
One Year More...

2020 Themes, Questions & Investment Implications

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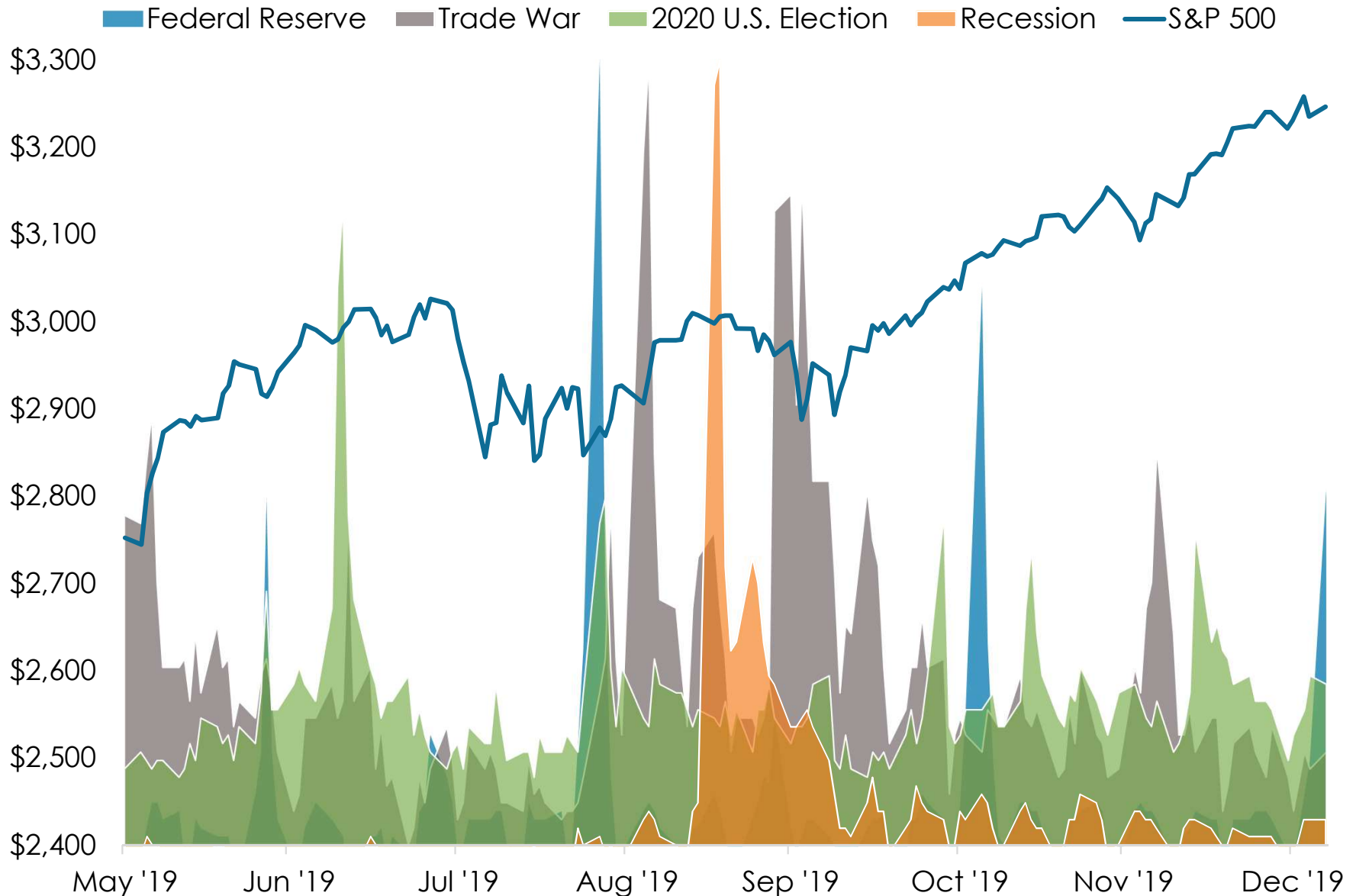
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Economic and Market Outlook represents a review of issues or topics of possible interest to Glenmede's clients and friends, and not as personalized investment advice. It contains Glenmede's opinions, which may change after the date of publication. Information gathered from third-party sources is assumed reliable but is not guaranteed. This presentation contains projections which though arrived at in good faith, are not guaranteed. This document is not a recommendation of any particular investment. Actual results may differ materially from projections. Actual investment decisions for clients are made on an individualized basis and may be different from what is expressed here. All investments have risk and are subject to loss. Clients are encouraged to discuss anything they see here of interest with their Glenmede representative.

STOCK MARKETS ROSE IN 2019, DESPITE VARIOUS SPIKES OF FEAR

Google Trends



Source: Glenmede, Google Trends

Data through 01/06/2020

Google trends represents the popularity of specific search topics relative to the highest points on the chart for a specified period in the U.S. Highest points represent peak popularity for the topic. The S&P 500 Index (price return) is a market capitalization weighted index of large cap stocks. One cannot invest directly in an index. Past performance may not be indicative of future results.

2020 Themes



Key Questions

#1 Fractured Politics
in 2020

Will and how could politics impact the economy in 2020?

#2 Trade War & the
Unloved Expansion

How worried should investors be of a recession at this stage of the expansion?

#3 Efficacy of Monetary
Policy & Negative Yields

Has monetary policy (MoPo) lost its mojo?

2020 Themes



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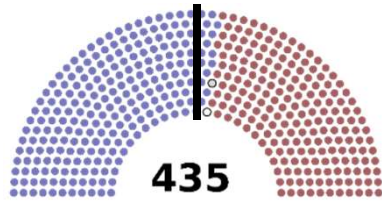
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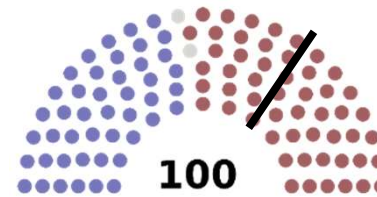
Has monetary policy (MoPo) lost its mojo?

IMPEACHMENT & CONVICTION IS LONG & ARDUOUS



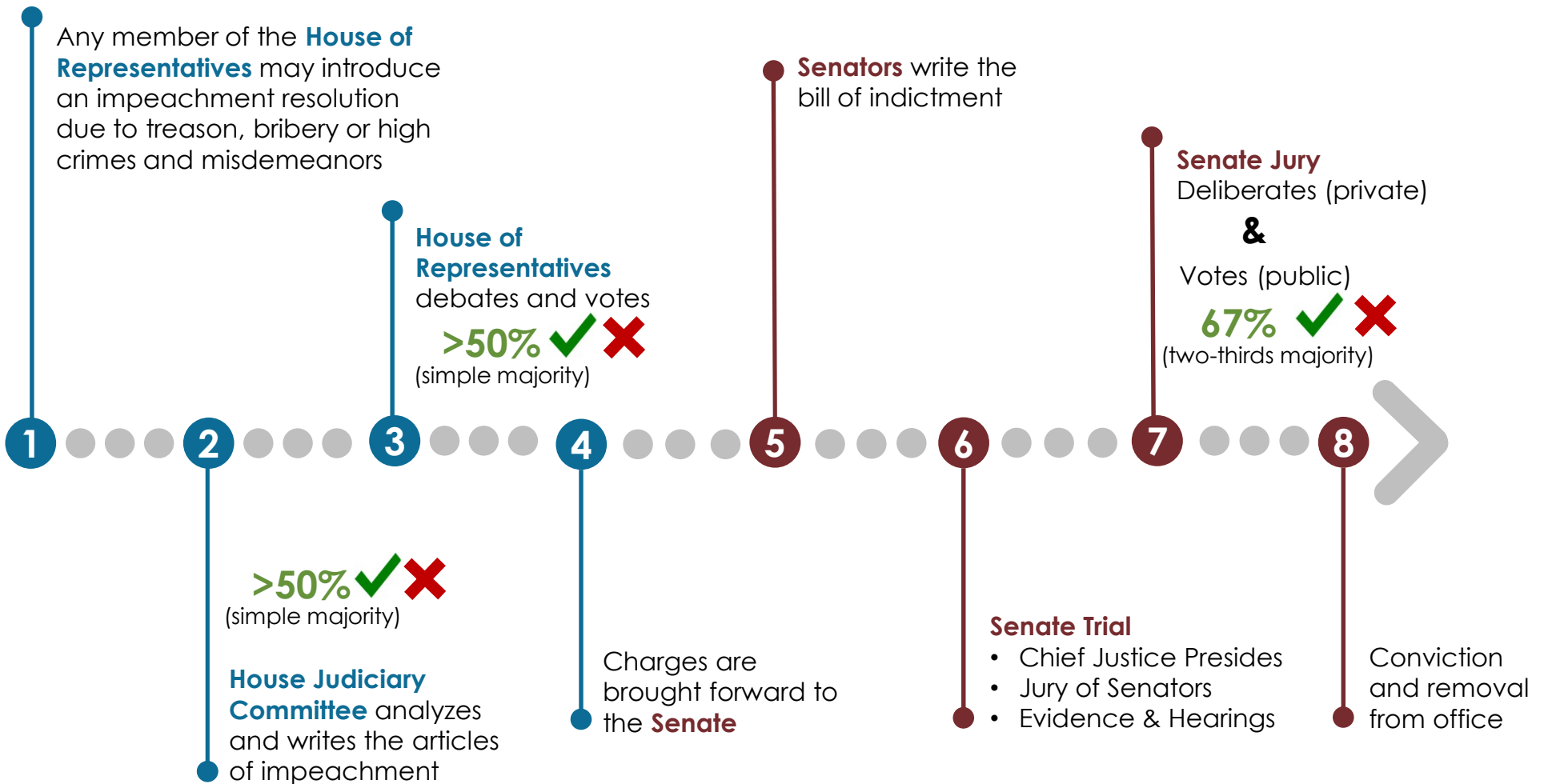
House of Representatives

Statement of Charges

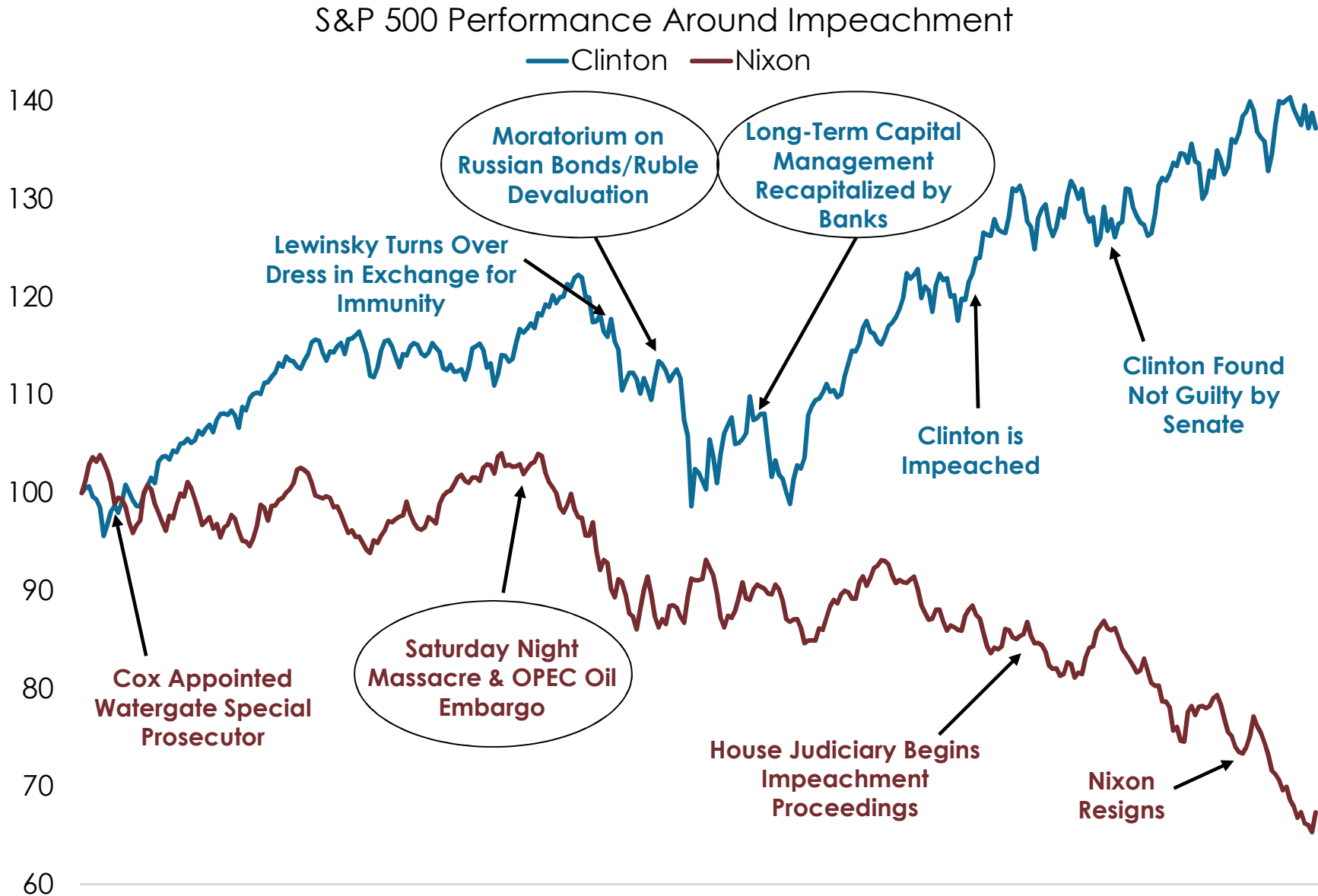


Senate

Formal Consideration of Charges



ECONOMIC THEMES HAVE SUPERSEDED PAST IMPEACHMENT ACTIVITY

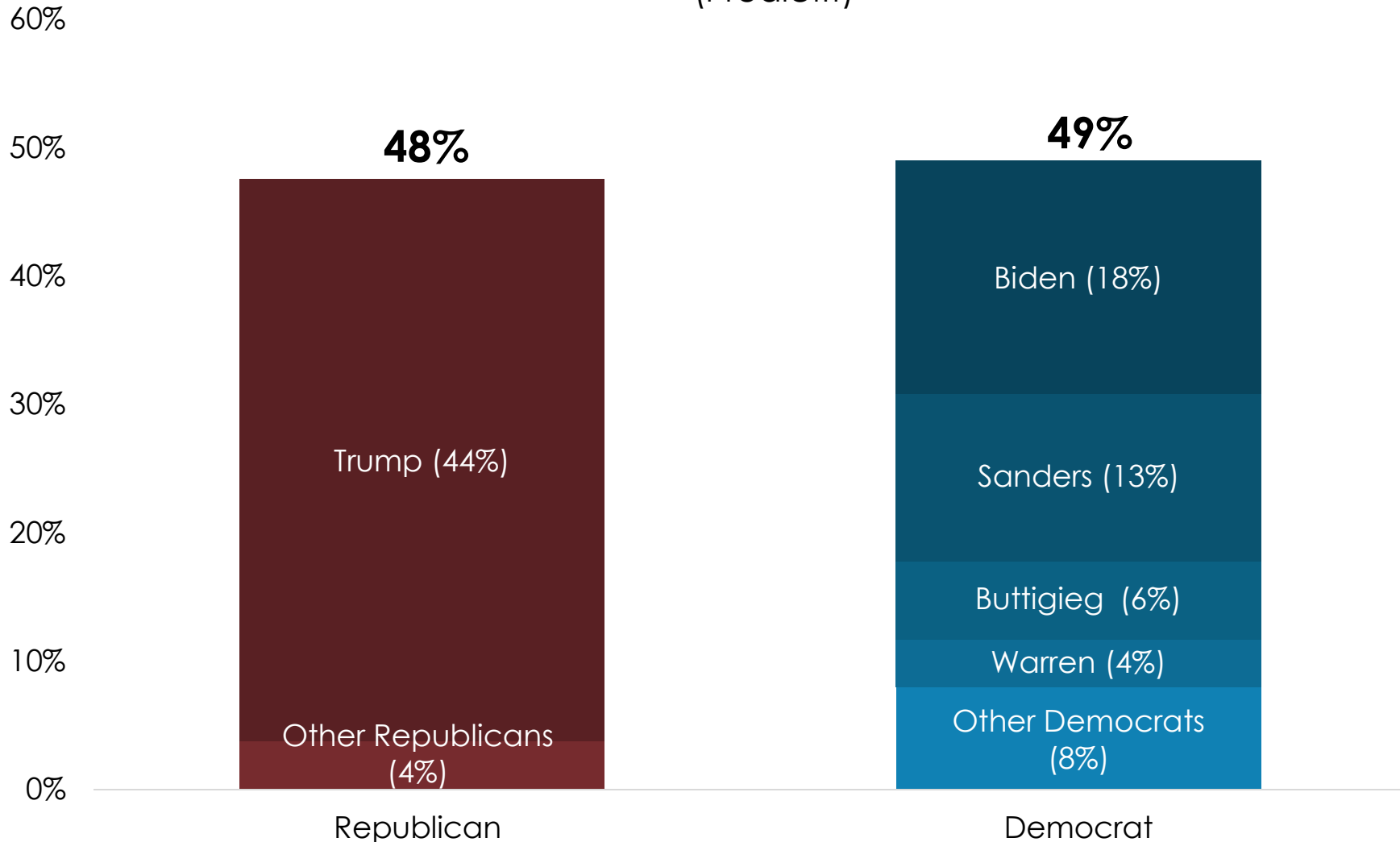


Source: Glenmede, FactSet

Data shown is performance for the S&P 500 Index (price return) during the only two impeachment inquiries in modern market history, with each line indexed to 100 at the beginning of the time period shown. Data for performance during the Nixon era begins on 5/1/1973 and ends on 8/30/1974. Data for performance during the Clinton era begins on 12/31/1997 and ends on 5/6/1999. One cannot invest directly in an index. Past performance is not indicative of future results.

