital spending of roughly $790 billion runs ahead of the entire annual economic output of Belgium, the 24th largest economy in the world. It exceeds the combined franchise value of every team in the National Football League, the National Basketball Association, Major League Baseball, and the National Hockey League, with enough money left over to acquire a few soccer teams. It is roughly three times the inflation-adjusted cost of the Apollo program that put astronauts on the moon. To put it in terms of the tournament being played on U.S. soil this summer, it dwarfs the prize money on offer to every team in the field many times over. Spending of this magnitude is itself one of the year's defining developments.

The natural worry is that automation on the scale promised by AI technology may destroy more than it creates. History offers a more nuanced lesson. A good recent example has been the disruption of traditional print media due to the proliferation of the internet. The number of people employed by newspapers has fallen 80% since the mid-1990s, and a narrow focus on this portion of the labor market would possibly lead one to think that the internet has destroyed jobs. While this observation is true at face value, it is less true when viewed from a net job creation lens. The internet created new types of jobs that many would have had difficulty imagining before the commercialization of the internet (Exhibit 7). The same may be true for AI, which may spur the creation of new industries that are yet to be imagined.

Exhibit 7: Creative destruction often creates new industries and jobs[7]

U.S. Employment by Industry



Source: Glenmede, FactSet As of 11/30/2022

Another key distinction around the proliferation of new technologies is their ability to both automate and augment existing workflows. Automation reduces the need for humans, while augmentation makes workers more productive at what they do. Each industry is likely to experience its own balance between augmentation and automation, with many likely to see a reshaping rather than elimination of work across the AI-impacted labor market. At a very basic level, AI has the potential to make plentiful one of the scarcest resources in human history: human or human-like intelligence. In professions where knowledge and intelligence are the bottleneck in delivering goods and services, AI may allow for increased employment. For example, projections for AI-driven changes in labor demand point to notable gains in health care, science and engineering, and skilled trades, with declines concentrated in office support and routine customer service, where automation may be more prevalent.

[6] Shown are total capital expenditures from the AI hyperscalers (Amazon, Google, Meta, Microsoft, Oracle, and CoreWeave) as a share of U.S. GDP. Solid markers represent actual figures; dashed lines and hollow markers represent projections. This should not be interpreted as a recommendation to buy, hold, or sell any specific securities. Actual results may differ materially from expectations.

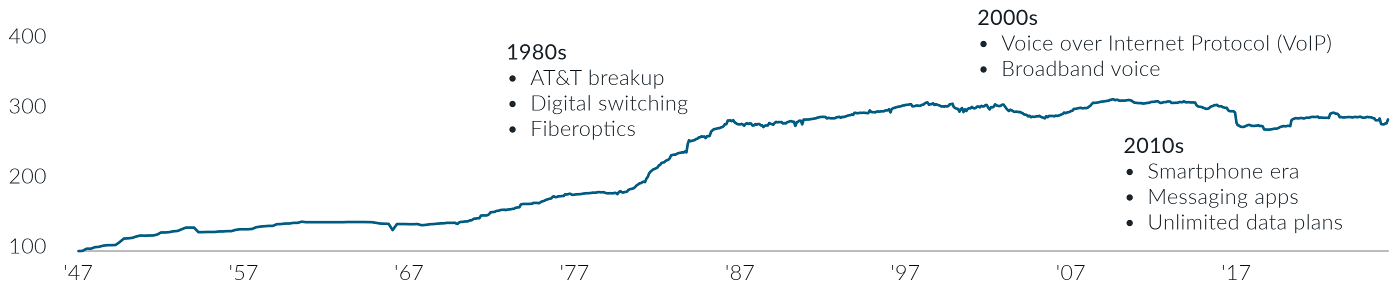
[7] Shown are the total number of employees in the U.S. for internet publishing, broadcasting, and web search (in blue) and newspaper publishing (in orange), each measured in thousands of employees.

