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Are the Times a-Changin' for *International Equities?*

A Case for Global Diversification

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Executive Summary

- Many have come to question the benefits of global diversification after years of U.S. equity dominance, but recent market shifts suggest the tide may be turning.
- Foreign stocks should serve an evergreen role in portfolios, offering structural advantages such as access to sectors underrepresented in the home market, potential for enhanced risk-adjusted returns and a more fruitful landscape for active management.
- Current conditions, including stretched U.S. valuations, a weakening dollar and shifting macroeconomic currents, make international equities more compelling today than in recent years.
- Investors should review their asset allocation and assess whether they have taken a home bias too far, layering in international equities to round out a diversified portfolio.
- Actively managed, factor-based international investment processes like those employed by Glenmede Disciplined International Equity may be the optimal complement to domestically oriented portfolios.

Introduction: Renewed Strength of International Markets

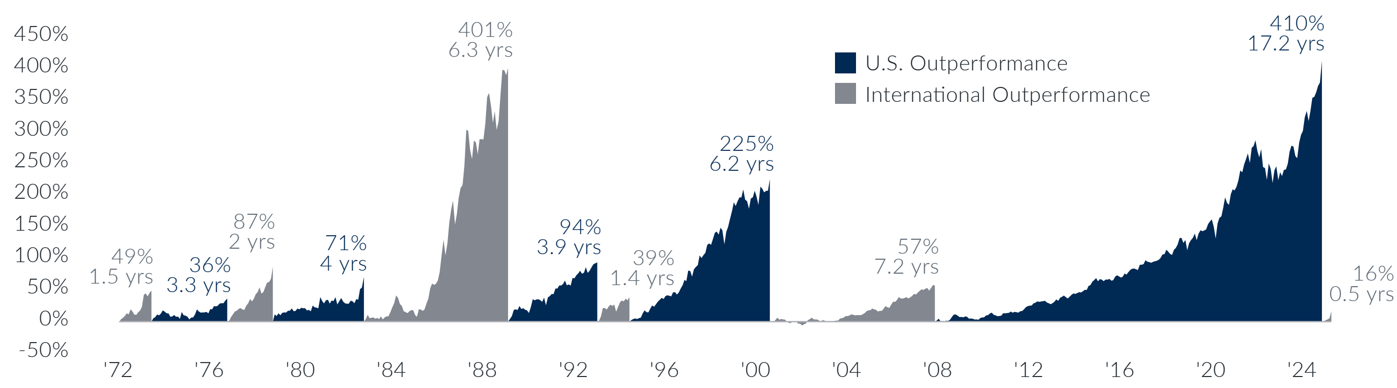
"Come gather 'round people wherever you roam and admit that the waters around you have grown…for the times they are a-changin.'" — *Bob Dylan, "The Times They Are A-Changin," 1964*

Bob Dylan wrote his song at a time when society was grappling with deeper political and societal issues than the optimal allocation of investment portfolios. Investors today, however, may find the sentiment strikingly relevant when it comes to the circumstances underpinning equity markets. For more than a decade, global diversification tested investors' patience as U.S. stocks delivered extraordinary returns, while most international markets lagged. The relentless strength of the U.S. dollar over this period compounded the problem, as currency translation turned modest local-market gains into disappointing outcomes for U.S.-based investors. In hindsight, leaning heavily into the U.S. was not just defensible but also optimal.

But the times may be a-changin' as international markets have shown signs of renewed strength (Exhibit A). The driving forces behind this have been improving fundamentals abroad, more attractive valuations, a weaker dollar and shifting macroeconomic currents.

Exhibit A: Regional market leadership has historically gone through long, alternating cycles and is perhaps at a key juncture[1]

Domestic vs. Foreign Equities Performance Cycles



Source: Glenmede, MSCI, FactSet

Data as of 4/15/2025

[1] Data shown are the relative total return performance of U.S. Large Cap (MSCI USA) and International Developed (MSCI EAFE) equities from December 31, 1971. Regime changes are determined when cumulative outperformance peaks and is not reached again in a subsequent 12-month period. Past performance may not be indicative of future results. One cannot invest directly in an index.

Investors are generally well served by adopting a global investment approach for the long term, but current conditions suggest such an approach may be especially timely. The first section begins with a broader examination of why international diversification remains a sound long-term discipline, independent of prevailing market trends. The second section turns to the present, highlighting how relative valuations, earnings trajectories and deeper macroeconomic shifts are aligning in a way that may favor non-U.S. markets more so than at any point in recent years. The third section explores the value of actively managed, factor-based investment processes, particularly as a complement to domestically oriented portfolios. The final section outlines practical considerations for portfolio positioning aimed at capturing a wider set of global opportunities.

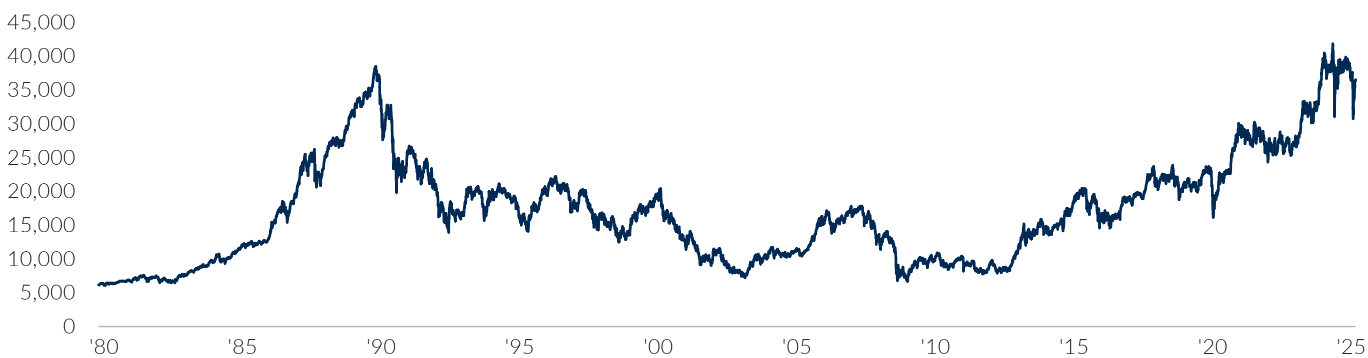
The Evergreen Case for International Equities

The case for investing abroad is not particularly new, but it remains largely underappreciated. This has been the case especially over recent years as U.S. markets have led the pack. To an extent, a home bias in portfolio construction makes some sense. Owning shares of companies that generate earnings in the same currency used for consumption can help align investment returns with spending and liabilities, reducing currency-related mismatches. Investors also tend to be more familiar with local companies, regulatory frameworks, political dynamics and economic conditions, which makes the investment experience feel more tangible and intuitive.