BETTING MARKET ODDS POINT TO A POTENTIAL SHIFT IN LEADERSHIP

Betting Market Odds for the 2020 Election (PredictIt)

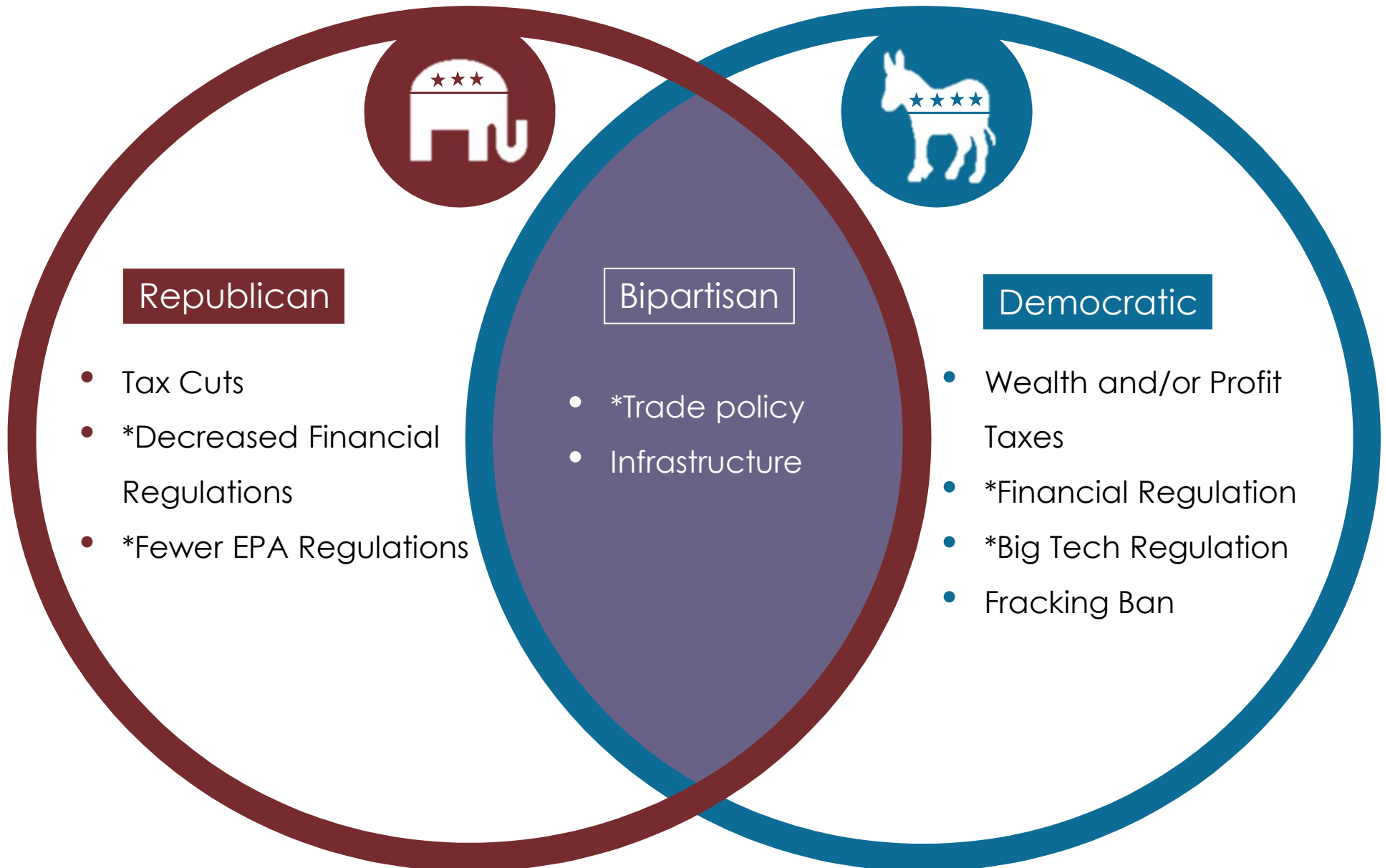


Source: Glenmede, PredictIt

Data through 01/05/2019

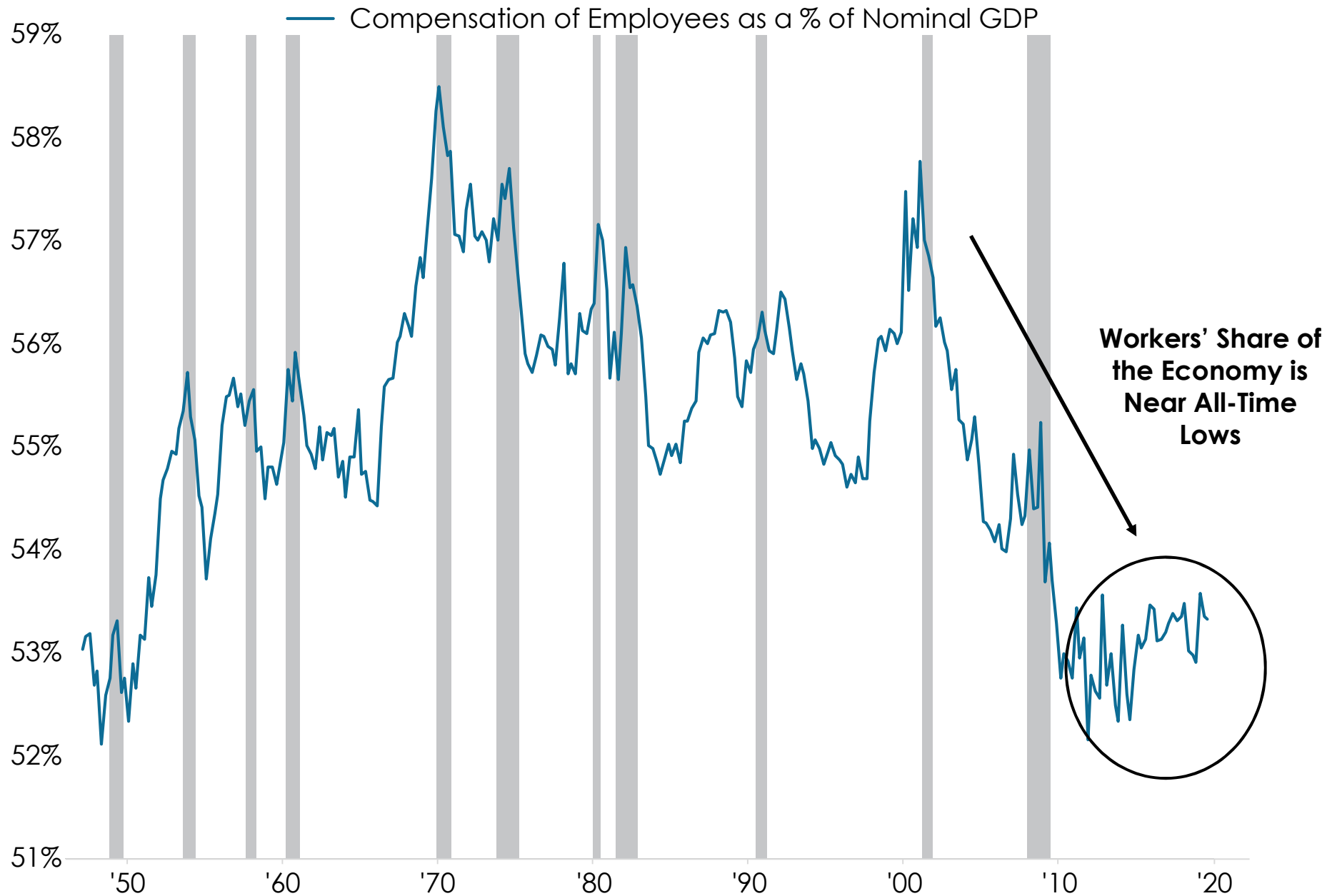
PredictIt purports to be an experimental research and educational facility of Victoria University of Wellington, New Zealand, and not an investment market or gambling facility. Its website supports the operation of a "predictions market", a facility for buying and trading futures contracts linked to political or financial events or circumstances. The reference to PredictIt and use of its data herein in no way should be interpreted as an endorsement or recommendation of PredictIt by Glenmede, and none of the items predicted in the chart may actually occur.

Economically Relevant Policies



*Represents policy which can be accomplished to a significant degree through executive action.

EXPECT RISING POLITICAL PRESSURE FROM AMERICAN WORKERS

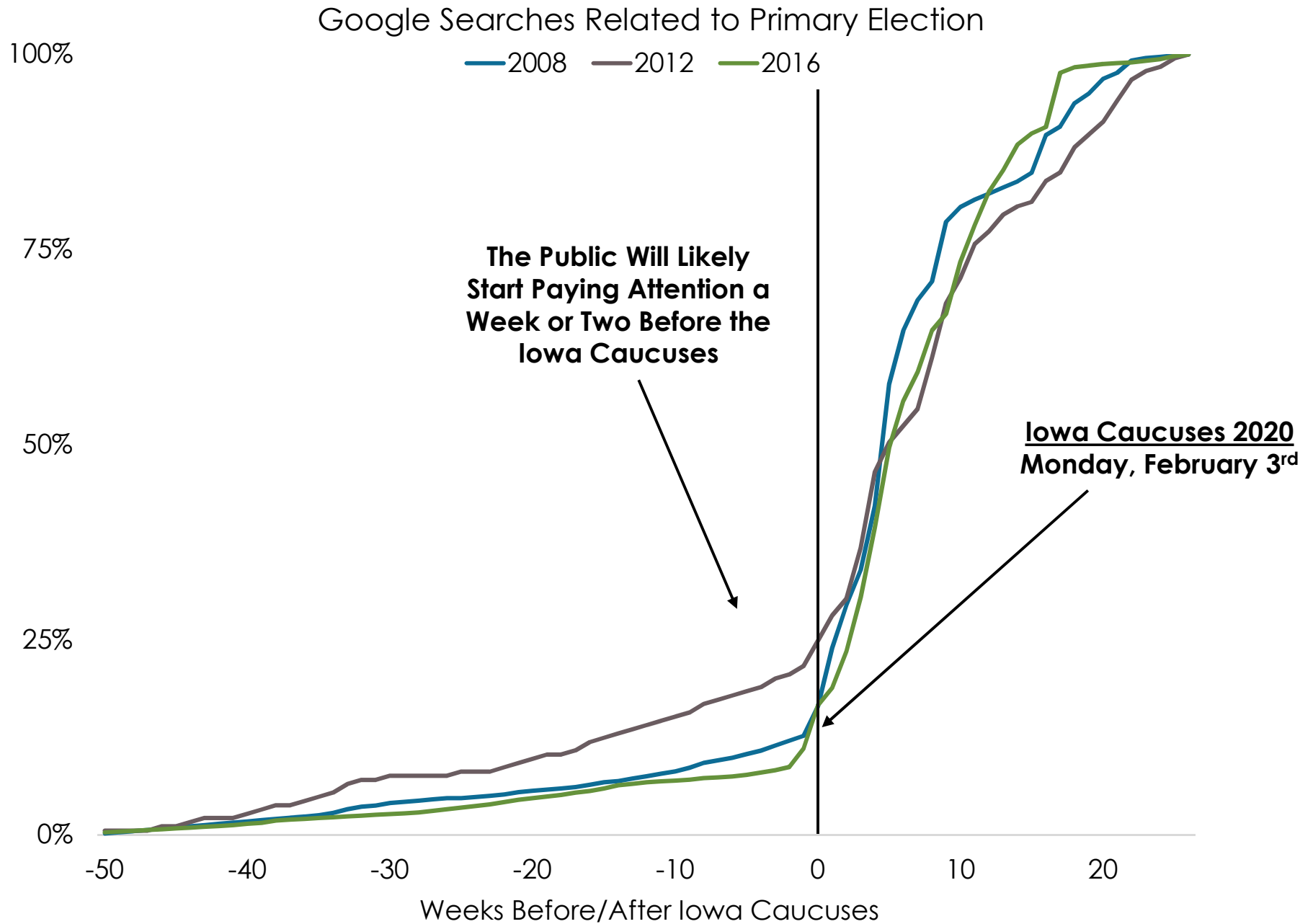


Source: Glenmede, FactSet

Shaded areas represent recessionary periods of the U.S. economy. Recession periods represent periods of economic downturn in the U.S.