While AI is still in the early stages of its development and use among corporate America, it already appears that an AI-driven productivity wave is underway, with official output-per-worker statistics in a meaningful uptrend. From here, the productivity question remains genuinely open: academic and policy estimates of AI's cumulative effect range from less than 1% to well into the double digits, and the honest answer is that the jury is still out on the scale of the eventual impact. Creative destruction, meanwhile, tends to spin up new industries even as it winds down old ones, and the recent strength in new business formation suggests that process may already be underway.

There is also a disinflationary thread worth pulling. Innovation has a long record of converting what looks like a structural cost into decades of falling prices. The price of telephone services is the cleanest example. From the end of World War II to the late 1980s, the cost of owning and operating a personal telephone was a consistent contributor to inflation. However, after waves of deregulation, digital switching, and mobile competition, the cost of staying connected has been virtually unchanged since the late 1980s, even as the prices of most other goods moved higher (Exhibit 8).

Exhibit 8: Innovation can turn a structural cost into decades of disinflation[8]

Consumer Price Index: Telephone Services



Source: Glenmede, U.S. Bureau of Labor Statistics | As of 5/31/2026

None of this makes the AI buildout risk-free. History is full of examples of past capex buildouts that ultimately ended up misjudging the scale of demand or the timeline by which that demand would appear. A relatively recent comparison point is the fiberoptics and telecommunications buildout of the late 1990s, which was underpinned by overly optimistic projections of how quickly the technology would proliferate. There are two key differences between that period and the one being undertaken today:

- The companies leading the AI buildout are far stronger than the telecom firms that drove the fiber boom of the late 1990s, carrying free cash flow margins several times higher. In a sense, it is as if these massive investments in data centers and infrastructure are being undertaken on top of strong existing business models as an opportunity for incremental growth.
- More of today's spending is concentrated in chips, servers, and storage that depreciate quickly, rather than the long-lived fiber and towers of the prior era.

The balance sheets are sturdier; the assets are shorter-lived. Both can be true at once, and investors should hold them together rather than choosing one as the whole story. Ultimately, the adoption curve and demand for these AI resources will be a key development to monitor in the second half of the year.

The Fed and Inflation

Every nation participating in international tournaments worries about the officiating, and this year the Federal Reserve has placed the whistle in unfamiliar hands with Kevin Warsh at the helm.

The labor market has firmed after a soft patch, with payroll growth strengthening, while inflation remains notably above the 2% target. Energy has lifted headline readings, though core inflation has remained relatively well anchored. This has been encouraging because energy is an input cost into almost all goods and services, so there have been some concerns that higher costs could filter through more broadly into other portions of consumer budgets.

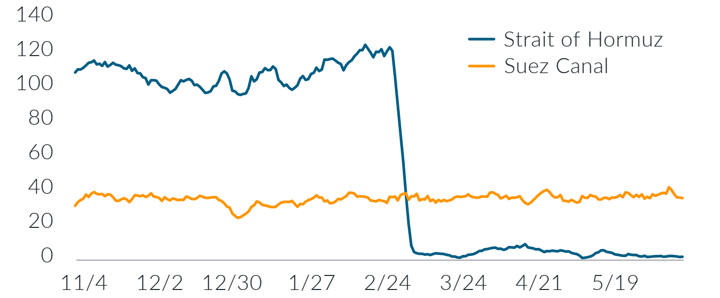
[8] Shown is the Consumer Price Index sub-component for telephone services, indexed to 100 on the first date shown. Past performance may not be indicative of future results.

The swing factor is geopolitics, and the channel to watch runs through the Strait of Hormuz. Vessel traffic through Hormuz, which tends to be disproportionately energy commodity-laden, collapsed during the recent conflict before a U.S.-Iran deal tentatively opened the door to normalization (Exhibit 9). Notably, other maritime chokepoints in the region such as the Suez Canal and Bab al-Mandeb have seen traffic continue largely as normal. The pace of its recovery bears directly on oil and, accordingly, on inflation.