There are limits to this line of thinking. History is littered with examples of markets that dominated for a time only to deliver extended periods of stagnation or underperformance for their local investors. Japan offers perhaps the most striking example: At the height of its economic boom in the late 1980s, it made up more than 40% of the global equity market outside the U.S., and Japanese stocks were widely perceived as an unstoppable force. Yet over the following three decades, investors heavily concentrated in Japanese equities experienced poor returns as global equity markets advanced (Exhibit B).

Exhibit B: Japanese equities experienced several "lost decades" after a dramatic bull market in the late 1980s[2]

Nikkei 225 Index



Source: Glenmede, FactSet | Data as of 5/8/2025

A portfolio overly anchored to a single country risks becoming a one-legged stool — elegant while standing, but less stable when the balance starts to shift. In contrast, a global investment approach offers structural diversification, a broader opportunity set and, in some cases, a better chance of exploiting inefficiencies. These are not passing advantages but rather foundational benefits of global diversification.

The U.S. stock market is the largest and most liquid in the world, but it does not encompass the full spectrum of economic activity or sectoral leadership. Dominant players in many industries such as luxury goods, industrial automation, mobile payments and renewable infrastructure reside outside U.S. borders (Exhibit C). For example, there is not a single U.S. firm in the top five by market capitalization within the materials sector. Some of these firms are global in footprint but local in listing, meaning they are not accessible through a domestic-only investing approach.

[2] The Nikkei 225 is a price-weighted index of Japanese stocks. Past performance may not be indicative of future results. One cannot invest directly in an index.

Exhibit C: A global opportunity set widens the scope of exposures across geographies and sectors[3]

Five Largest Non-U.S. Companies by Sector

Communications	Consumer Discretionary	Consumer Staples	Energy	Financials
Tencent	LVMH	Kweichow Moutai	Saudi Aramco	I&C Bank of China
China Mobile	Hermes	Nestle	Shell	Agric. Bank of China
Deutsche Telekom	Alibaba	L'Oreal	PetroChina	Int'l Holding Co.
Spotify	Toyota	Unilever	Reliance Industries	China Constr. Bank
Meituan	Inditex	Anh.-Busch InBev	TotalEnergies	Bank of China

Healthcare	Industrials	Materials	Technology	Utilities
Novo Nordisk	China Tower Corp	Linde	Taiwan Semi	Abu Dhabi National
Roche	Siemens	BHP Group	SAP	China Yangtze
Novartis	Schneider Electric	Rio Tinto	ASML Holding	Iberdrola
AstraZeneca	Airbus	Air Liquide	Samsung	ACWA Power
EssilorLuxottica	Hitachi	China Shenhua	ARM Holdings	Enel

Source: Glenmede, Bloomberg

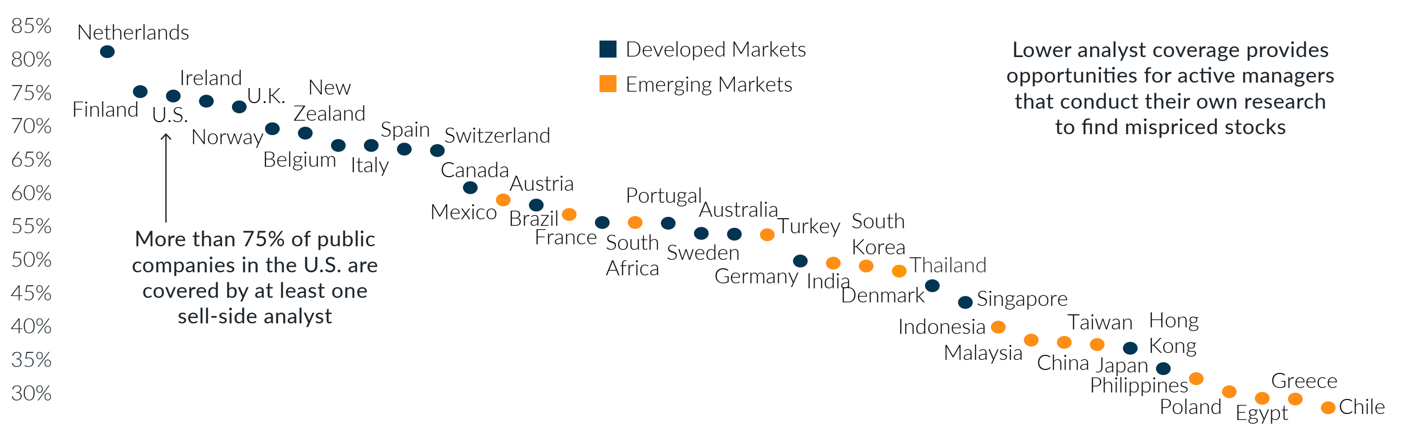
Data as of 2/20/2025

Exposure to international markets can broaden sector weightings and expose investors to different capital cycles as well as reflect a wider array of policy environments and demographic trends. In practical terms, it means portfolios can be better positioned for changing macroeconomic conditions.

