Q1 2022

# STRATEGIC EQUITY

QUARTERLY COMMENTARY

GLENMEDE INVESTMENT MANAGEMENT

## HIGHLIGHTS

- Equity markets (as represented by the S&P 500 Index) fell -4.6% during the quarter.
- The Glenmede Strategic Equity strategy underperformed the S&P 500 Index by -2.9% (-3.0% net).
- The strategy saw the biggest impacts from Health Care, Consumer Discretionary and Materials. Better performance in its Information Technology holdings and lower Real Estate exposure versus the benchmark were only able to modestly offset the negatives.

The S&P 500 Index finished the quarter ending March 31, 2022 with a total return of -4.6%. This was its first quarterly decline since the start of the COVID pandemic in the first quarter of 2020. While the economy displayed continued strength, markets grew increasingly concerned about tightening monetary moves from central banks and rising geopolitical tensions with the escalating Russia-Ukraine conflict. The latter further increased upward pressure on many commodity prices that feeds into already rising inflation. Investors quickly began to contemplate the risk that the combination of higher prices and tighter financial conditions could eventually choke off economic growth. The Communications Services, Consumer Discretionary and Information Technology sectors led the declines, while the Energy sector, helped by surging oil and gas prices, posted a nearly 40% return. Utilities were the only other sector to finish with positive returns for the period.

The Strategic Equity strategy returned -7.5% (-7.6% net) for the quarter, -2.9% behind the S&P 500. While the strategy's quality focus often helps relative performance in times of uncertainty, this was less true with the commodity price surges during this period. Those moves boosted the share prices of many energy and commodity companies that the strategy either avoids or maintains consistently lower exposure than the benchmark. By sector, relative underperformance for the strategy saw the biggest impacts from Health Care, Consumer Discretionary and Materials. Better performance in its Information Technology holdings and lower Real Estate exposure versus the benchmark were only able to modestly offset the negatives.

As we began the year, the market and economy appeared to be transitioning from an early-cycle recovery phase to more of a mid-cycle environment. During the quarter, the market moved to concerns that the mid-cycle might not last long and could quickly take on late-cycle characteristics. The economy appears to have good momentum, but the lapping of stimulus from a year ago combined with rising inflation and higher interest rates could threaten its sustainability. Central banks will hope they can navigate a 'soft landing' without triggering a recession, but may face challenges in doing so. The strategy continues to focus on owning high quality businesses with sustainable advantages that should be able to manage well through most economic scenarios. While that was less visible in the recent quarter, over time we expect those business characteristics will show through company earnings and, therefore, share prices.

## STRATEGIC EQUITY Composite Performance (%)

| As of 3/31/2022 | QTD | YTD | 1 YEAR | 3 YEAR* | 5 YEAR* | 10 YEAR* | SINCE INCEPTION* (3/31/04) |
|---|---|---|---|---|---|---|---|
| Glenmede (Gross) | -7.5 | -7.5 | 10.4 | 14.6 | 14.0 | 13.3 | 10.0 |
| Glenmede (Net) | -7.6 | -7.6 | 9.6 | 13.8 | 13.1 | 12.5 | 9.1 |
| S&P 500 Index | -4.6 | -4.6 | 15.6 | 18.9 | 16.0 | 14.6 | 10.2 |

*Annualized

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

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

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

The Strategic Equity Composite objective is to achieve above-benchmark long term return, consistent with reasonable risk to principal, by investing in well-managed companies with durable business models, good growth prospects, and attractive valuations. The Standard and Poor's 500 Composite Index consists of 500 widely held common stocks. This unmanaged index is a total return index with dividends reinvested. One cannot invest directly in an index.



The views expressed represent the opinions of the portfolio managers as of March 31, 2022. There can be no assurance that the same factors would result in the same decisions being made in the future. In addition, the views are not intended as a recommendation of any security, sector or product. **Returns reported represent past performance and are not indicative of future results.** Actual performance may be lower or higher than the performance set forth above. For institutional adviser use only, not intended to be shared with retail clients.



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