Oil prices have retreated since the deal was announced, easing the inflation impulse at the margin. Glenmede's latest estimate adds roughly half a percentage point to 2026 inflation due to the energy shock resulting from the conflict, though that number remains sensitive to further escalation.

Exhibit 9: Hormuz traffic collapsed during the conflict, a supply channel worth watching after the U.S.-Iran deal[9]

Total Commercial Cargo Vessel Traffic

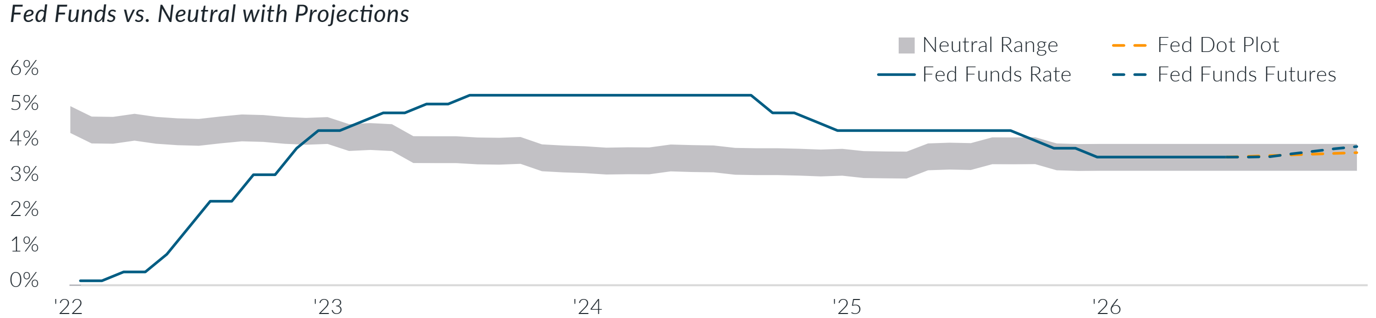


Source: Glenmede, Bloomberg — As of 6/15/2026

The possibility of a broad-based upturn in inflation is a risk that the new Fed leadership must contend with early in its tenure. With Fed policy already close to neutral (i.e., the level of rates that is neither stimulative nor restrictive for economic growth), the path of rates from here should hinge on whether inflation broadens beyond energy. Fed funds futures pricing tilts hawkish and the median policymaker projection leans the same way, but both are expected to prove sensitive to how the inflation data evolve (Exhibit 10).

Exhibit 10: With policy near neutral, the path of rates should depend on whether inflation broadens[10]

Fed Funds vs. Neutral with Projections



Source: Glenmede, Bloomberg, FactSet — As of 6/17/2026

But there are many dimensions of change to monitor as it relates to Fed policy that go beyond interest rates. New Chair Warsh has signaled an appetite for change that extends well past the next rate decision. The balance sheet, still elevated relative to its pre-pandemic size, sits near the top of his priority list, and he has convened task forces spanning the inflation framework, balance sheet policy, communications, the data the Fed relies on, and the interplay of productivity and jobs in an era of transformation. The most recent meeting largely held the status quo, aside from pulling back on forward guidance with a tighter post-meeting statement. Yet the direction of travel points toward a broader rethink of how the Fed operates, and new leadership may result in some gradual change over time.

Midterms on the Horizon

The last match on the second-half calendar is political. Prediction markets, useful as an illustration rather than a forecast and not a reflection of Glenmede's own view, price a base case of shifting control, with divided government the most likely outcome and a Democratic sweep of Congress running ahead of a Republican one. The balance of power genuinely remains