Data through 01/06/2020

ANY DEFINITIVE PROGNOSTICS ABOUT THE ELECTION MAY BE PREMATURE



Source: Glenmede, FiveThirtyEight, Google Trends

2020 Themes



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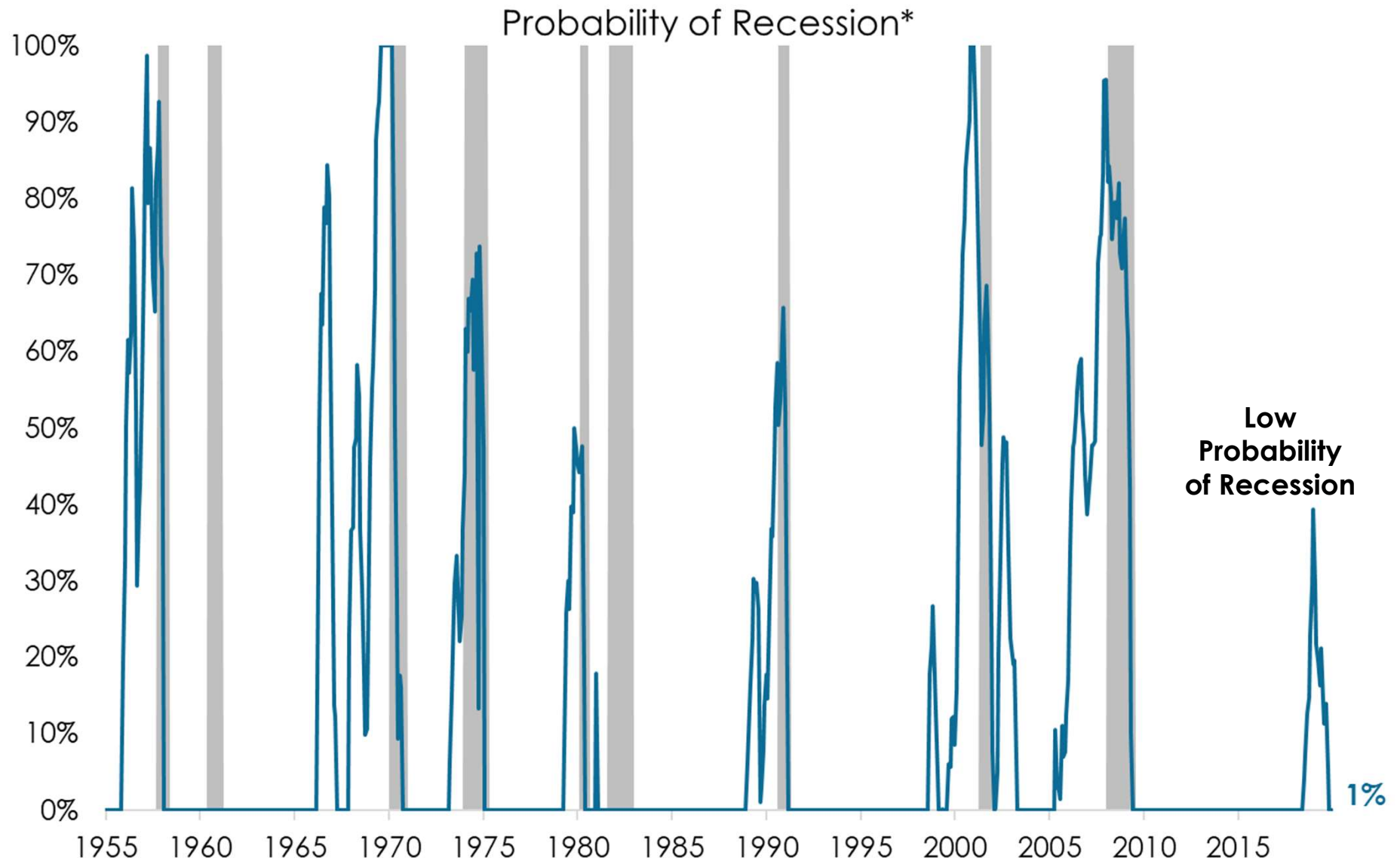
#2 Trade War & the
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How worried should investors be of a
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Has monetary policy (MoPo) lost its mojo?

THE PROBABILITY OF RECESSION HAS DECLINED



Source: Glenmede















Data as of 01/06/2020

*Glenmede's Recession Model is a tool developed by Glenmede to estimate the probability of a recession occurring within the next 12 months. The model is a balanced mix of (1) long-term excess indicators covering manufacturing, employment and debt balances and (2) near-term leading indicators covering monetary policy, credit markets, business sentiment and other economic trends. Shaded areas represent recessionary periods of the U.S. economy. Though created in good faith, there can be no guarantee that these indicators will be accurate. The model was established in 2015. The data shown for prior periods represents backtested results.

RECESSION RISK HAS FALLEN, BUT LATE-STAGE SIGNALS PERSIST

Glenmede's Recession Model Dashboard

 **Expansion**
  **Caution**
  **Recession**

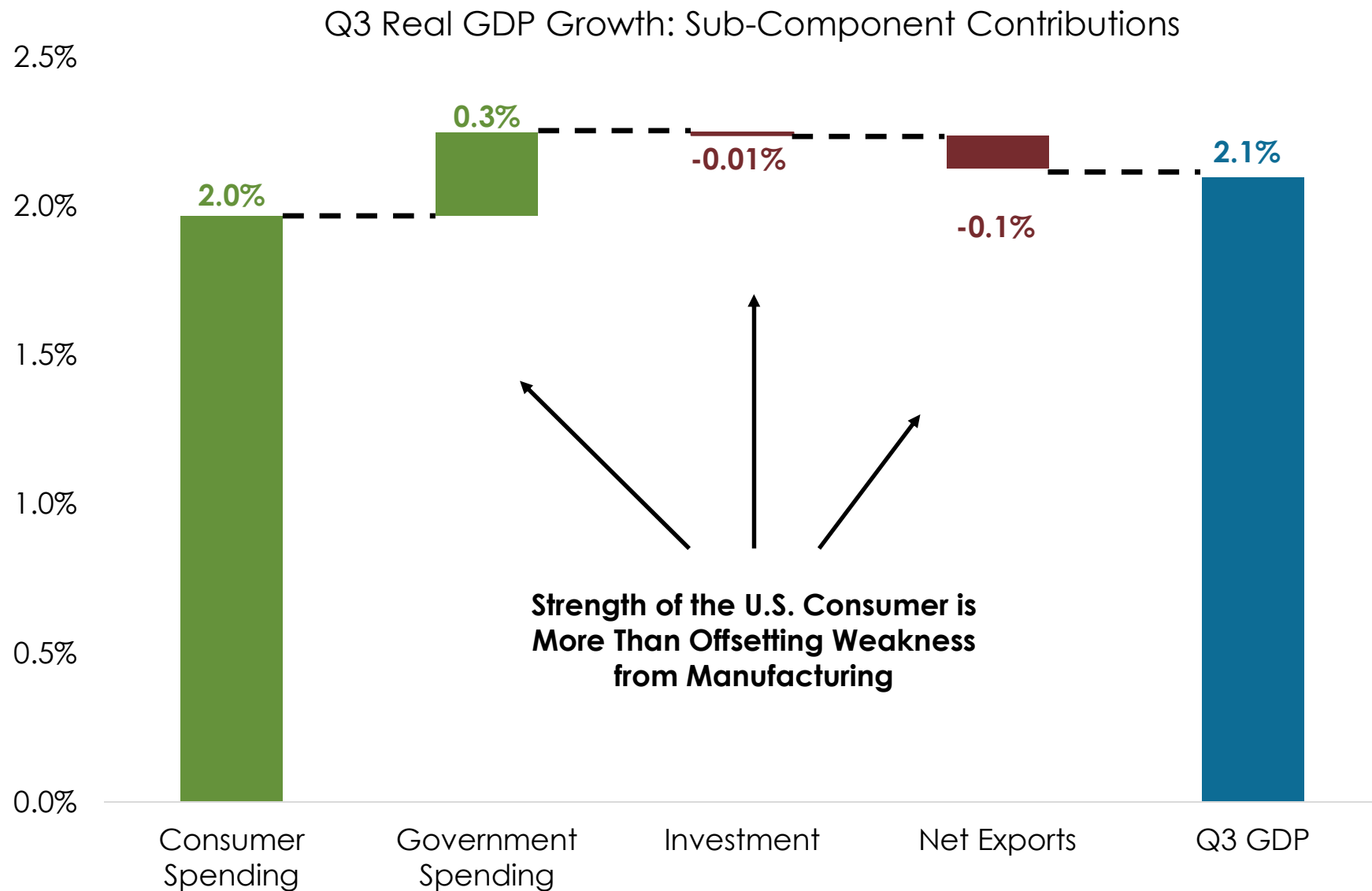
		December 2019	July 2019
Economic Excess Indicators	GDP vs. Potential GDP		
	Unemployment Rate		
	Consumer Debt Service*		
	Corporate Debt Service**		
Leading Market Indicators	Glenmede Leading Indicator		
	Yield Curve		
	Credit Spreads		

*Consumer Debt Service is represented by total consumer debt service payments divided by disposable personal income As of 01/06/2020

**Corporate Debt Service is represented by total corporate interest payments divided by GDP (%)

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CONSUMER SPENDING HAS BEEN DRIVING THE LATE STAGE EXPANSION

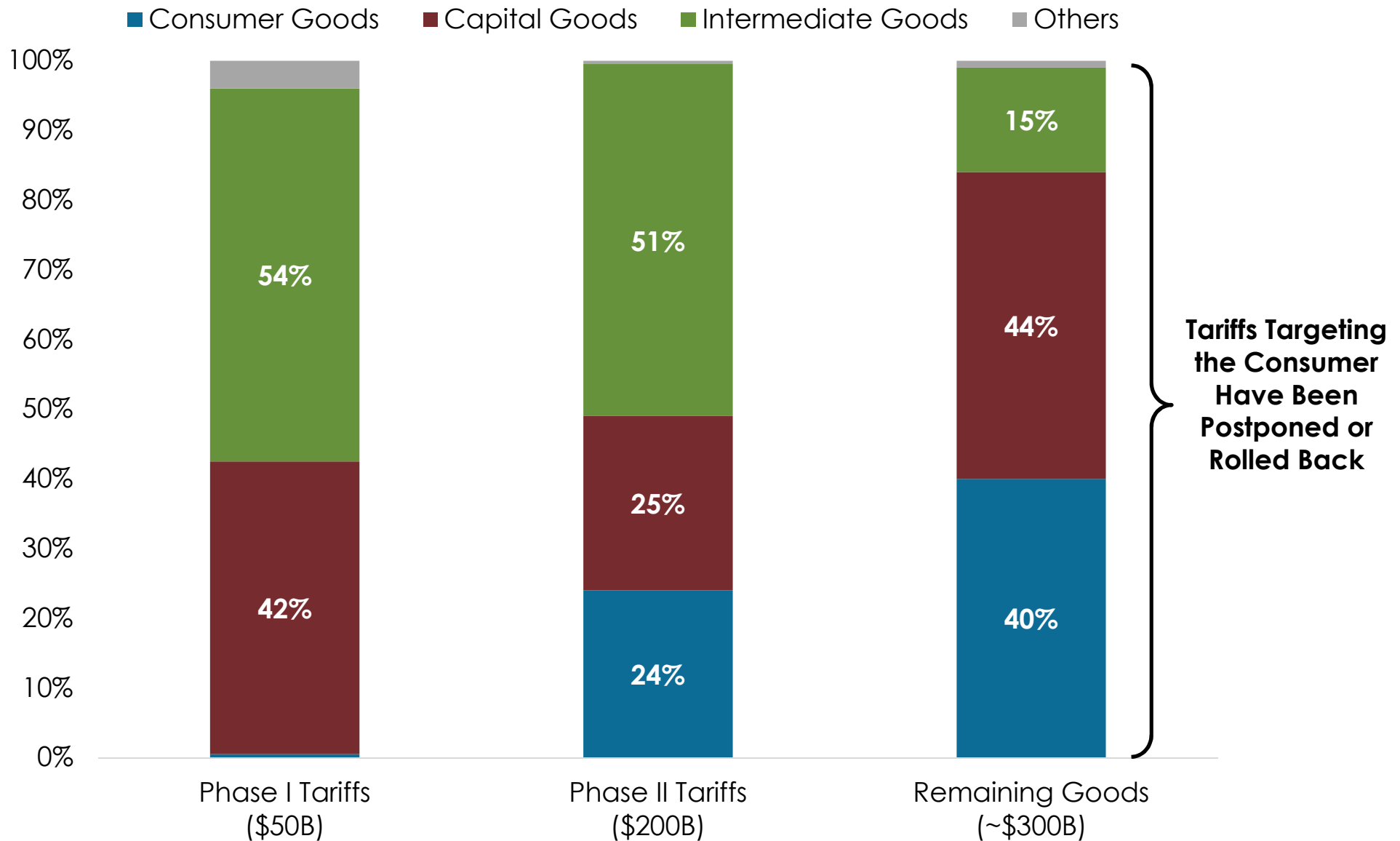


Source: Glenmede, Bureau of Economic Analysis (BEA)

Data through Q3 2019

Gross Domestic Product (GDP) measures the monetary value of final goods and services—that is, those that are bought by the final user—produced in a country over a specified period. Data shown is BEA's second estimate of U.S. Q3 real GDP growth (seasonally adjusted annual rate). Consumer Spending represents personal consumption expenditure (PCE); Investment represents the sum of nonresidential fixed investment, residential investment and change in private inventories; Government Spending represents the sum of federal, state and local government expenditures; Net Exports represents total exports minus total imports.

Composition of U.S. Imports from China Subject to Tariffs



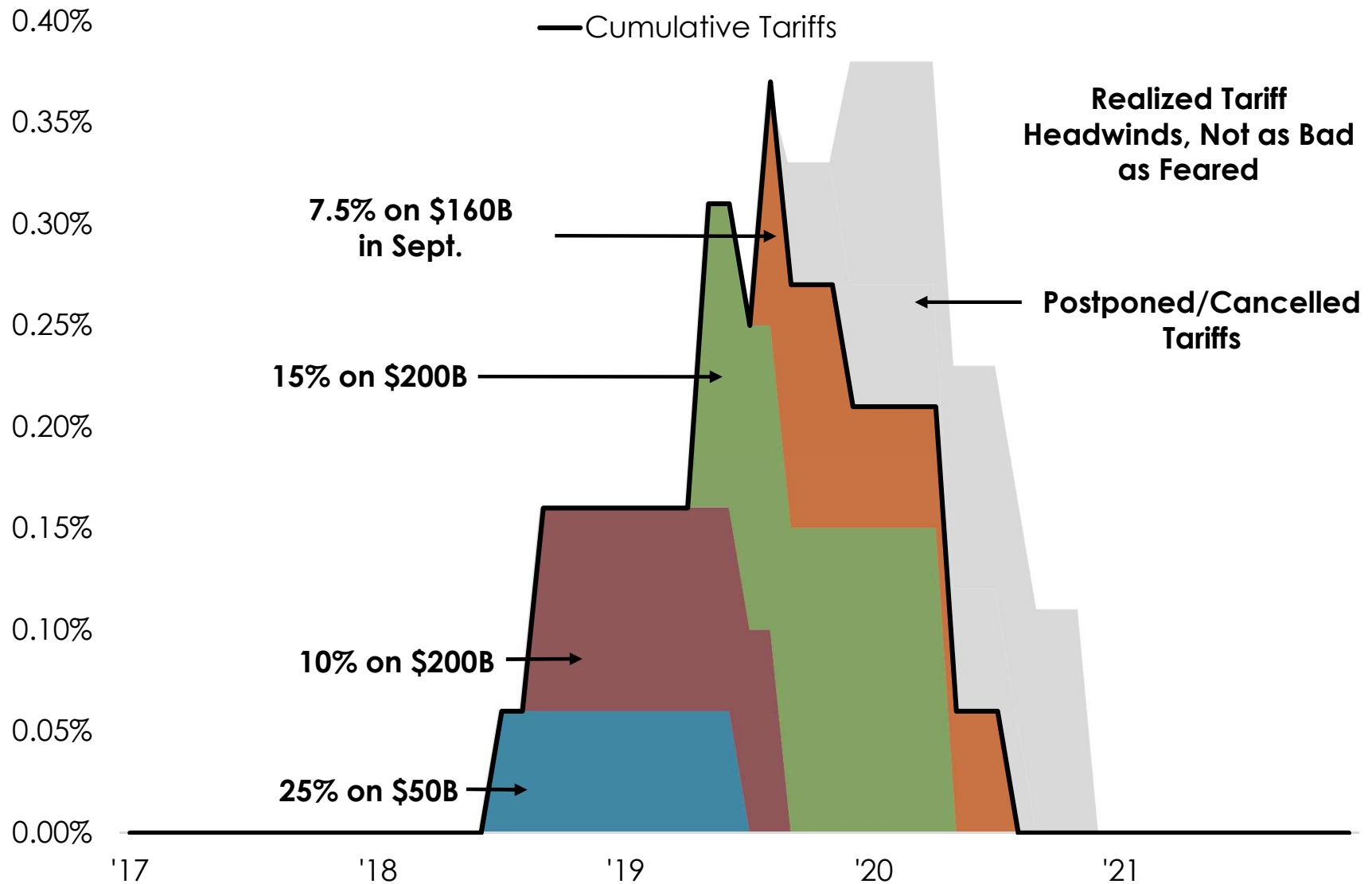
Source: Glenmede, Cornerstone Macro

Data shown is the proportion of each phase of Section 301 tariffs that places duties on each product-type. The final phase represents threatened tariffs, which may not come to fruition.