Foreign markets are also particularly ripe for active management. U.S. markets are widely regarded as among the most efficient in the world, characterized by deep analyst coverage, real-time data flows and abundant liquidity. In contrast, many international markets tend to be less heavily scrutinized, particularly in smaller developed countries and emerging markets (Exhibit D). Thinner analyst coverage can lead to wider and more pervasive pricing anomalies, which creates opportunities for active managers willing and capable of doing deep fundamental research.

Exhibit D: Thinner analyst coverage in foreign markets may lead to inefficiencies exploitable by active management[4]

Share of Stocks with Analyst Coverage



Source: Glenmede, Vitor Azevedo, Sebastian Müller

Data as of 12/31/2024

[3] Data shown are the top five publicly traded companies outside the U.S. by sector as measured by market capitalization in U.S. dollars. For purposes of this illustration, real estate is included within the financials sector. Some companies' names are shortened for visual purposes. References to individual securities should not be construed as a recommendation to buy, hold or sell.

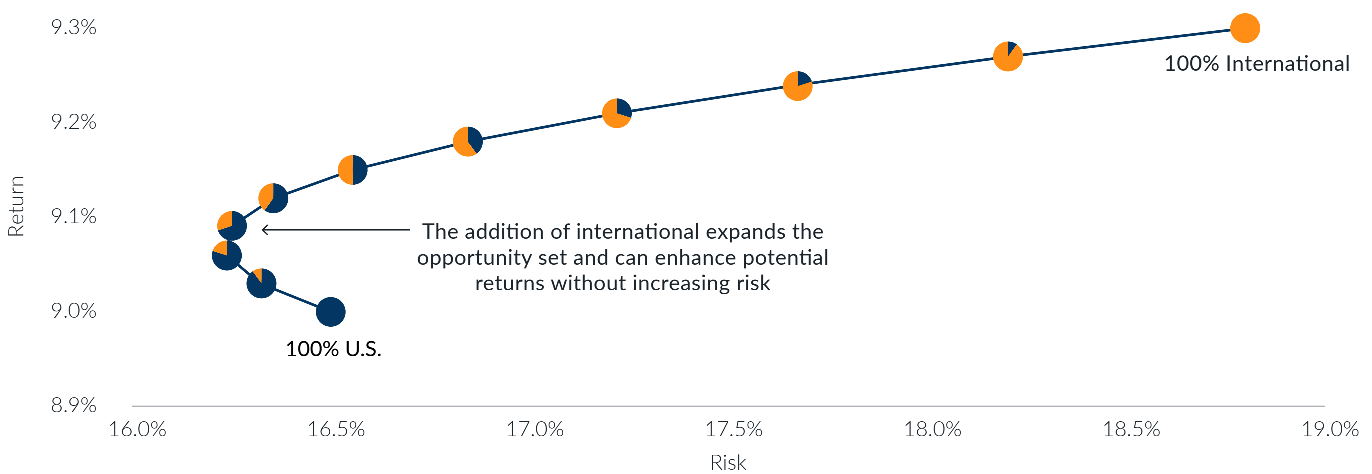
[4] Azevedo, Vitor, and Sebastian Müller. 2024. "Analyst Recommendations and Mispricing Across the Globe." Journal of Banking & Finance 169, December 2024. Data shown are the percentage of publicly traded equities covered by at least one sell-side analyst for a select group of developed (blue dots) and emerging market (orange dots) countries.

The most important point on the structural case for international equities is simple: A portfolio denominated in one currency is not properly diversified. Investors can often underestimate how much of their wealth is implicitly tied to the fate of a single currency. For U.S.-based investors, a domestic equity portfolio is a bet not just on American companies but also on the dollar. That bet may pay off over some periods, as it has over the last few years, but it is a concentration risk all the same. Currency values fluctuate in ways that reflect trade balances, interest rate differentials and global capital flows, none of which investors can reliably predict or control. A globally diversified equity portfolio distributes this exposure, introducing natural hedges that may help cushion volatility or amplify gains depending on how the currency winds blow.

In practice, this means that when setting longer-term asset allocation baselines, international equities should have a place in a diversified portfolio. A central idea in modern investing is that investors should use every tool at their disposal to maximize returns for a given level of risk. Otherwise, incremental risk taking is not properly rewarded with extra returns. The best way to envision this is an efficient frontier, which is a way of visualizing this relationship (Exhibit E). Certain combinations of assets can offer different tradeoffs between return and risk. Compared to a completely domestic equity allocation, a portfolio containing anywhere between 10% and 40% foreign stocks potentially can enhance returns and reduce risk simultaneously, according to Glenmede's proprietary long-term capital market assumptions. That is the left-most bulge in the efficient frontier of Exhibit E. Forty percent is not necessarily the ceiling for acceptable international weighting, but that is the point after which there becomes a tradeoff between extra return and more risk. Because foreign markets do not always move in lockstep with U.S. markets, they can introduce valuable diversification benefits, potentially smoothing out returns and improving the overall balance between risk and reward.

Exhibit E: An optimally positioned equity allocation should comprise at least 20% foreign stocks[5]

Projected Risk/Reward Profile for Global Investing



Source: Glenmede

Data as of 12/31/2024

A Timely Case for International Equities

There are several reasons why international equities may be more attractive today than in the past. A shift away from peak globalization, cracks in the narrative of American exceptionalism and more favorable earnings and valuation dynamics all point to a brighter near-term outlook for foreign stocks.