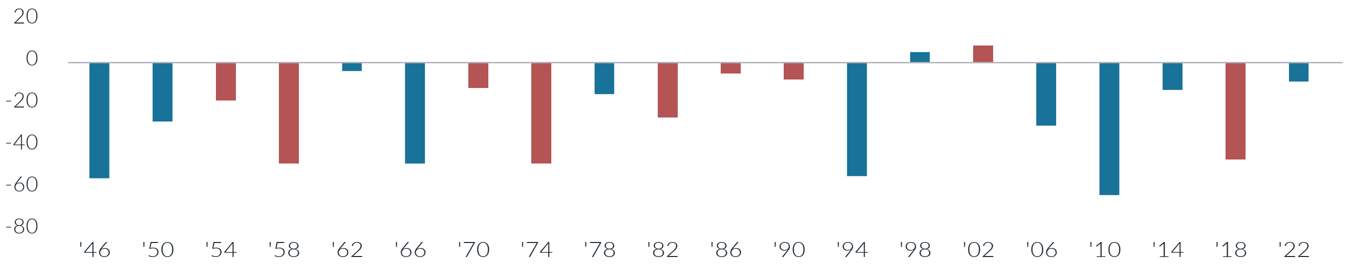
[9] Shown is the seven-day average of daily bidirectional commercial cargo vessel flows across the Strait of Hormuz and the Suez Canal.

[10] Shown in gray are Glenmede's range estimates of the neutral federal funds rate over time based on expectations for real interest rates via the Holston-Laubach-Williams model and Glenmede's inflation expectations. The Fed Funds Rate is the target rate midpoint. The dashed lines represent the forward path of rates implied by fed funds futures pricing and by the median respondent in the Federal Open Market Committee's dot plot. Projections and expectations are arrived at in good faith, but actual results may differ materially.

up for grabs, with a cluster of competitive Senate and House races likely to decide it. History points to a strong starting assumption: the incumbent president's party has almost always lost House seats at the midterms, often by substantial margins (Exhibit 11).

Exhibit 11: The incumbent party has usually lost House seats at the midterms[11]

Midterm House of Representatives Seat Changes for Incumbent President's Party



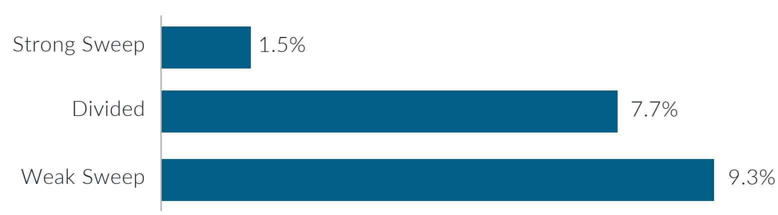
Source: Glenmede, Brookings As of 11/8/2022

For investors, the more useful question is what different outcomes mean for policy and markets. Divided government tends to produce more measured legislation: gridlock on the most ambitious agenda items, with action confined to areas of genuine bipartisan overlap or executive authority. Historically, that restraint has been good for equities. Looking back over a century and a half of returns, divided government and weaker single-party majorities have coincided with stronger real S&P 500 returns than periods of unified, filibuster-proof control (Exhibit 12). The likelihood of a strong majority (i.e., the same party in control of the White House, the House of Representatives, and 60+ seats in the Senate) is a quite remote possibility, suggesting the political environment may prove auspicious at face value.

More specifically, if Republicans retain their majorities in Congress, items that may be on the docket for the 120th Congress may include higher defense spending and energy permitting reform. If Democrats come to control one or both legislative chambers, a Trump veto threatens gridlock. There may be some issues with bipartisan support, including housing reform, drug pricing, AI safety, and cryptocurrency regulations. While the new Congress will not take seat until the new year, the legislative agenda is likely to come into further view in the second half of 2026.

Exhibit 12: Divided government has historically coincided with solid real equity returns[12]

S&P 500: Annual Real Returns by Election Outcome (1872-2022)



Source: Glenmede, Robert Shiller As of 12/31/2022

Perhaps more importantly, the midterms may also mark a shift in how the President governs. Once past the midterm elections, President Trump enters the second half of his second term as a lame duck who will no longer have to face voters, directly or indirectly. Freed from electoral constraint, he may prove emboldened in precisely the areas where the executive can act unilaterally, without need of Congress. Trade and tariffs, immigration, foreign policy, and deregulation all fall largely within that discretionary reach, and they are areas where the administration has already shown a willingness to move aggressively. For investors, that argues for watching executive action as closely as the legislative agenda over the next two years, since the policies most likely to move markets may be the ones that require no vote at all.