Data through 12/31/2019

TRADE IMPACT ON GROWTH IS MEANINGFUL, BUT SHOULD RECEDE OVER TIME

Estimated Impact of U.S. Tariffs on GDP Growth

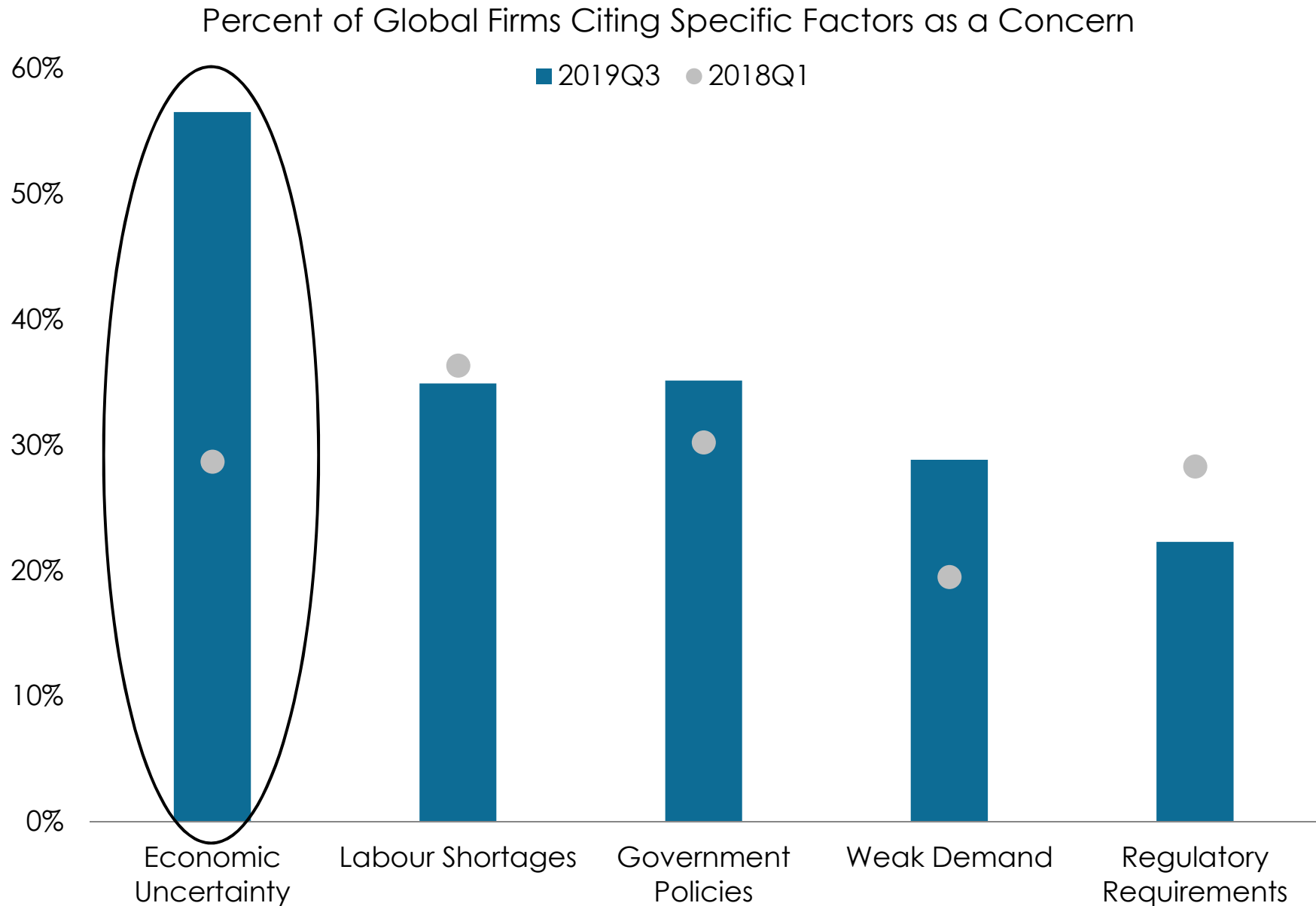


Source: Glenmede, Cornerstone Macro

Data through 12/31/2019

Estimates of each tariff's impact on GDP assume full demand destruction via a tariff-induced price shock, meaning a shift lower in overall demand due to prolonged periods of higher prices. Estimates are based on the assumption that tariffs, while they remain in place, will likely have a lasting effect on the level of real GDP, causing it to run below potential. However, we estimate their effect on the growth of real GDP will last only in the 12-month period after which they go into effect. Gray area includes the postponed Dec. tariffs and the decrease of Sept. tariffs from 15% to 7.5%.

RISING ECONOMIC UNCERTAINTY REFLECTS LATE-STAGE & TRADE WORRIES

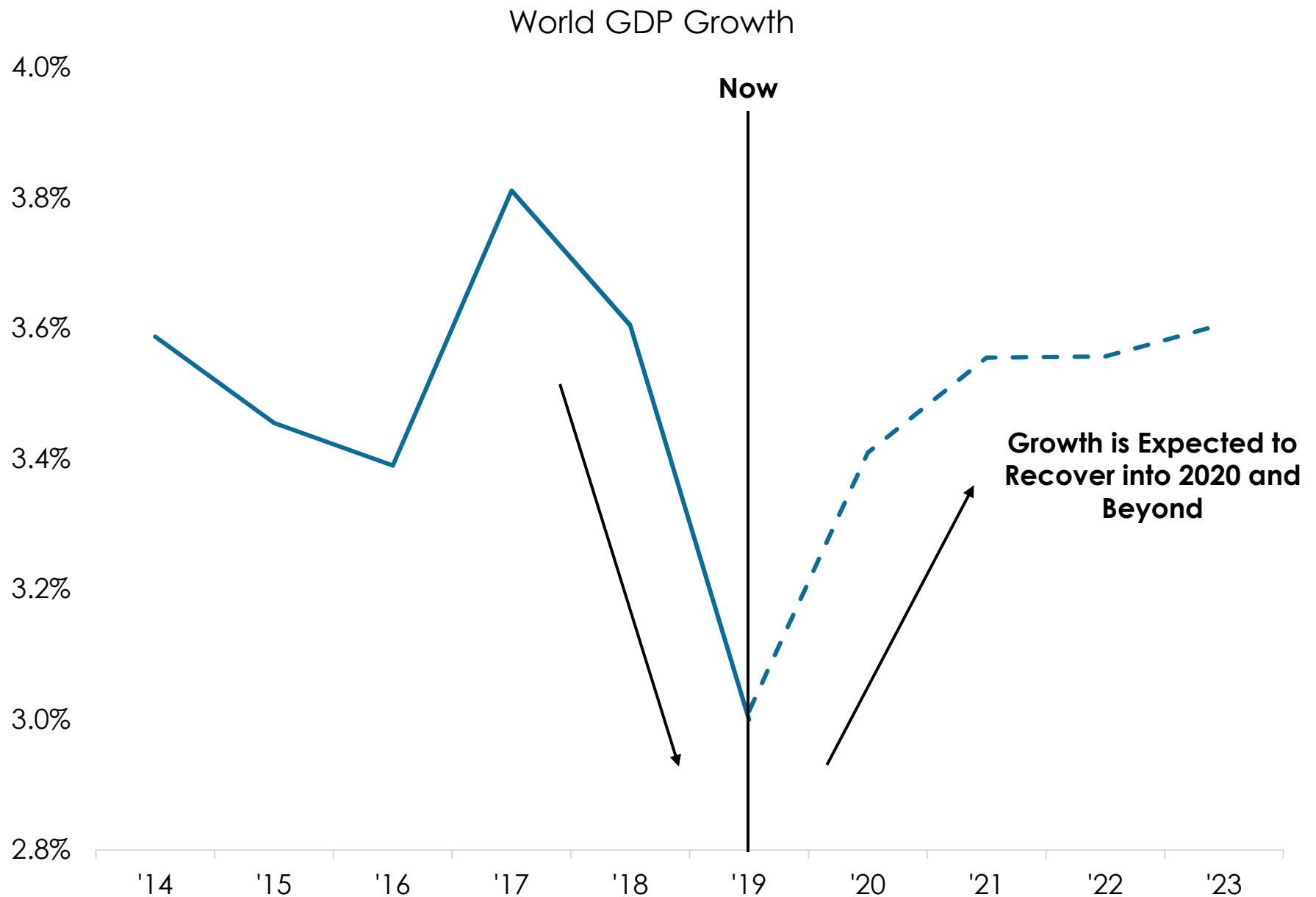


Source: Glenmede, Duke CFO Global Business Outlook, OECD Calculations

Data through 9/30/2019

Share of firms citing the factors shown as the most pressing concern of senior management over the past quarter. Based on surveys from March 2018 and September 2019. The factors shown are the ones most heavily cited globally. Firms are allowed to choose more than one factor.

GLOBAL GROWTH SLOWED IN 2019, BUT EXPECTED TO RECOVER IN 2020

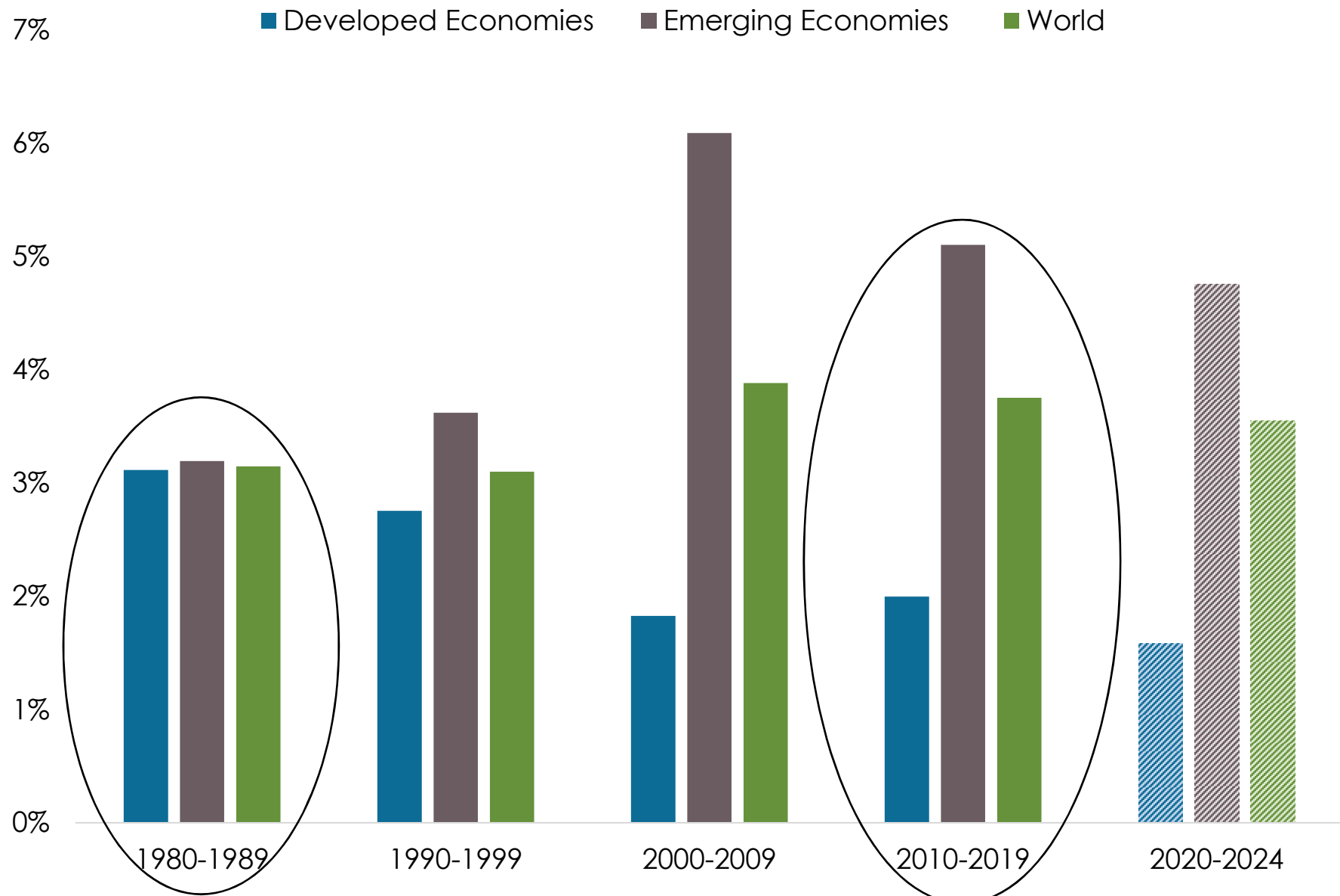


Source: Glenmede, International Monetary Fund (IMF)

Gross Domestic Product (GDP) measures the monetary value of final goods and services—that is, those that are bought by the final user—produced in a country over a specified period. The IMF provides estimates of growth expectations represented by the dashed lines.

DEVELOPED ECONOMIES ARE SLOWING AS EMERGING ECONOMIES GAIN

Average % GDP Growth by Decade



Source: Glenmede, International Monetary Fund (IMF)

Gross Domestic Product (GDP) measures the monetary value of final goods and services—that is, those that are bought by the final user—produced in a country over a specified period. The IMF provides estimates of growth expectations represented by the hashed bars.

2020 Themes



2020 Outlook & Key Questions

#1 Fractured Politics
in 2020

Economics matter more than politics, but key
policy shifts could impact corporations

#2 Trade War & the
Unloved Expansion

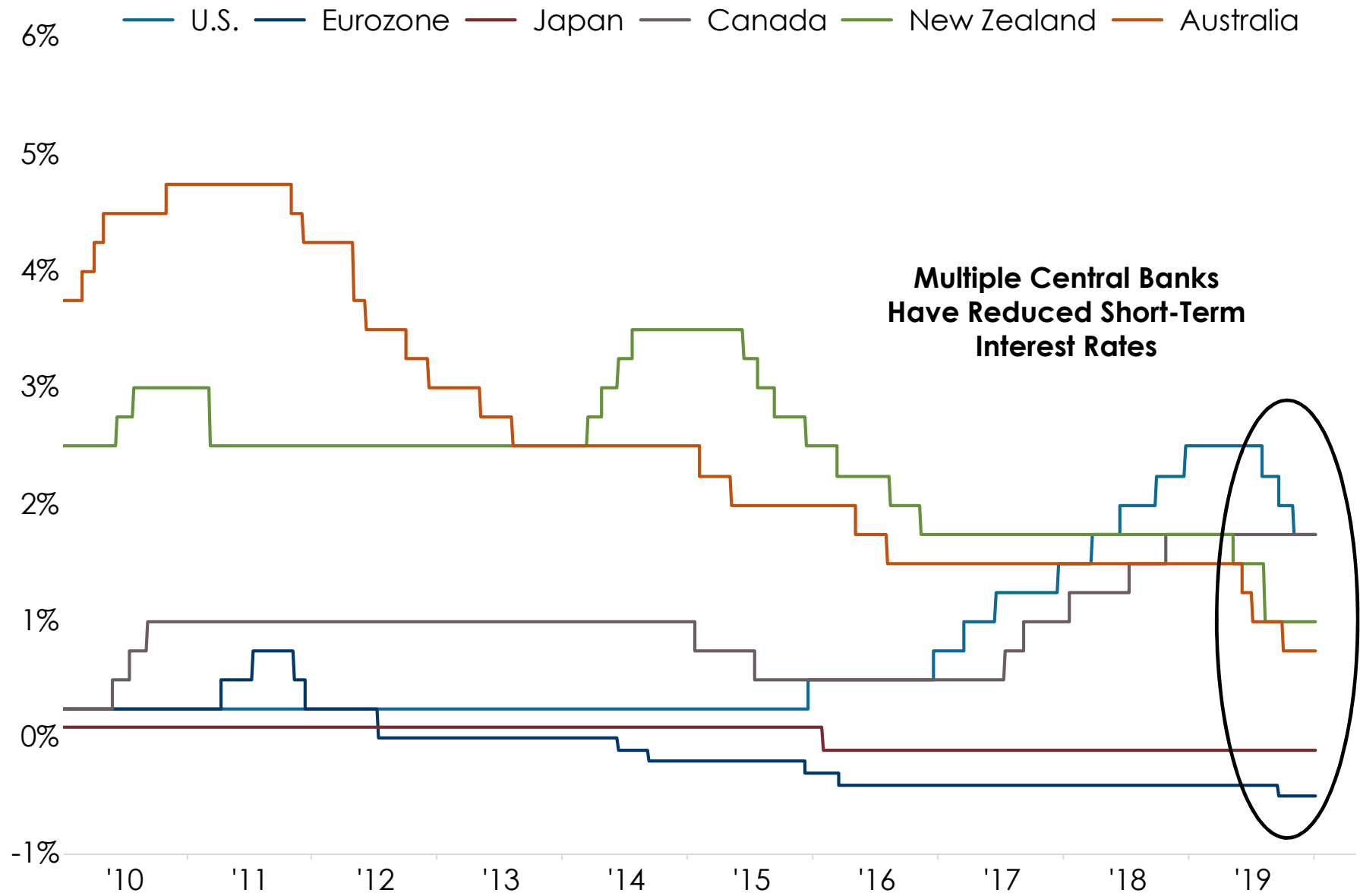
No immediate recession yet, continued slow
growth to be expected

#3 Efficacy of Monetary
Policy & Negative Yields

Has monetary policy (MoPo) lost its mojo?