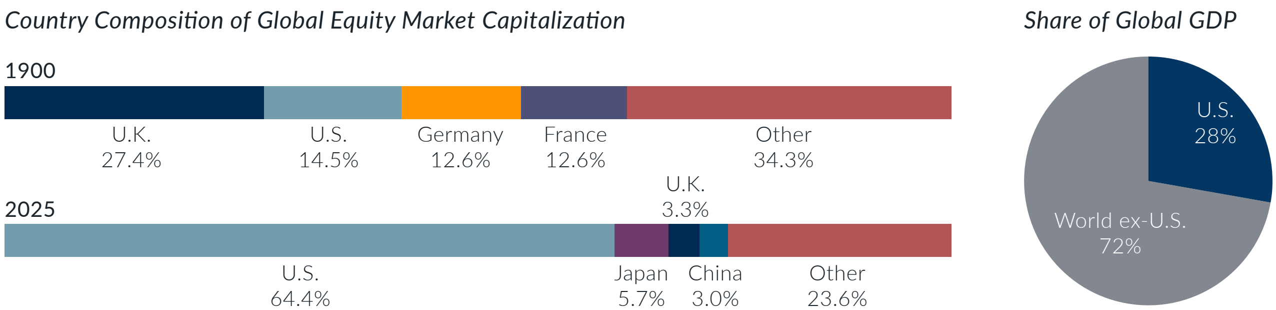
More broadly, global equity markets tend to move in cycles, and the relative performance of U.S. and international stocks is no exception (Exhibit A). Over the past 15 years, U.S. equities have delivered a prolonged stretch of dominance, fueled by strong corporate earnings, a booming technology sector and a flight to perceived economic/geopolitical stability.

[5] The chart shown depicts the results of a mean-variance optimization process for equity allocations between domestic and foreign stocks. The returns and assumptions underlying that optimization represent Glenmede's long-term capital market assumptions for each asset class, information on which is available from Glenmede upon request. Risk-adjusted returns are represented by the Sharpe ratio, which measures the returns a portfolio earns in excess of cash, per unit of risk (measured by standard deviation). Actual results may differ materially from assumptions and projections. The ideal amount of international exposure appropriate for individual investors will vary based on their investment objectives, time horizons and tolerance levels for risk.

But history offers many examples where leadership has reversed. During the 1980s, for instance, international equities outperformed U.S. stocks by a similar magnitude, albeit in half the time. Foreign equities outperformed from 2000 to 2007, coinciding with a period of material revaluation following the Tech Bubble of the late 1990s. The latest period of strength in international markets may signal the start of a new cycle, and if history is any guide, such turns in leadership can prove quite durable.

One by-product of the recent period of U.S. equity dominance has been a global market structure that looks increasingly disconnected from underlying economic fundamentals (Exhibit F). U.S. stocks now account for nearly 65% of global equity market capitalization, more than twice the country's share of global GDP. While equity market size and economic output are not perfectly correlated — the comparison can often be apples to oranges — the gap has widened meaningfully in recent years. Rewind 125 years, and the picture was quite different: The global equity landscape was far more balanced, with the U.K. holding the largest share thanks to its mature financial system and the pound sterling's role as the world's reserve currency. From the British perspective, it would have been a mistake to shun overseas investments given opportunities in emerging markets such as the U.S.

Exhibit F: The U.S. equity market has grown an order of magnitude larger than its share of global GDP alone would suggest[6]



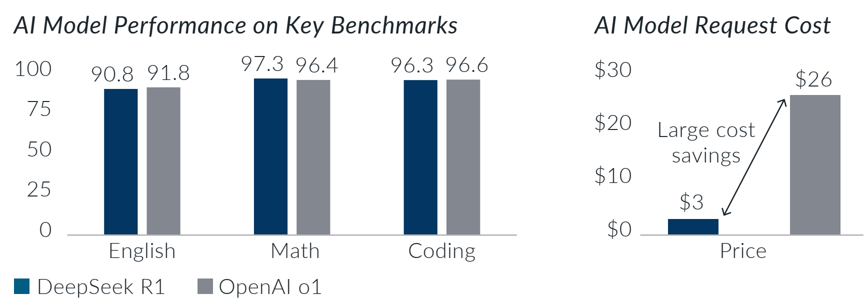
Source: Glenmede, DMS Database 2025
Data as of 12/31/2024

Source: Glenmede, FactSet
Data as of 12/31/2023

The U.S. markets came to dominate global market capitalization mostly due to the dominance of the underlying companies themselves, particularly in the technology sector. Some of their outperformance may have rested on a perception of American exceptionalism, a belief that was not necessarily unfounded during the rise of smartphones, cloud computing and platform businesses that many U.S. firms dominated. But the launch of a cutting-edge open-source artificial intelligence (AI) model from DeepSeek potentially marked a Sputnik moment that challenged the assumption that the U.S. will indefinitely lead the next wave of technological disruption.

Earlier this year, DeepSeek released its R1 model just as intelligent as top models like OpenAI's o1, claiming that

Exhibit G: DeepSeek has upended assumptions about costs and hardware requirements for building effective AI[7]



Source: Glenmede, DeepSeek, Artificial Analysis
Data as of 12/31/2024

[6] Data shown in the left panel represent the aggregate market capitalization of stocks in the top four largest country markets as of the beginning of 1900 and 2025. Data shown in the right panel represent shares of gross domestic product (GDP) in U.S. dollars. Past performance may not be indicative of future results. One cannot invest directly in an index.

[7] Data shown are key metrics relevant to AI large language models (LLMs) for DeepSeek's R1 model (in blue) and OpenAI's o1 model (in gray). English scores are measured via the Massive Multitask Language Understanding (MMLU) benchmark, Math scores are measured via the Math500 mathematical reasoning benchmark, Coding scores are measured via the Codeforces Competitive Programming Platforms benchmark and Price is measured as a three-to-one ratio of the price in U.S. dollars charged by model providers per million input and output tokens. Tokens are numerical representations of words and characters that LLMs take as inputs and outputs. Information from third-party sources is assumed to be reliable but its accuracy is not guaranteed.

it operated at a fraction of the cost and computing power (Exhibit G). China, South Korea, France, the United Arab Emirates and other countries are pouring capital and policy support into AI infrastructure. As a result, the technological playing field may be flattening faster than some expected.