[11] Shown are the numbers of seats in the House of Representatives gained or lost by the incumbent party in each midterm election since 1946. Blue bars indicate elections in which Democrats held the White House; red bars indicate elections in which Republicans held the White House. Actual results may differ materially from expectations. The information shown is not the opinion of Glenmede and is shown for illustrative purposes only.

[12] Shown are S&P 500 annual real returns based on the composition of the White House, Senate, and House of Representatives after each two-year election cycle from 1872 to 2022. Divided refers to periods in which the three are controlled by different parties; Strong Sweep refers to periods in which one party controls all three with a filibuster-proof Senate majority; Weak Sweep refers to all other single-party periods. Past performance may not be indicative of future results. One cannot invest directly in an index.

The Investment Playbook

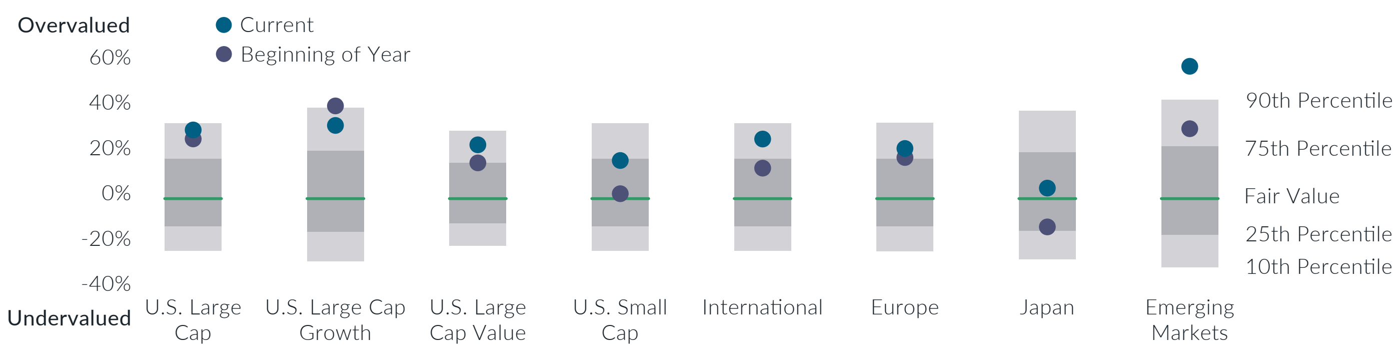
"In football, the worst blindness is only seeing the ball." — Nelson Rodrigues, Brazilian writer and playwright

Soccer is a tactical sport that requires balance and patience, both of which may be virtues in this investment environment. An above-average economic growth outlook is tempered to a degree by premium valuations on equities, which appear to be pricing in optimism for the rest of the year. The combination of these two factors warrants a neutral risk profile from an overall portfolio perspective.

With that said, the valuation picture is far from uniform. Dispersion across regions and styles still leaves pockets of relative value (Exhibit 13). In domestic markets, the valuation spread between value and growth stocks has narrowed meaningfully from the offsides position they began 2026, though the difference between larger cap stocks and small caps has remained compelling. Abroad, Japanese equities continue to price at a relative discount to other developed markets, while emerging markets now sit well above the 90th percentile, a key threshold when valuations start to contribute to higher-than-normal volatility. When it comes to valuations, elevated does not mean uninvestable, but it does warrant selectivity.