CENTRAL BANKS ARE EASING...BUT THE EFFICACY OF EASING IS IN QUESTION

Developed Market Central Bank Policy Rates

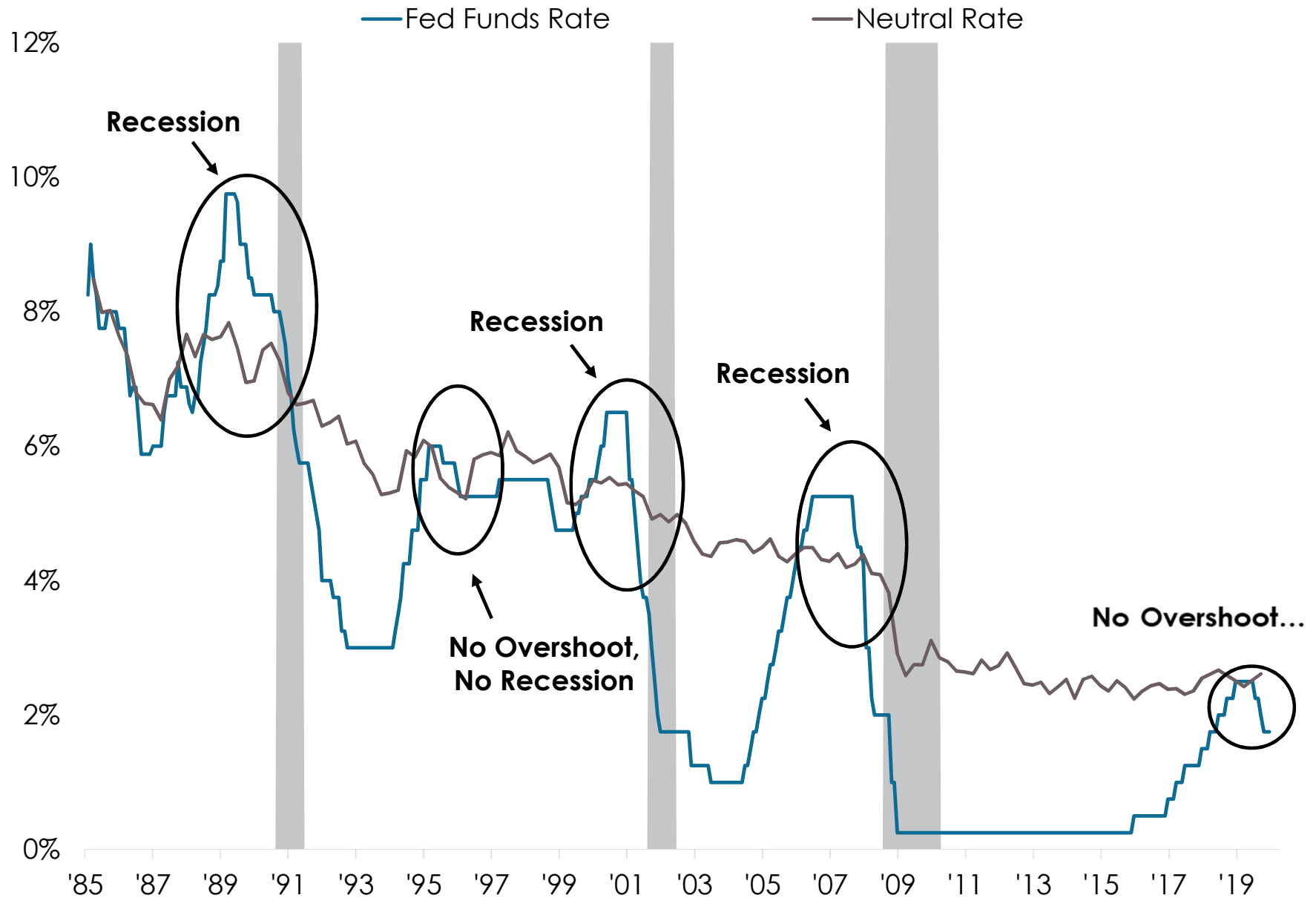


Source: Glenmede, FactSet

Central bank policy rates are represented by the Federal Funds Rate in the U.S., Deposit Facility in the Eurozone, Policy Rate in Japan, Overnight Rate in Canada, Target Cash Rate in Australia and Official Cash Rate in New Zealand.

Data through 01/06/2020

THE FED HAS TIGHTENED, BUT HAS NOT OVERSHOT NEUTRAL



Source: Glenmede, Cornerstone Macro

Data through 12/31/2019

Shaded areas represent recessionary periods of the U.S. economy. Recession periods represent periods of economic downturn in the U.S. Fed Funds Rate shown is the upper bound of the Fed's target range. Neutral is the nominal level of interest rates that is considered neither stimulative, nor restrictive for economic growth, as estimated by the Laubach-Williams model. Past performance may not be indicative of future results.

Modern Monetary Theory (MMT)

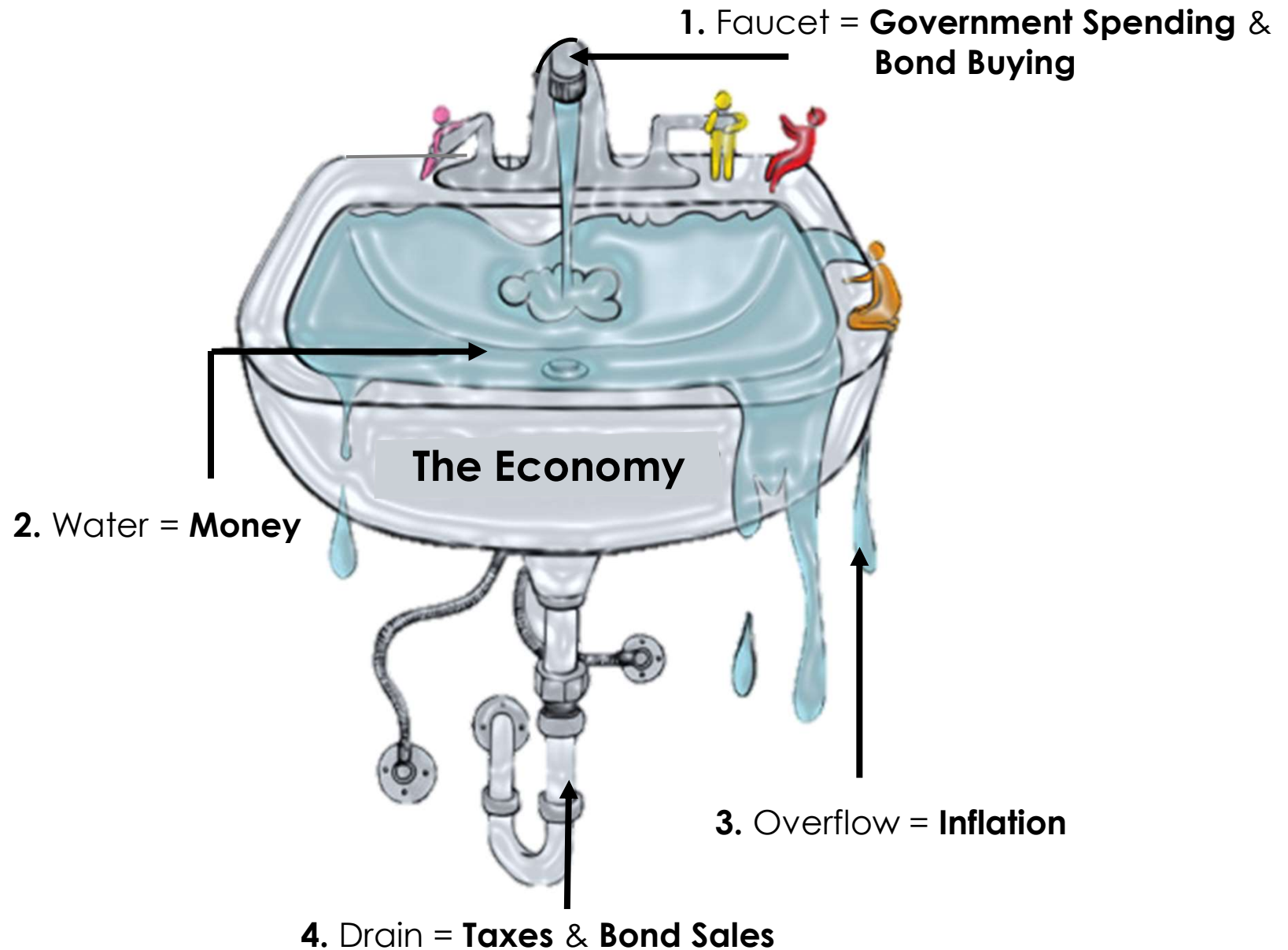
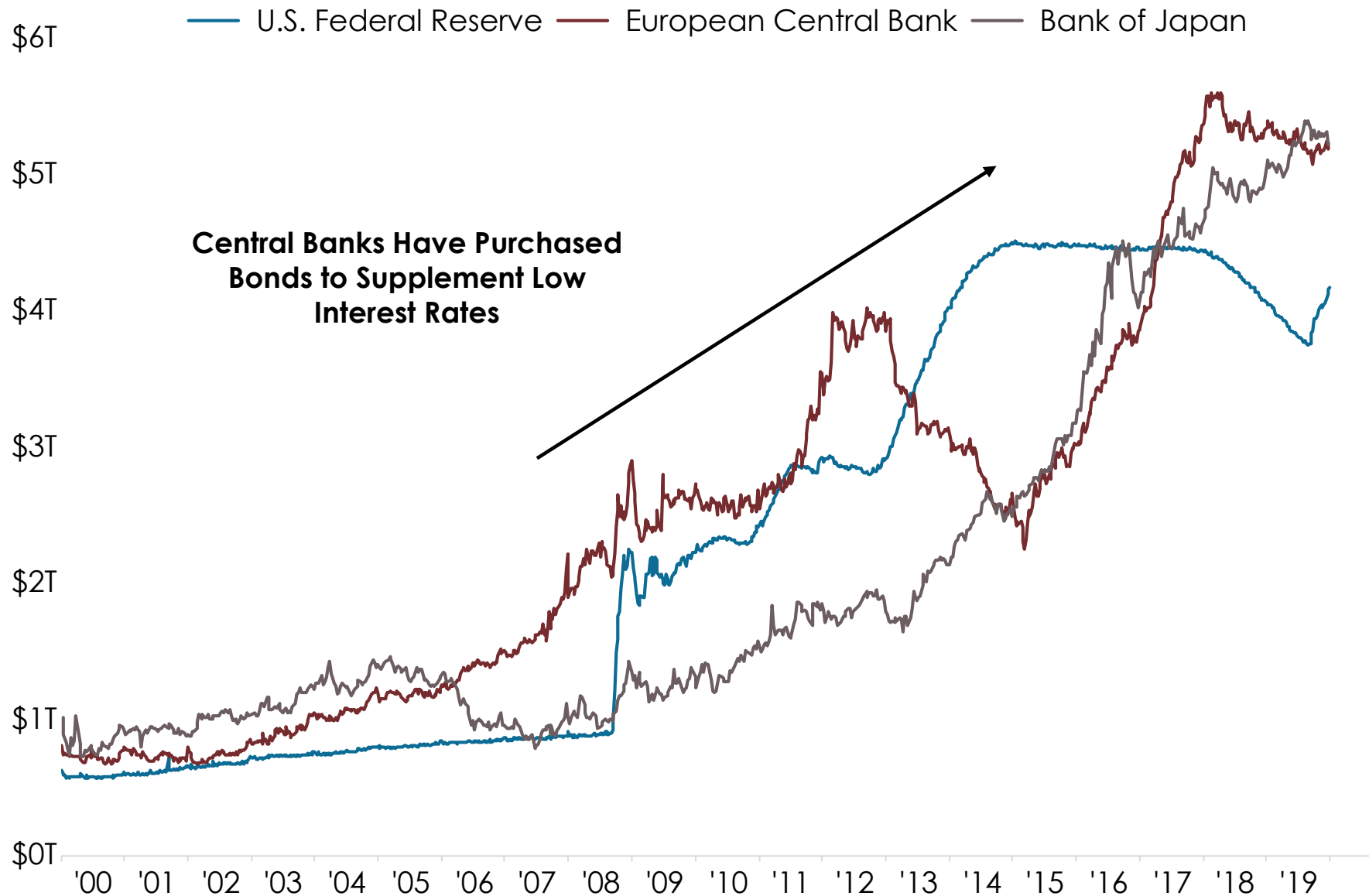


Illustration: Rose Conlon/Marketplace

MORE CREATIVE MONETARY POLICY HAS BEEN NEEDED

Central Bank Balance Sheets



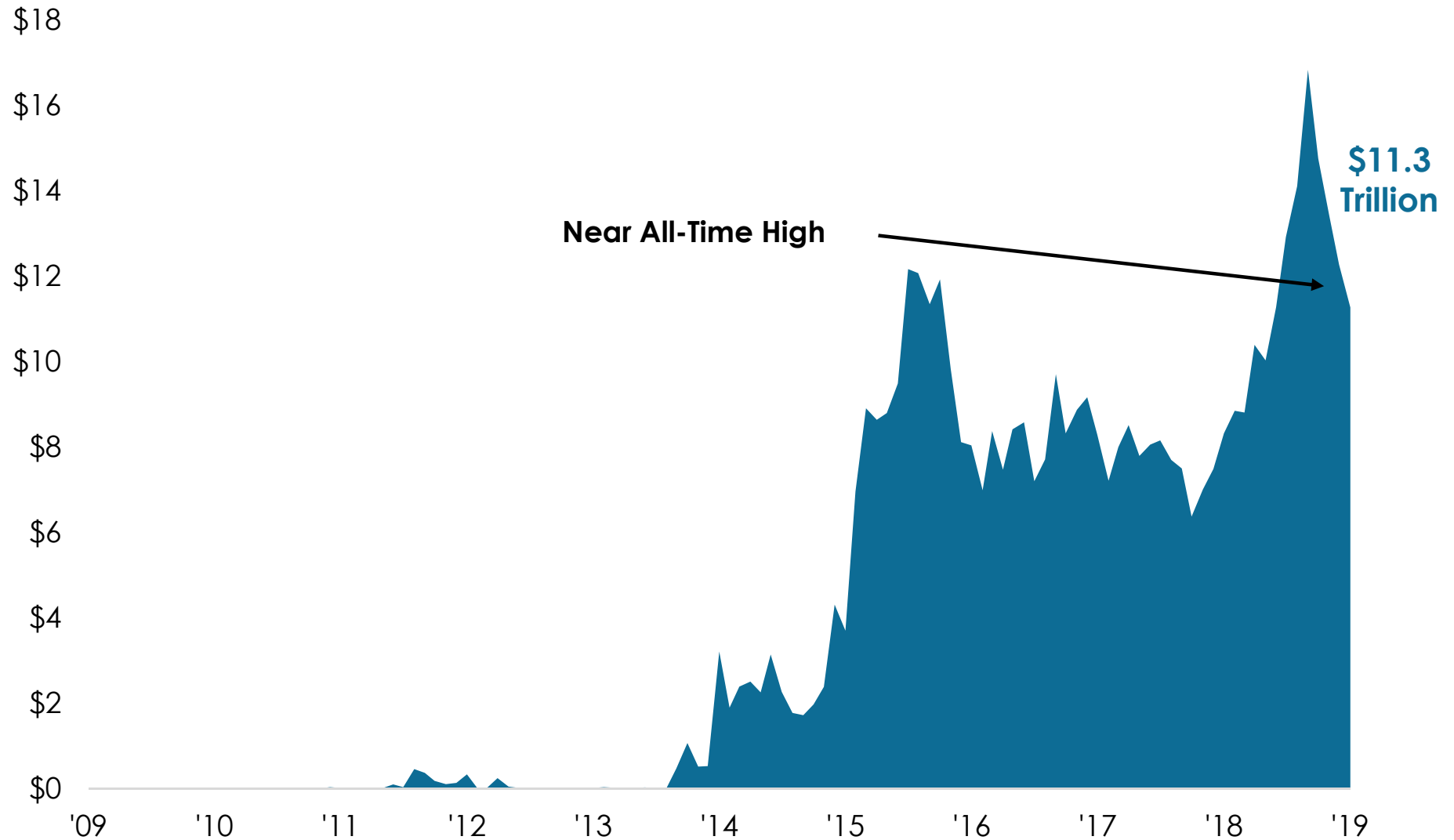
Source: Glenmede, FactSet

Data through 01/06/2020

Data shown represents the size of central bank balance sheets for the U.S. Federal Reserve, European Central Bank and Bank of Japan in U.S. dollars. Past performance may not be indicative of future results.