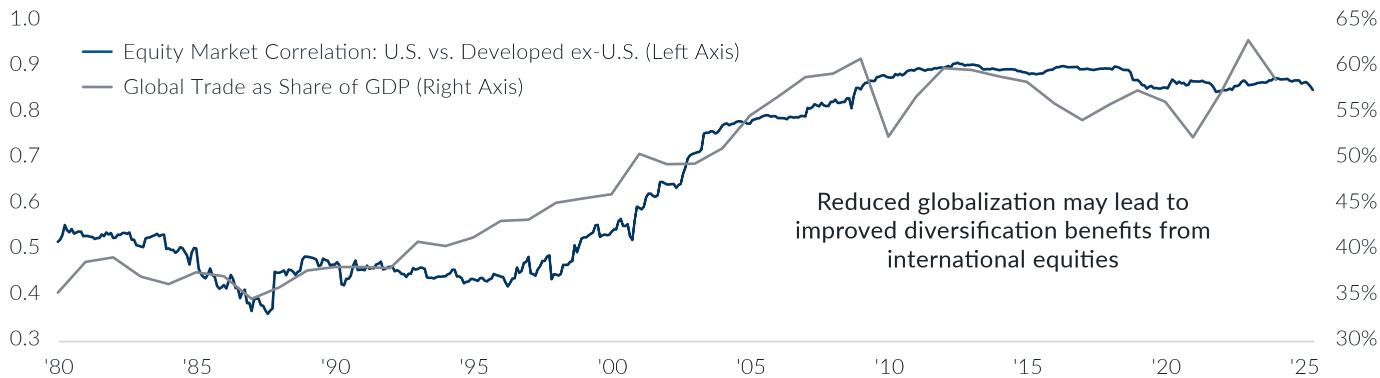
Global Economic Relationships

Another major moving piece is the shifting landscape of global trade. One of the defining features of the Trump administration's economic policy in its early months has been a barrage of new tariffs, ranging from universal tariffs to reciprocal, country-specific and product-specific levies. These measures represent an effort to reconfigure global economic relationships and incentivize domestic production in the U.S. While the full impact of these policies on the U.S. economy and its trading partners falls outside the scope of this paper, they may mark a broader inflection point in the trajectory of globalization.

Since the early 1980s, global trade as a share of world GDP has steadily increased. As trade deepened and supply chains became more globally integrated, equity markets worldwide began to move more closely in sync (Exhibit H). This increased correlation stemmed from a combination of factors, including the rise of multinational corporations with cross-border revenue streams, synchronized business cycles driven by trade linkages and the growing importance of macroeconomic events such as central bank decisions or commodity price shocks that reverberated across interconnected economies. More specifically, China's admission to the World Trade Organization in 2001 was likely a significant catalyst.

Exhibit H: Economic decoupling may lead to a breakdown in correlations between foreign and domestic equities[8]

Globalization and the Diversification of International Equities



Source: Glenmede, MSCI, FactSet

Data as of 4/15/2025

Opportunities for Diversification

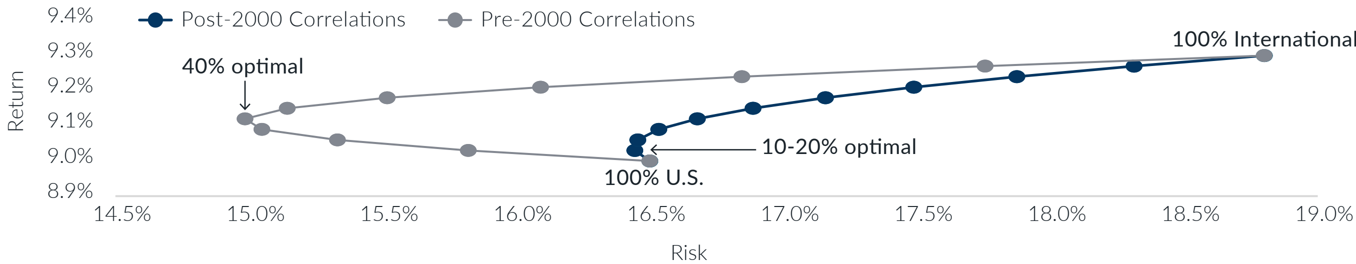
Looking ahead, a shift toward economic decoupling may create renewed opportunities for diversification. If the forces that once tightly bound global markets together begin to unwind through reshoring, trade barriers or more localized supply chains, then equity market correlations are likely to fall. In that environment, foreign equities may once again behave more independently from U.S. markets. As correlations break down, the diversification benefits of international exposure become more meaningful, enabling investors to better manage risk while potentially enhancing long-term returns.

Exhibit I illustrates this dynamic by comparing two efficient frontiers: one based on the higher correlations observed in the post-2000 era of peak globalization and another reflecting the lower correlations that prevailed before the turn of the millennium. The contrast is instructive. In the lower-correlation scenario, the efficient frontier shifts outward, especially on the left-most edge, where expected returns improve without a corresponding increase in risk. This is the sweet spot for investors: The potential to generate more return per unit of risk simply by widening the geographic scope of the opportunity set.

[8] Data shown in blue and graphed along the left axis is the rolling 10-year correlation between the S&P 500 and MSCI EAFE indices, with total returns measured in U.S. dollar terms. Shown in gray and graphed along the right axis is global trade as a share of gross domestic product (GDP). Past performance may not be indicative of future results. One cannot invest directly in an index.

Exhibit I: A new U.S. vs. foreign equity market correlation regime could mean a larger share of international equity is optimal[9]

Projected Risk/Reward Profile for Global Investing



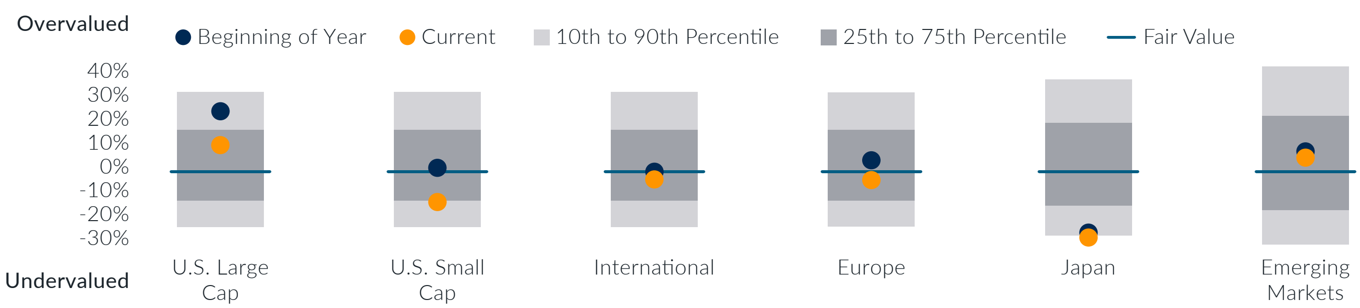
Source: Glenmede | Data as of 12/31/2024