Exhibit 13: Valuations have risen broadly, but dispersion still leaves pockets of relative value[13]

Long-Term Normal Valuation & Ranges

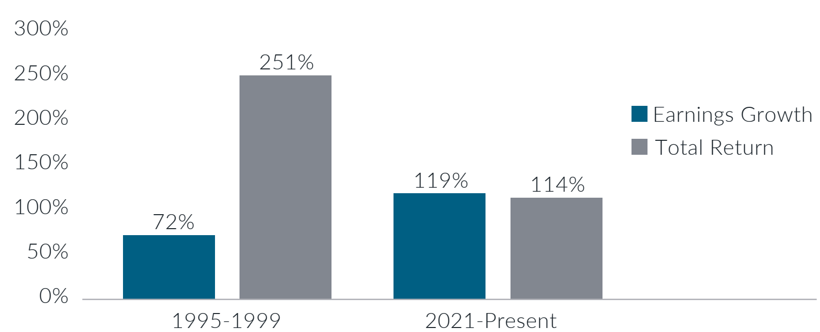


Source: Glenmede, MSCI, FactSet — As of 6/15/2026

Given the exceptional run equity markets have been on over the past few years, many have come to question the quality of the rally itself. In many cases, some have come to argue that large cap equities are in a overexuberant state reminiscent of the Tech Bubble. But there is a clear difference between this rally and the one of the late 1990s. Back then, market returns far outran the underlying earnings that were supposed to justify them. This cycle is materially different. Cumulative returns have tracked earnings growth closely rather than sprinting ahead of fundamentals, which appears to make the advance more durable than a sentiment-driven surge (Exhibit 14).

Exhibit 14: Unlike the late 1990s, this rally has tracked earnings rather than outrunning them[14]

S&P 500 Earnings Growth and Returns Across Cycles



Source: Glenmede, FactSet — As of 6/15/2026

[13] 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. Blue dots represent current valuation levels; purple dots represent levels as of December 31, 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.

[14] Shown are cumulative S&P 500 total returns and aggregate earnings-per-share growth over the periods indicated. Comparisons are provided for illustrative purposes only. Past performance may not be indicative of future results. One cannot invest directly in an index.

The point is reinforced by recent results. First-quarter earnings came in well above expectations for the S&P 500 at 29% year-over-year. That figure may be a bit overstated at face value, partly driven by nonrecurring items from six companies due to items such as unrealized gains from AI investments and tariff refunds. In fact, stripping out just those six items would have resulted in 18% earnings growth in the first quarter. Although less eyepopping, that is still a solid result for profitability.

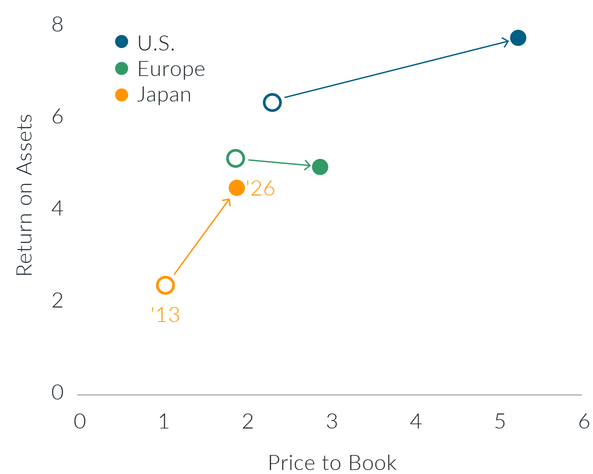
Earnings are also broadening beyond the largest stocks. After years of mega cap dominance, small cap earnings have reached an inflection point and are projected to grow at rates rivaling or exceeding the broad market. Internationally, two threads reinforce the case. A weaker U.S. dollar has historically been a meaningful tailwind for international equities, and further dollar softness would help. Japan adds a structural story on top of the currency one. Japan's decade-long campaign of corporate governance reform, from the introduction of a governance code to the unwinding of cross-shareholdings and the push for capital efficiency, has lifted return on assets and valuations together, and the effort appears to have further to run (Exhibit 15).