IN MORE THAN JUST A FEW CASES, YIELDS HAVE BEEN DRIVEN NEGATIVE

Global Aggregate Negative Yielding Debt (In Trillions)

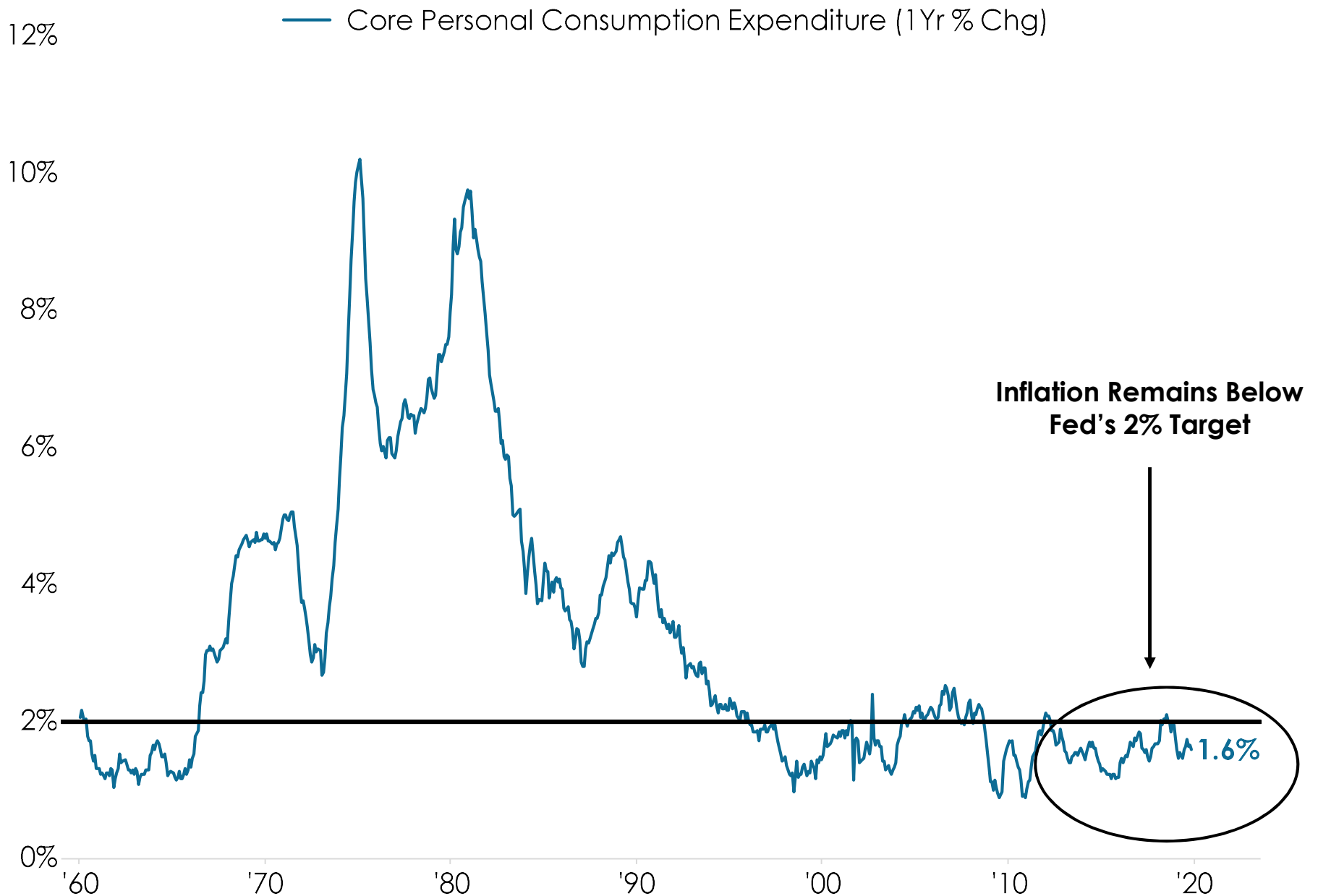


Source: Glenmede, Bloomberg

Data represented by the Bloomberg Barclays Global Aggregate Negative Yielding Debt Index denominated in U.S. Dollars

Data through 12/31/2019

LACK OF INFLATION PROVIDES LEEWAY TO CENTRAL BANKS

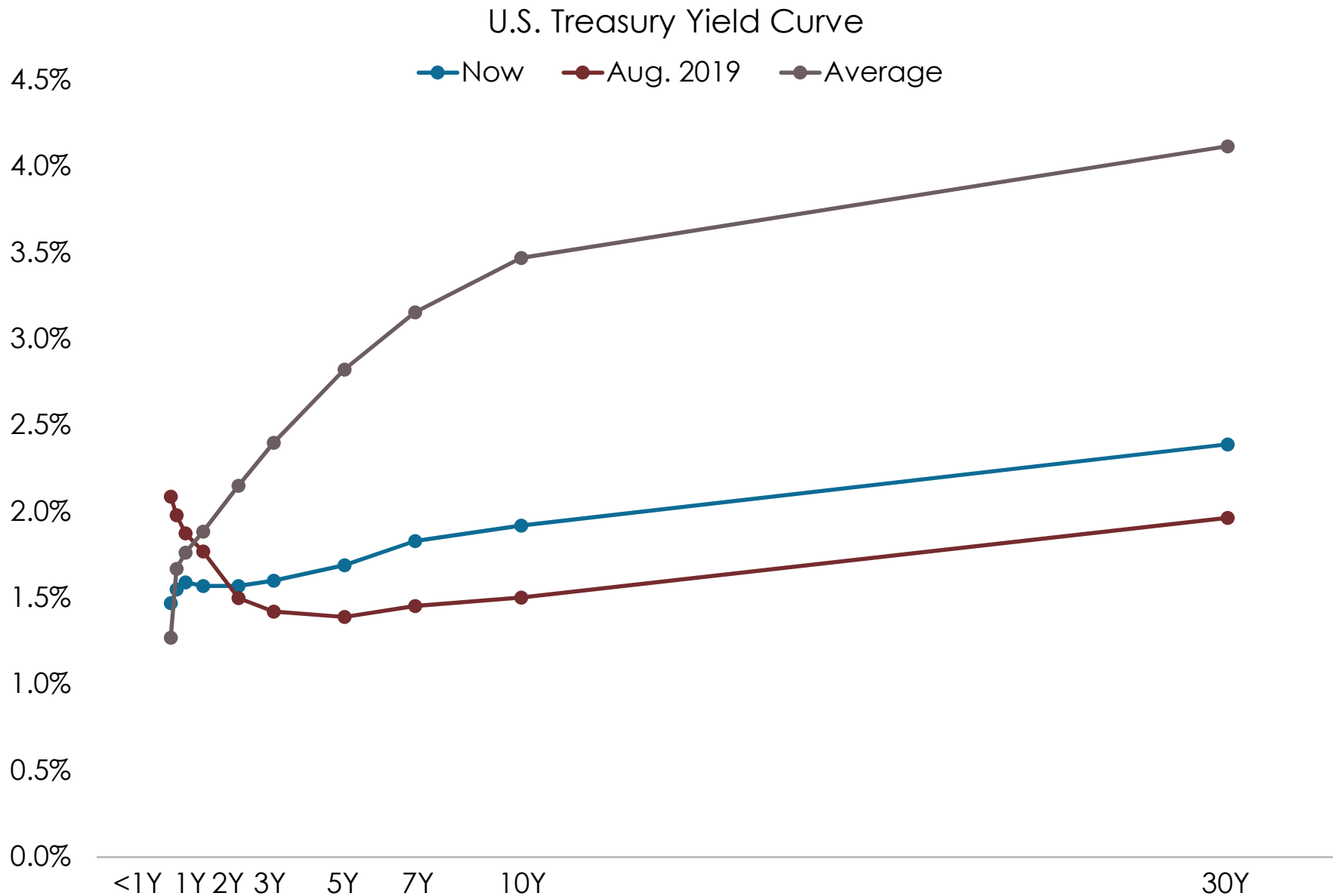


Source: Glenmede, FactSet

Data shown represents personal consumption expenditure (PCE) excluding food and energy seasonally adjusted price index year-over-year percent (%) change.

Data through 01/06/2020

YIELD CURVE NORMALIZING, BUT STILL QUITE FLAT



Source: Glenmede, FactSet

Data shown are snapshots of the U.S. Treasury yield curve at various points in time. "Now" reflects the yield curve as of 12/31/2019, "Aug. 2019" reflects the yield curve as of 8/30/2019, "Average" reflects the yield curve as the average of each maturity's yields over the past 20 years.

Data through 12/31/2019

2020 Themes



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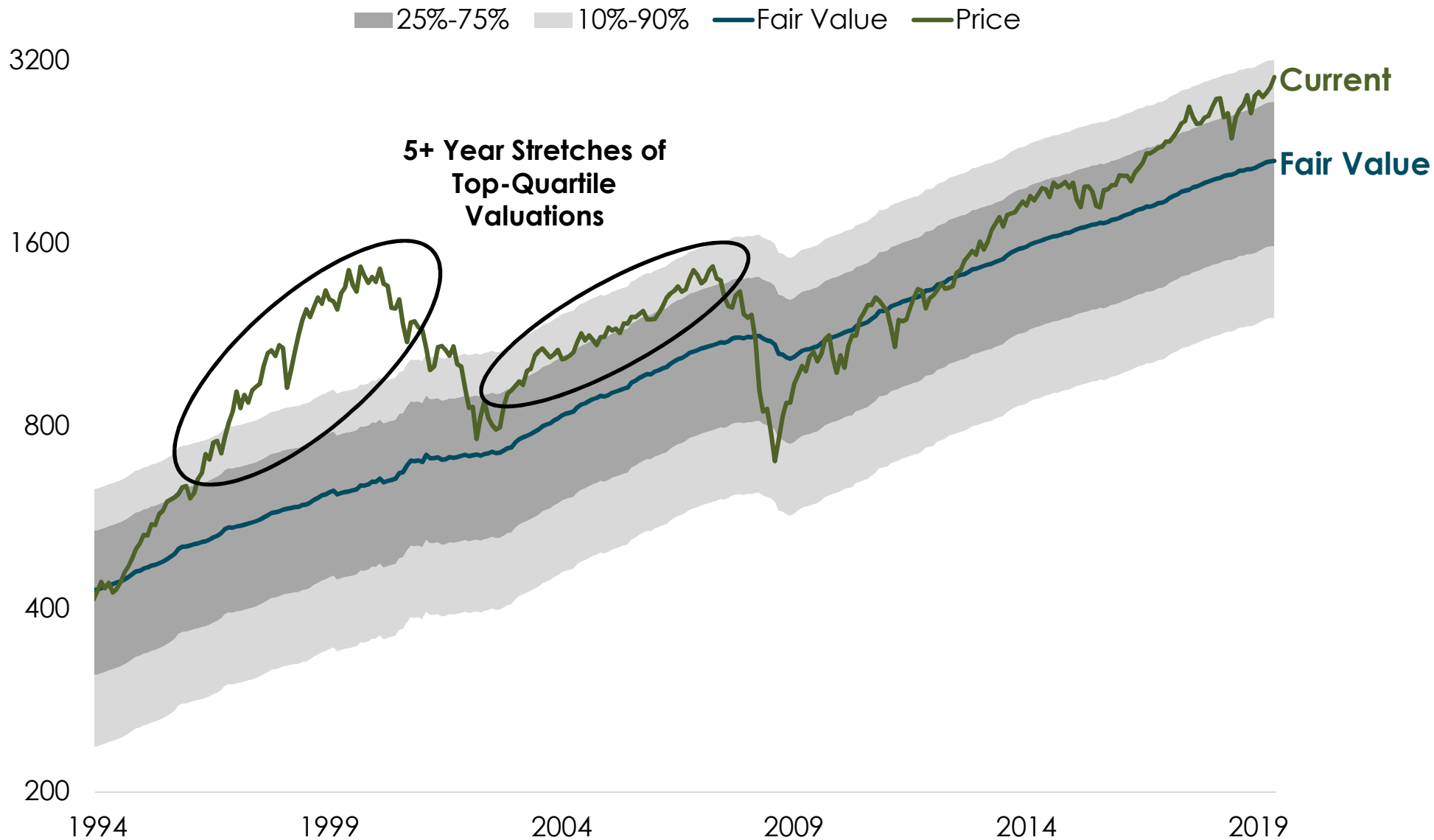
#3 Efficacy of Monetary
Policy & Negative Yields

Monetary policy is doing what it can and rates should stay lower for longer

#4 What should investors do in this environment?

