2020 Q2 REVIEW AND FORWARD OUTLOOK

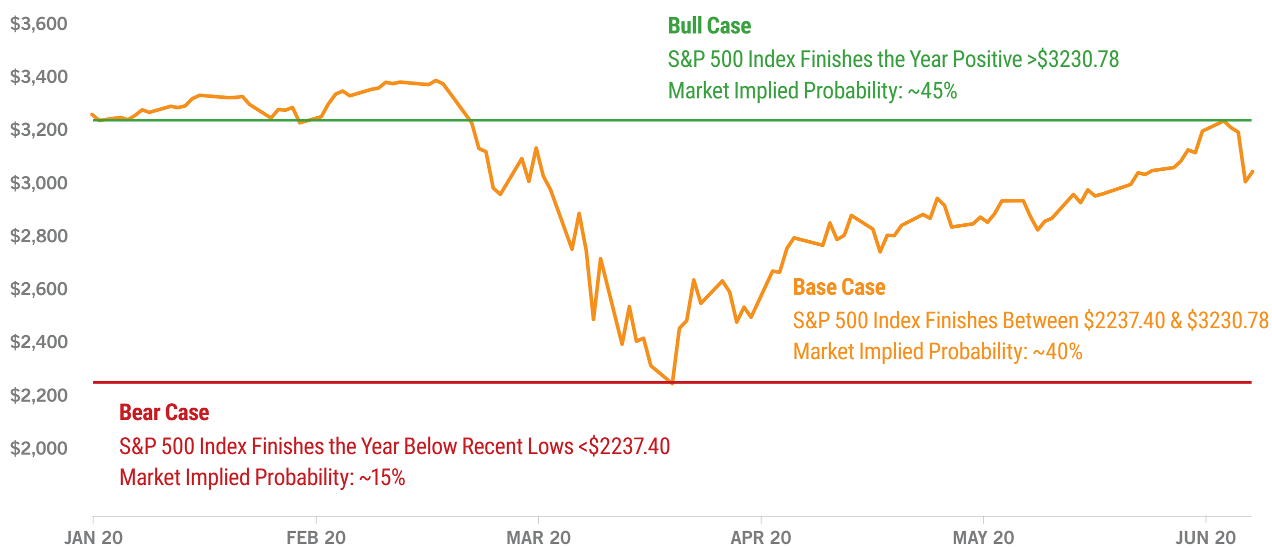
EQUITY MARKETS

Equities finished the second quarter, turning in the best calendar quarter since 1998 with a gain in the S&P 500 Index of 20.54%[1]. Of course, this follows a very difficult first quarter, with the market establishing a bottom on March 23rd. Large gains are a market hallmark coming off bottoms. The S&P finished the second quarter 3.08%[1] below the start of 2020. A notable distinction of this year's difficult market environment has been the rapidity of the large decline in the days leading up to the March bottom, and the equally rapid ascent of equity prices since that bottom. To put into context the speed of drawdown and recovery that we have witnessed, consider the following, all records:

> Over the past ten bear markets, it has taken more than 76 trading days for the S&P to complete the initial drawdown from all-time high to bear-market bottom, much less make an almost complete round trip to the all-time high.[2]

- The fastest transition from all time high to bear market (20% decline) occurred in **16 TRADING DAYS**, surpassing the previous record of 30 trading days set in 1929
- **23 TRADING DAYS** for the S&P to decline from its all time high to the market low on March 23rd
- **38 TRADING DAYS** for the S&P to complete a 50% retracement of the drawdown
- **76 TRADING DAYS**, as of June 8th, for the S&P to trade within 5% of its all-time high[2]

S&P 500 YEAR-END IMPLIED PROBABILITY



Source: Glenmede Investment Management

[1] John Hancock
[2] Glenmede Investment Management

Past performance is no guarantee of future results

EQUITY MARKETS CONTINUED

We continue to focus on two primary data points as indicators going forward during this very volatile year. The first, and perhaps obvious, is the rate of COVID infections. For the market to continue to progress it is vital that we see measurable progress versus COVID in order for the markets to see through all the well- known near- term negatives. Much of the developed world is seeing substantial progress due to successful mitigation efforts. Further good news can be seen in a host of treatments and vaccines that are rushing to market. These are likely to see delivery around the beginning of 2021. Keep in mind equity markets are always forward looking by approximately three to six months. The disappointing side of the COVID story is certainly the surge of infection rates found in a significant portion of the U.S. A key inflection point regarding this topic will be whether hospitals in Texas, Florida, and Arizona are overwhelmed and the consequent mortality rates. The next two weeks will clarify if recent safety protocol focus in those states has been effective.

The second primary data point is the CBOE Volatility Index (VIX), which measures implied forward volatility in equities for thirty- day periods. This reading has trended lower since the March 23rd market bottom but is still elevated relative to normal conditions. The downward trend in the ten-day average VIX price has been very supportive of the market rally since the bottom. A lower VIX is important as it will measure a narrower range of market outcomes, indicating a reduction of uncertainty, and lowering the probability of large pullbacks. **THE CHART ON THE PREVIOUS PAGE** illustrates the probability of various market outcomes as indicated by year-end index options pricing.

CREDIT MARKETS

Fixed Income has proven once again that it is an important asset class and diversifier to a portfolio, despite starting the year with historically low yields. In a period of unprecedented volatility, investment grade bonds have been among the highest returning asset classes for the year and the second quarter, with lower risk characteristics than other types of securities. The U.S. bond market for the first half of 2020, outperformed global fixed income, emerging market, Asia, and European bonds indices.

The table below provides the total returns for all maturity bonds for the period ending 6/30/2020. Each fixed income asset class is represented using Bloomberg Barclays Indices. The U.S. Aggregate index is comprised of Treasuries, U.S. corporates, and government agencies. The table indicates that bonds have largely recovered from the lows set in March and yields are similar to pre-pandemic levels.

BOND RETURNS (ENDING 6/30/20)

	YTD	2ND QTR
US TREASURIES	8.71%	0.48%
US AGGREGATE	6.14%	2.90%
US CORPORATES	5.02%	8.98%
MUNICIPALS	2.08%	2.72%
HIGH YIELD	-3.80%	10.18%

Source: Bloomberg Indices

ECONOMIC NEWS

GDP growth for 2020/2021 period is forecast to be negative, however the Fed is projecting better unemployment figures than the consensus. The consensus forecast for inflation remains below the target rate of 2%.

The U.S. Central Bank announced that it will begin buying individual corporate bonds under its Secondary Market Corporate Credit Facility, a lending program that has purchased only fixed income ETFs. The Federal Reserve Chairman Jerome Powell reiterated that the Federal Reserve is likely to hold most corporate bonds to maturity.

The Federal Reserve minutes of the Federal Open Market Committee's June meeting indicated they are sensitive to meeting their inflation target of 2% for an extended period of time prior to raising rates. Consequently, all members expect the Fed Funds target rate to stay at the current level at or near zero until the end of 2022.

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The S&P/ Case Shiller home price index was up 3.98% Year-over-year through April, which continues to surprise to the upside.

May retail sales, ISM Non-Manufacturing, new home sales, personal income were better than expected.

Payrolls rose by 2.5 million in May, varying dramatically from estimates for a decline of 7.5 million. The unemployment rate fell to 13.3%, surpassing estimates for a rise to 19.0%. In June, unemployed individuals fell by an additional 3.2 million and the unemployment rate fell to 11.1%.

All Economic News data sourced from Bloomberg