Earnings growth expectations also point to opportunity abroad. For years, many international markets have lagged the U.S. not just in returns but also in the underlying earnings that fuel them. But that gap is narrowing or, in some cases, flipping. For example, it appears that the longstanding dogma of fiscal austerity in European developed markets is showing signs of unraveling. In particular, Germany is pivoting toward more expansionary policy, with public investment, higher defense spending and industrial policy back on the agenda. That is a big reason why earnings growth expectations are picking up abroad. For investors seeking tangible fundamental opportunities, international equities are looking increasingly compelling.

Starting-point valuations reinforce the case for international equities, as the price investors are paying for that earnings growth abroad appears more reasonable (Exhibit J). Valuations on U.S. stocks have broadly declined in 2025, falling notably from elevated levels at the start of the year. Even then, U.S. large-cap stocks still command premium valuations. In comparison, valuations across international markets have remained relatively stable, with some areas even seeing a slight uptick. Yet even though the valuation differentials have narrowed, international stocks continue to trade at a modest discount to fair value. That said, there is a fair amount of dispersion beneath the surface, as Japanese equities appear to be the most compelling opportunity from a valuation perspective.

Exhibit J: International equities remain near fair value, having seen less volatility than U.S. counterparts this year[10]

Long-Term Normal Valuation and Ranges



Source: Glenmede, MSCI, FactSet | Data as of 4/23/2025

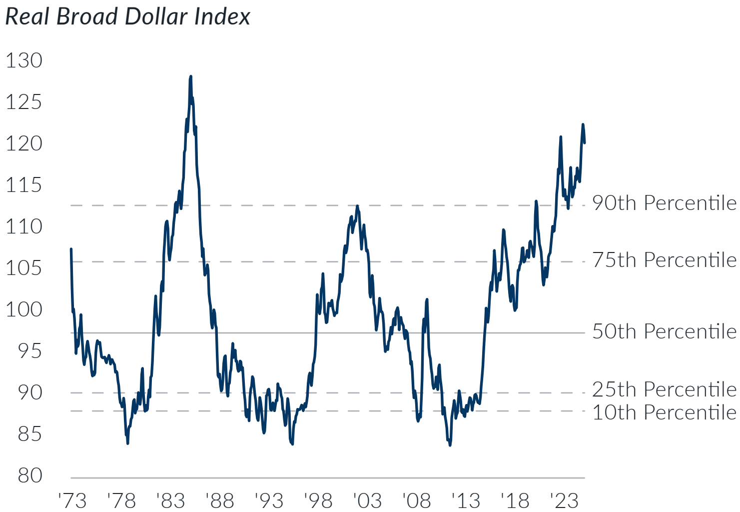
[9] The chart shown is the result of a mean-variance optimization process for equity allocations between domestic and foreign stocks. The gray line uses the correlation between U.S. and non-U.S. stocks prior to 2000, and the blue line uses the correlations since 2000. Each dot along the line represents a 10% portfolio shift between domestic and foreign equities. The returns and assumptions underlying that optimization represent Glenmede's long-term capital market assumptions for each asset class, information on which is available from Glenmede upon request. Risk-adjusted returns are represented by the Sharpe ratio, which measures the returns a portfolio earns in excess of cash, per unit of risk (measured by standard deviation). Actual results may differ materially from assumptions and projections. The ideal amount of international exposure appropriate for individual investors will vary based on their investment objectives, time horizons and tolerance levels for risk.

[10] Data shown are Glenmede's estimates of long-term fair value for U.S. Large Cap (MSCI USA), U.S. Small Cap (MSCI USA Small), International (MSCI ACWI ex USA), 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.

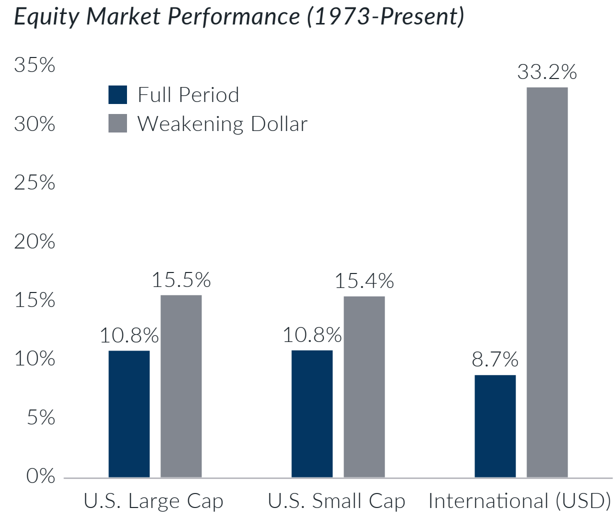
Currency Effects

Last, but certainly not least, is the outlook for the U.S. dollar. Ever since the end of the Great Financial Crisis in 2009, the U.S. dollar has been on an almost relentless run higher when measured on an inflation-adjusted basis relative to America's largest trading partners (Exhibit K). For U.S.-based investors who did not hedge their currency exposure, this effectively eroded foreign returns when translated back into U.S. dollar terms. But that same currency effect could begin to work in investors' benefit if they maintain foreign exposure during a weakening dollar regime. Currencies tend to be mean reverting over time, especially when measured on a basis that accounts for the relative purchasing power compared with major trading partners. The last time the dollar eclipsed the 90th percentile was in the 1980s. The turning point came in 1985, when the U.S., Japan, West Germany, France and the U.K., in the Plaza Accords, agreed to coordinate intervention to depreciate the dollar and correct trade imbalances. There are some rumblings that the current administration may at some point seek a similar arrangement, which some are informally referring to as a potential "Mar-a-Lago Accord."