U.S. EQUITIES ARE EXPENSIVE, BUT CAN REMAIN EXPENSIVE

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

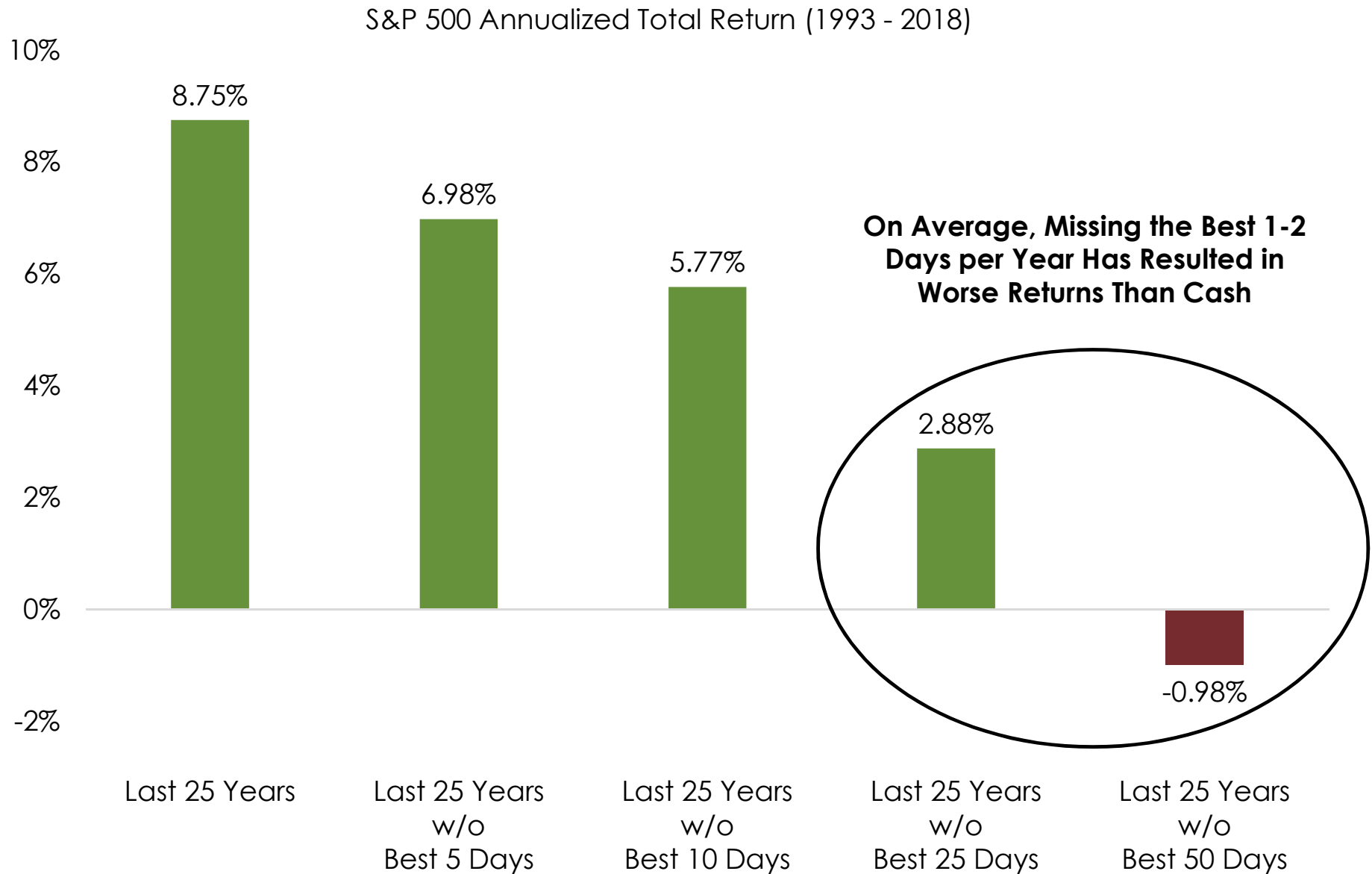


Source: Glenmede, MSCI

Data through 12/31/2019

Long-term fair value is based on normalized earnings, cash flow and book value using MSCI's USA Index, an unmanaged total return index with dividends reinvested. Past performance may not be indicative of future results. One cannot invest directly in an index.

THERE IS A PENALTY FOR BEING OUT OF THE MARKET

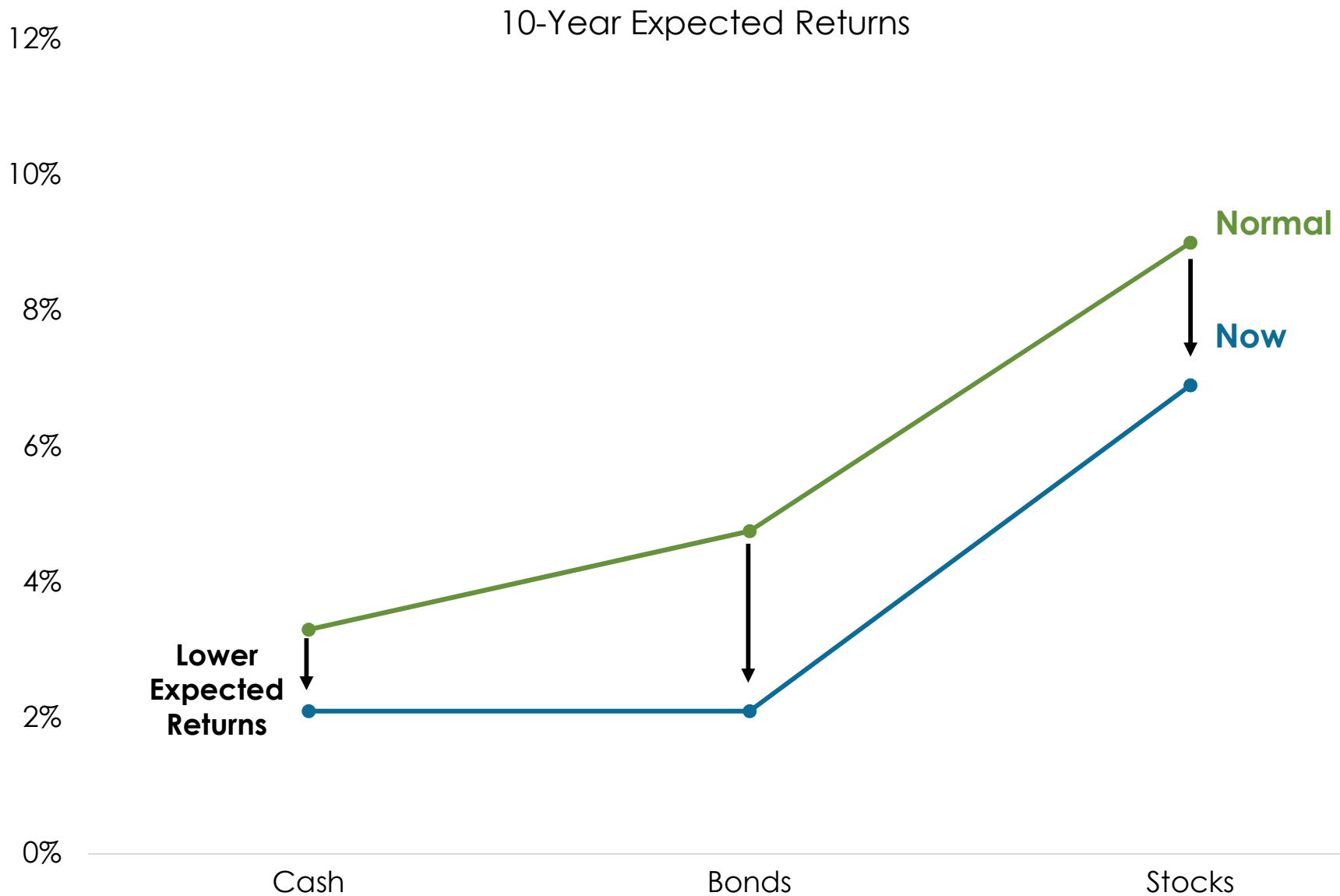


Source: Glenmede, FactSet

Data through 12/31/2018

Data shown is the historical annualized total return for the S&P 500 over the span of twenty-five years. The data points reflect the annualized return if an investor were to miss the best five, ten, twenty-five or fifty days over the entire twenty-five year period. Data reflects past performance which may not be indicative of future results. One cannot invest directly in an index.

LOWER-THAN-NORMAL RETURN EXPECTATIONS, BUT A REWARD FOR RISK



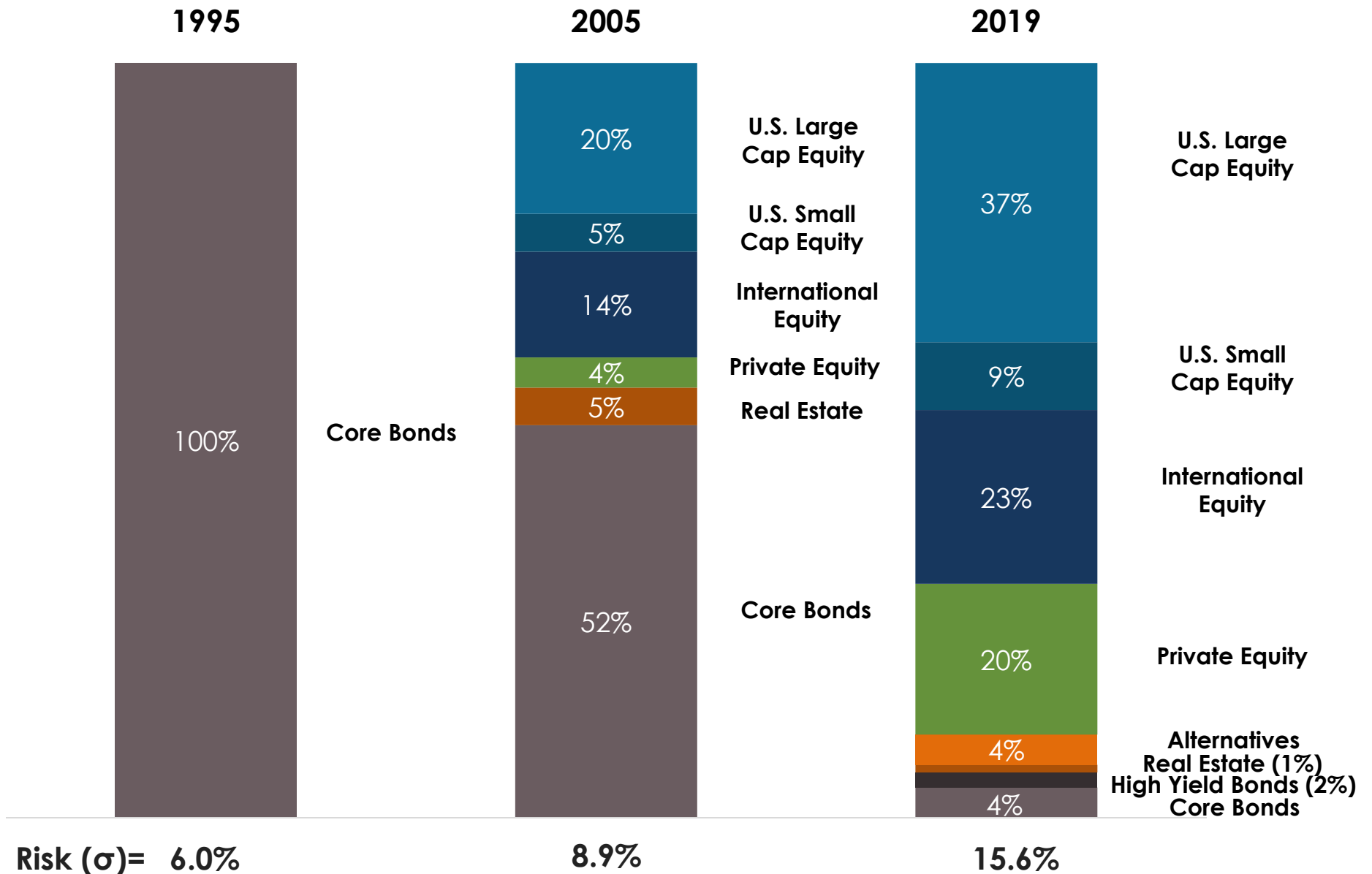
Source: Glenmede, FactSet

Data through 12/9/2019

Normal long-term expected returns are Glenmede's estimate of the typical long-term expected returns for an asset class excluding the impact of deviations in valuation. Cash, stocks and bonds are represented by the Bloomberg Barclays U.S. Treasury Bellwethers Index, MSCI All Country World Index (ACWI) and the Bloomberg Barclays U.S. Aggregate Index, respectively. MSCI ACWI is a representative index that includes all countries.

Actual returns may vary materially from expectations or estimates. One cannot invest directly in an index.

ACHIEVING AT LEAST A 7.5% RETURN NOW REQUIRES GREATER DIVERSIFICATION

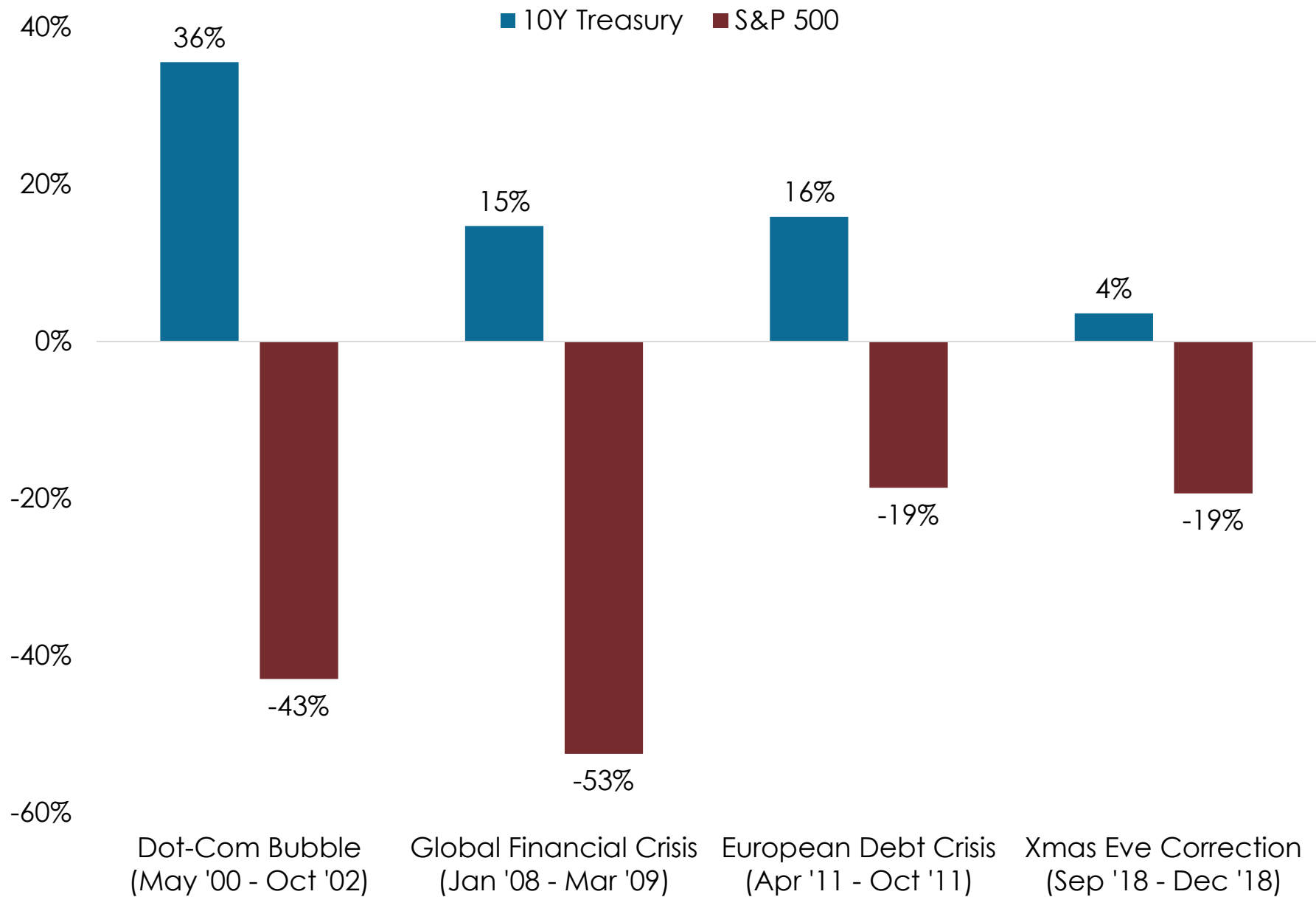


Source for 1995 and 2005: Wall Street Journal, Callahan Partners

Source for 2019: Glenmede

The allocations shown for 2019 are based on Glenmede's Global Expected Returns Model, which projects estimated future returns for various asset classes based on historical returns of those asset classes. Glenmede's Global Expected Return Model assumes valuations converge from a starting point to a future fair value estimate based on target valuation parameters. Risk is measured by standard deviation of annual returns. Past performance may not be indicative of future results. Future returns cannot be guaranteed and may not be predicted with accuracy.