Exhibit 15: Japan's governance reforms have lifted profitability and may have further to run[15]

Evolution of Corporate Governance Reform in Japan

Build the Foundation 2012-2018	• Abenomics reform made a national growth priority • Increased equity allocation within largest pension fund • Corporate governance code, independent directors required
Raise the Standard 2022	• TSE restructured into Prime / Standard / Growth tiers
Enforce Outcomes 2023-2025	• Flags firms with P/B < 1; capital efficiency plans required • Share buybacks doubled • Record delistings • Companies dissolved cross-holdings

Changes in Profitability and Valuation (2013-2026)



Source: Glenmede, FactSet

As of 5/31/2026

Elsewhere in portfolios, fixed income yields now sit higher than their recent history and in the vicinity of fair value, restoring bonds to a more useful role in a balanced allocation.

Conclusion: The Second Half Belongs to the Disciplined

"The more difficult the victory, the greater the happiness in winning." — Pelé, Brazilian soccer player

The drivers of change cut in both directions. Fiscal stimulus, productivity, and a resilient labor market push the economy forward; tariffs, energy, sticky inflation, and full valuations pull the other way. A wave of mega cap listings, unprecedented bets on AI, a Fed rethinking its framework, and a midterm election all sit ahead, each capable of shifting the outlook. In a contest this finely balanced, the edge belongs to discipline rather than to bold directional calls.

That is why the posture for the second half is neutral risk, active rebalancing, and broad diversification. The case for diversification is not merely defensive. Over the next decade, Glenmede's capital market assumptions suggest a diversified portfolio may roughly match the expected return of U.S. large cap stocks while carrying notably less risk, a better ratio

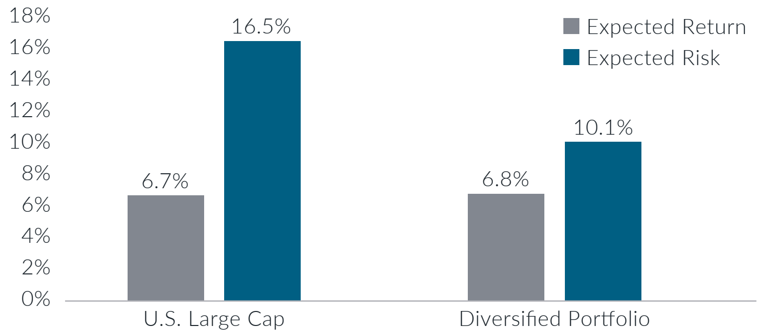
[15] Shown on the left is a nonexhaustive summary of the evolution of corporate governance reforms in Japan; TSE stands for Tokyo Stock Exchange and P/B refers to price-to-book ratio. Shown on the right are profitability and valuation metrics for the MSCI USA, MSCI Japan, and MSCI Europe indices, with equal sector weights (excluding financials and real estate); hollow dots represent 2013 values and solid dots represent values as of the latest date shown. Past performance may not be indicative of future results. One cannot invest directly in an index.

of reward to volatility than concentration in any single asset (Exhibit 16).

No trophy is lifted at halftime. The first half left investors with positive returns and a reasonable position heading into the decisive stretch. The second half should reward the approach that stays balanced, rebalances when markets pull a portfolio away from its targets, and resists the temptation to chase whatever is leading at the moment. There is a great deal of the year still to play.

Exhibit 16: A diversified portfolio may match large cap returns with notably less risk over the next decade[16]

Glenmede 10-Year Capital Market Assumptions



Source: Glenmede

As of 6/15/2026

[16] Shown are Glenmede's proprietary capital market assumptions for the next 10 years for U.S. Large Cap (represented by the S&P 500) and a Diversified Portfolio (represented by Glenmede's All Asset+ Growth with Income model portfolio). Expected risk reflects the standard deviation of Glenmede's expected asset class returns. The illustration should not be construed as a recommendation to invest in any particular asset class or combination of asset classes. Actual results may differ materially from expectations.

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