Exhibit K: Further dollar weakness could be a tailwind for international equities[11]



Source: Glenmede, Federal Reserve
Data as of 3/31/2025



Source: Glenmede
Data as of 3/31/2025

The historical record shows that returns for international equities, if currency exposures are unhedged, have an empirical track record of handily outperforming domestic stocks across the capitalization spectrum during periods of a weakening U.S. dollar.

The Case for Active Management in International Equities

The Enduring Logic of Factor-Based Investing

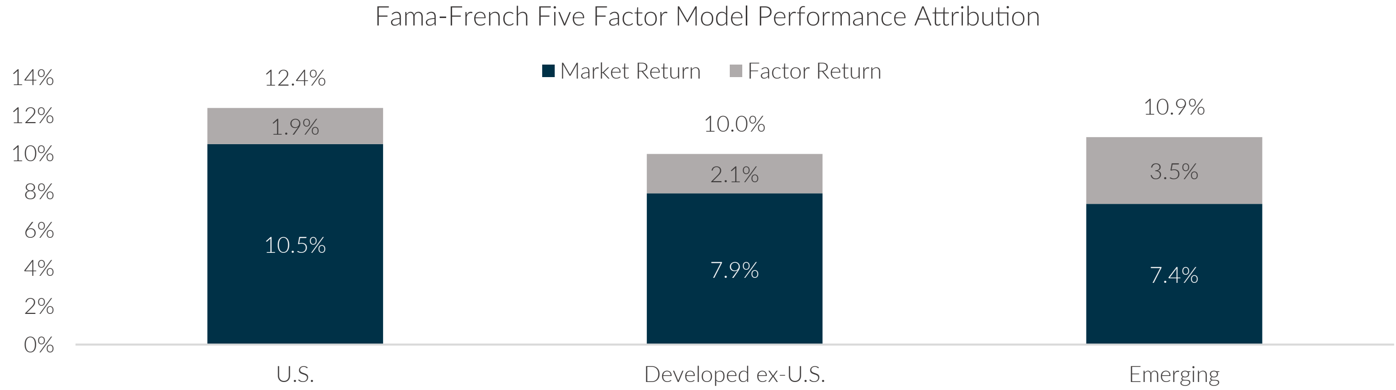
Given the well-documented benefits of international equity diversification, a natural follow-up question is: How should investors approach foreign markets in practice? Glenmede maintains the belief that stock selection based on systematic factors (i.e., those supported by extensive empirical evidence) can meaningfully enhance portfolio outcomes.

When looking just at purely passive, market-level equity returns, the U.S. has clearly outperformed since 1990 (Exhibit L). That outperformance, however, is subject to end-point sensitivity, particularly given the recent extended cycle of domestic leadership in global markets. Importantly, the excess return generated by rules-based factors has helped narrow that gap.

[11] 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., 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.

Factor investing, in general, has demonstrated a long-term track record of positive performance across both U.S. and international equities. An analysis of data from the Fama-French Five Factor Model shows that common equity factors have delivered comparable, if not stronger, excess returns abroad since inception. Average factor returns over this period were approximately 1.9% for domestic equities, versus 2.1% and 3.5% for developed ex-U.S. and emerging markets, respectively (Exhibit L). Simply put, a style-conscious investor with a global portfolio may have experienced less underperformance relative to the U.S. over this period than one relying purely on passive market exposure.

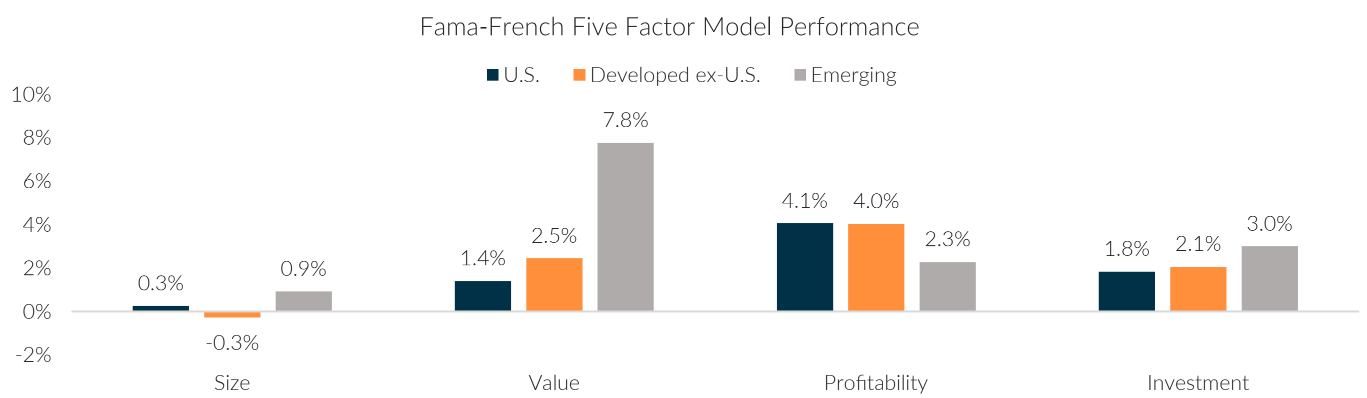
Exhibit L: Factor portfolios have helped make up for international market underperformance[12]



Source: Glenmede Investment Management, Kenneth French Data Library Data as of 4/30/2025

Beneath the surface, one factor stands out (Exhibit M). Over the same timeframe, the value factor seems to be a much more additive equity style abroad. That is particularly so in emerging markets, in which a hypothetical long-short, market-neutral strategy would have generated annualized returns of 7.8%. Other factors, including size, profitability and investment intensity, have also produced returns overseas that are comparable to their U.S. counterparts.