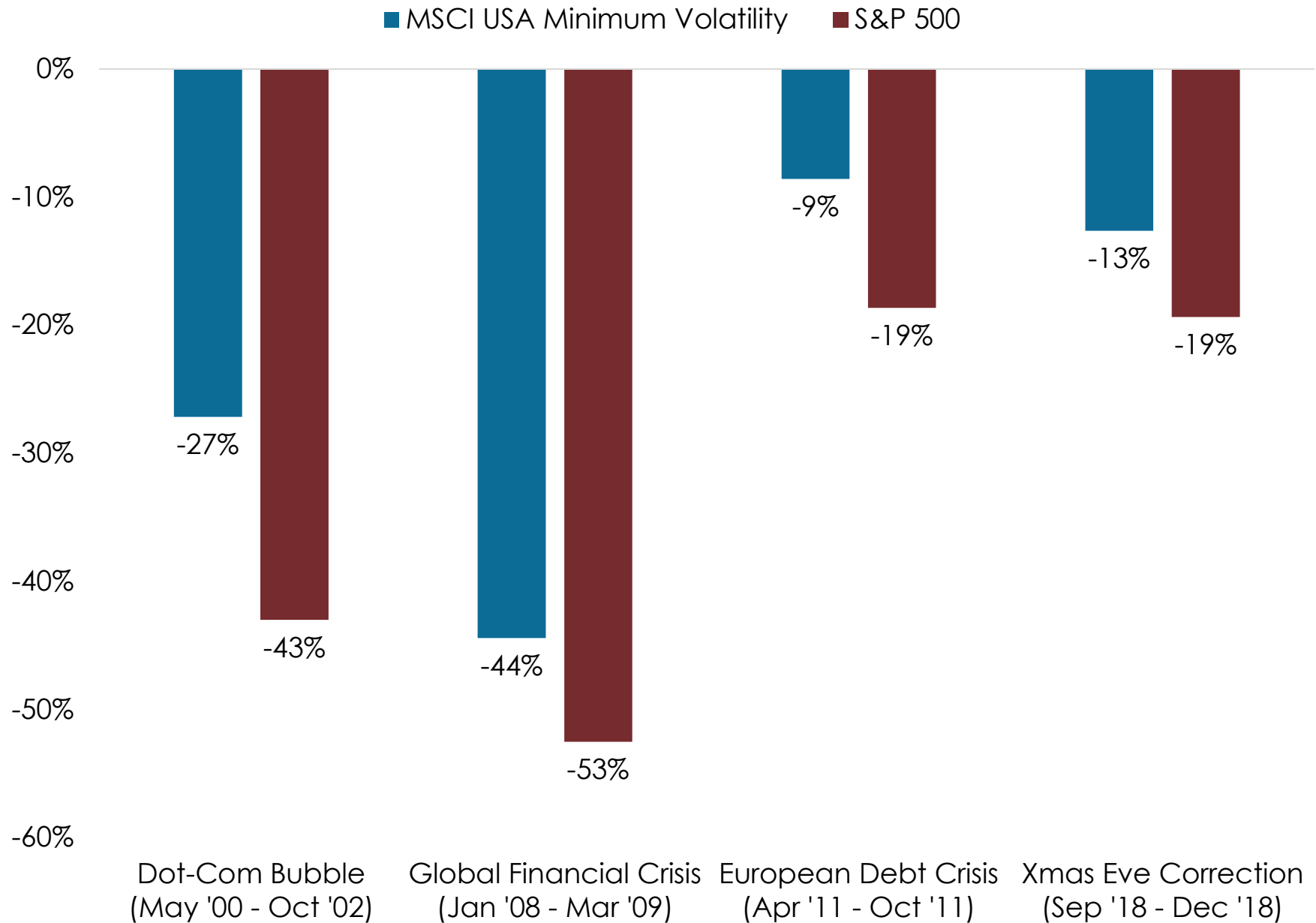
BONDS PROVIDE PROTECTION IN A RISK-OFF ENVIRONMENT



Source: Glenmede

10-Year Treasury returns are represented by using the Bloomberg Barclays U.S. Treasury Bellwethers (10 Y) Index. Past performance may not be indicative of future returns. These returns shown for unmanaged total return indices with cash flows reinvested. One cannot invest directly in an index.

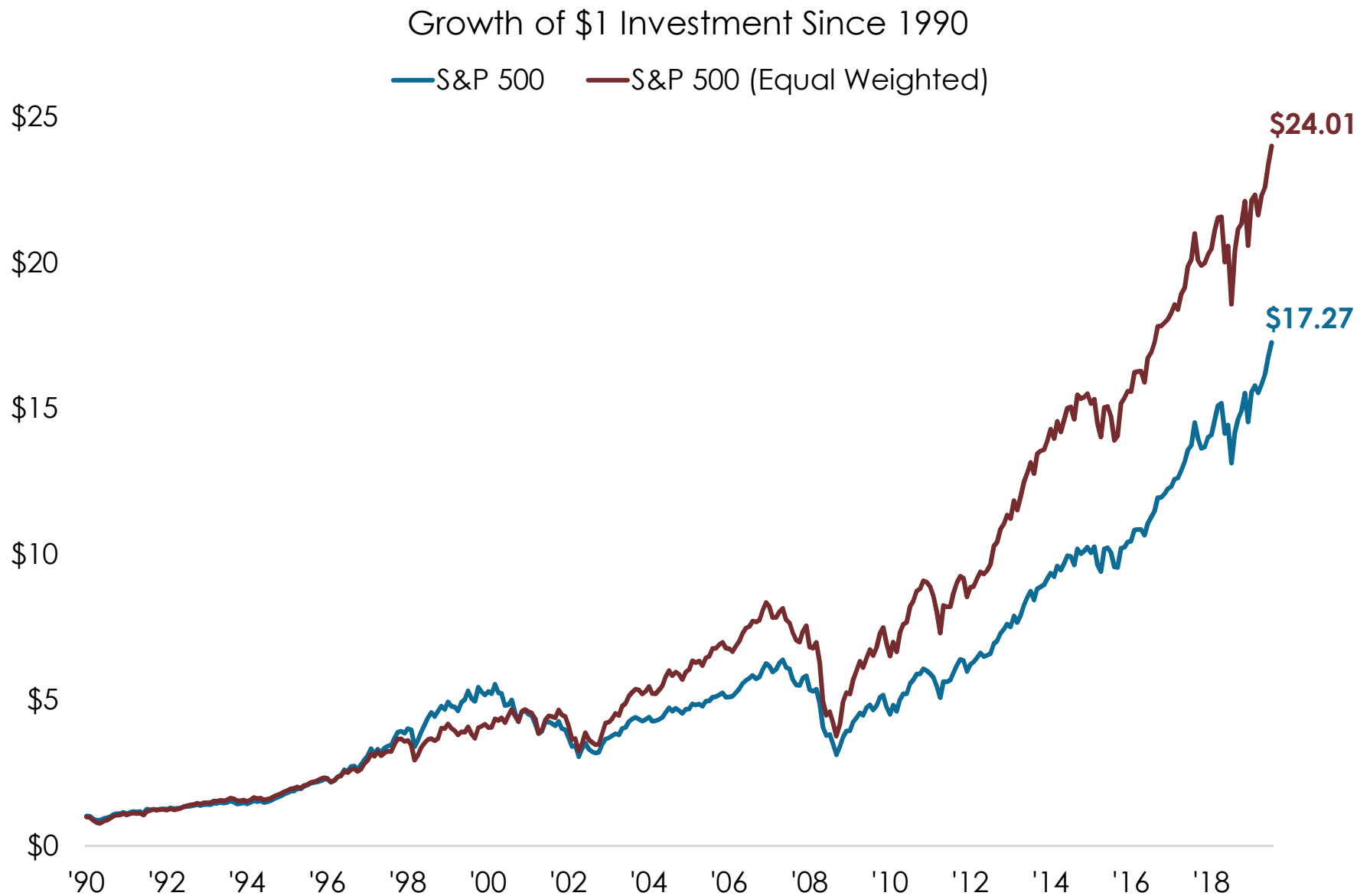
“DEFENSIVE” EQUITIES PROVIDE MODEST PROTECTION IN A RISK-OFF



Source: Glenmede, MSCI, FactSet

Past performance is not indicative of future results. These are unmanaged, total return indices. One cannot invest directly in an index.

OVER TIME, A MORE DIVERSIFIED APPROACH CAN ADD VALUE



Source: Glenmede, FactSet

Data through 12/31/2019

Data shown is the growth of a \$1 investment in both the S&P 500 (a market capitalization weighted index) and the S&P 500 Equal Weighted indices since the beginning of 1990 in total return. One cannot invest directly in an index. Past performance is not indicative of future results.

INTERNATIONAL VS. DOMESTIC LEADERSHIP CAN SHIFT SIGNIFICANTLY BY YEAR

Historical Asset Class Performance (Annual Total Returns)

1999 - 2019

1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Int'l EM 66.4%	US Small -3.0%	US Small 2.5%	Int'l EM -6.0%	Int'l EM 56.3%	Int'l EM 26.0%	Int'l EM 34.5%	Int'l EM 32.6%	Int'l EM 39.8%	US Small -33.8%
Int'l Dev 27.3%	US Large -9.1%	Int'l EM -2.4%	Int'l Dev -15.7%	US Small 47.3%	Int'l Dev 20.7%	Int'l Dev 14.0%	Int'l Dev 26.9%	Int'l Dev 11.6%	US Large -37.0%
US Small 21.3%	Int'l Dev -14.0%	US Large -11.9%	US Small -20.5%	Int'l Dev 39.2%	US Small 18.3%	US Large 4.9%	US Small 18.4%	US Large 5.5%	Int'l Dev -43.1%
US Large 21.0%	Int'l EM -30.6%	Int'l Dev -21.2%	US Large -22.1%	US Large 28.7%	US Large 10.9%	US Small 4.6%	US Large 15.8%	US Small -1.6%	Int'l EM -53.2%
2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Int'l EM 79.0%	US Small 26.9%	US Large 2.1%	Int'l EM 18.6%	US Small 38.8%	US Large 13.7%	US Large 1.4%	US Small 21.3%	Int'l EM 37.8%	US Large -4.4%
Int'l Dev 32.5%	Int'l EM 19.2%	US Small -4.2%	Int'l Dev 17.9%	US Large 32.4%	US Small 4.9%	Int'l Dev -0.4%	US Large 12.0%	Int'l Dev 25.6%	US Small -11.0%
US Small 27.2%	US Large 15.1%	Int'l Dev -11.7%	US Small 16.3%	Int'l Dev 23.3%	Int'l EM -1.8%	US Small -4.4%	Int'l EM 11.6%	US Large 21.8%	Int'l Dev -13.4%
US Large 26.5%	Int'l Dev 8.2%	Int'l EM -18.2%	US Large 16.0%	Int'l EM -2.3%	Int'l Dev -4.5%	Int'l EM -14.6%	Int'l Dev 1.5%	US Small 14.6%	Int'l EM -14.2%

**20
Years**

US Small 7.4%
Int'l EM 8.8%
US Large 5.6%
Int'l Dev 4.0%

<u>Asset</u>	<u>Index</u>
US Large	S&P 500
US Small	Russell 2000
Int'l Dev	MSCI EAFE
Int'l EM	MSCI EM

Source: Glenmede, FactSet

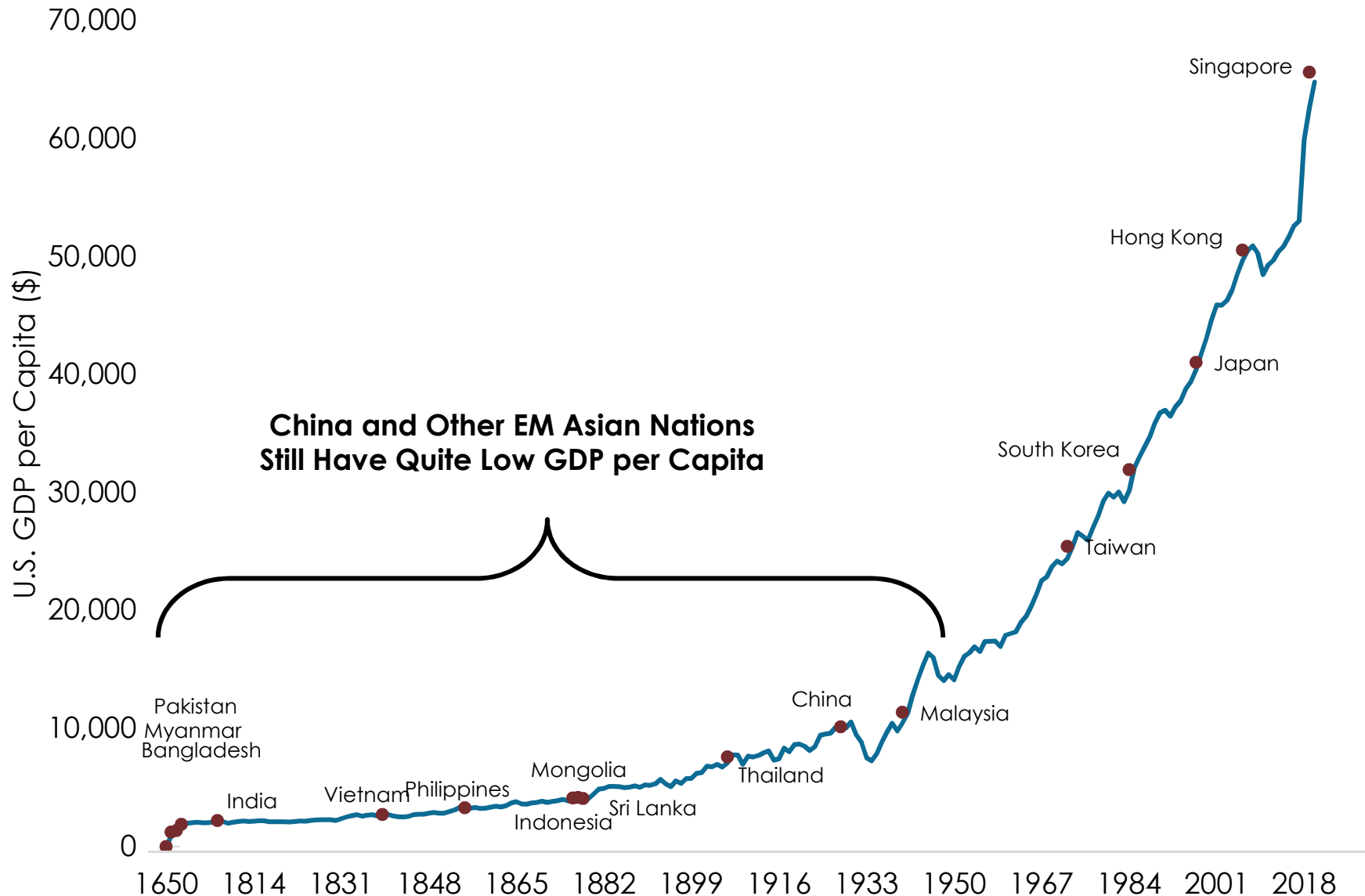
Past performance may not be indicative of future results. One cannot invest directly in an index.

*The "20 Years" returns shown are annualized

Data through 12/31/2019

CHINA & OTHER ASIAN EMs ARE STILL QUITE EARLY IN THEIR DEVELOPMENT

2019 Asia Per Capita GDP in Historical Context to the U.S.



Source: Glenmede, Maddison Historic, IMF World Economic DataMapper, Matthews Asia
 Blue line represents U.S. GDP over time. Red dots represent each country's GDP per capita corresponding to when the U.S. had similar GDP per capita.

Data through 12/31/2019

1. Prepare for a Lower-Return Regime

- Due to elevated equity valuations and historically low interest rates
- Late-stage expansion is leading to typical investor anxiety

2. Maintain Equity Positioning, for Now

- Rebalance back to target allocations on strength and weakness
- Equity allocation remains key to participating in an ongoing expansion

3. Follow Risk Management Game Plan

- Employ defensive strategies within equity allocations
- Monitor valuations and risks for occasions that warrant adjustments

4. Seek Opportunity Amid Volatility

- More opportunity can be found down the cap structure and in value
- Emerging Asia has a long period of secular growth ahead

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#4 Investment Strategy

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