Exhibit M: In some cases, traditional equity factors have been more robust overseas[13]



Source: Glenmede Investment Management, Kenneth French Data Library Data as of 4/30/2025

[12] Data shown represent hypothetical annualized total return data for equities in the U.S., developed markets excluding the U.S. and emerging markets based on data compiled by Kenneth French, beginning in July 1990. Market Return represents the total return of a broad, market capitalization weighted portfolio. Factor Returns represent the incremental excess return of style-based portfolios designed to capture systemic risk premia, including size, value, profitability and investment intensity. Past and hypothetical performance may not be indicative of future results. One cannot invest directly in Fama-French factor-based portfolios.

[13] Data shown represent the incremental excess returns generated by each component of the Fama-French Five Factor Model, measured in annualized excess total returns above the market portfolio. The size factor reflects the excess return of small stocks relative to large stocks based on market capitalization. The value factor reflects the excess return of low price-to-book ratio stocks relative to high price-to-book ratio stocks. The profitability factor reflects the excess return of robust profitability stocks relative to weak profitability stocks. The investment factor reflects the excess return of companies that invest conservatively in assets and operations relative to companies that invest more aggressively. Past and hypothetical performance may not be indicative of future results. One cannot invest directly in Fama-French factor-based portfolios.

Because the return profiles of individual factors are not perfectly correlated with one another, investment processes that take a multi-factor approach may benefit from interaction effects that enhance consistency and performance over time. This has been particularly evident in international markets, which have historically paired well with passive U.S-focused allocations (Exhibit N).

For example, incorporating diversified factor-based strategies with 25% and 5% weights in developed and emerging markets (allocations aligned with the outer edge of the efficient frontier in Exhibit E) would have added 0.2% to average annual returns since 1990 while also reducing the standard deviation of those returns by 0.7%. The result is a clear improvement in risk-adjusted returns.

Taking the analysis a step further, a portfolio optimization aimed at maximizing risk-adjusted returns, measured by the Sharpe ratio and incorporating both the diversification benefits of international equities and the added benefits of factor exposures, results in a materially different weighting. In this scenario, increasing the international allocation from 30% to 70% produced the highest Sharpe ratio. While such an outcome may seem aggressive to some, it underscores a clear historical takeaway: portfolios excluding international equities (especially when actively managed) have generally produced suboptimal outcomes.

Exhibit N: Factor-based portfolios nicely complement passive U.S. equity portfolios[14]

Fama-French Portfolio Combinations

		Typical Portfolio		Optimal Sharpe Portfolio	
	100% Passive U.S.	70% Passive U.S. 30% Active Int'l	Diff.	30% Passive U.S. 70% Active Int'l	Diff.
Return	10.5%	10.7%	+0.2%	10.7%	+0.2%
Risk	15.2%	14.6%	-0.7%	14.1%	-1.1%
Sharpe Ratio	0.69	0.73	+0.04	0.76	+0.07

Source: Glenmede Investment Management, Kenneth French Data Library   Data as of 4/30/2025

Factors on Firmer Footing Abroad

While academic research provides a strong foundation for factor investing, what matters most to investors is practical implementation and consistent, repeatable results. With that in mind, Glenmede maintains proprietary multi-factor models, with variations tailored across the market capitalization spectrum, sectors and geographic regions. The components of the models are bucketed into four general categories: valuation, fundamentals, earnings and technicals.

The output of these models, evaluated across different equity asset classes over time, offers insights into both the diversification benefits and the relative consistency of factors (Exhibit O). Historical results show that certain factors, such as technical signals, have at times contributed positively to returns abroad while detracting domestically, and vice versa.

In many cases, factor performance has shown greater consistency outside the U.S. Valuation is a clear example. Valuation factors have notably underperformed in U.S. large caps over the past year and have delivered little to no excess return over the trailing 10-year period. The prolonged dominance of mega cap growth stocks has proved a challenge for U.S. value investors in recent years, though this is not a dynamic universally observed across other markets. In contrast, the value factor has remained a more reliable driver of performance in small cap, developed ex-U.S. and emerging markets so far in 2025 and over rolling 1-, 5-, 10- and 20-year periods.

While mega cap U.S. companies often dominate headlines and appear to defy valuation gravity, this phenomenon appears largely concentrated within that segment of the domestic market.

[14] Data shown represent the annualized return, standard deviation of annual returns and Sharpe ratio for each of three portoflios. Passive U.S. refers to a market capitalization weighted portfolio of U.S. stocks. Active Int'l refers to a blend of the Fama-French Five Factor Models for developed ex-U.S. and emerging equities. All measures of difference are relative to the 100% Passive U.S. portfolio. Past and hypothetical performance may not be indicative of future results. One cannot invest direclty in Fama-French factor-based portfolios.

Exhibit O: Glenmede Multi-Factor Models - Top Quintile Excess Returns[15]

Valuation	YTD	1yr	3yr	5yr	10yr	20yr
U.S. Large Cap	-0.4%	-1.4%	2.1%	2.5%	0.0%	0.9%
U.S. Small Cap	0.9%	0.4%	3.4%	4.9%	2.2%	1.5%
Developed ex-U.S.	2.5%	4.2%	2.9%	1.9%	1.0%	0.7%
Emerging Markets	4.6%	4.3%	5.1%	3.0%	1.5%	0.7%

Fundamental	YTD	1yr	3yr	5yr	10yr	20yr
U.S. Large Cap	1.0%	2.9%	0.7%	0.5%	0.5%	0.2%
U.S. Small Cap	0.5%	0.1%	0.6%	0.0%	0.3%	0.2%
Developed ex-U.S.	1.3%	0.8%	0.7%	0.7%	0.5%	0.4%
Emerging Markets	0.9%	1.2%	0.1%	-0.8%	-0.6%	0.0%

Earnings	YTD	1yr	3yr	5yr	10yr	20yr
U.S. Large Cap	2.5%	6.8%	3.2%	2.1%	1.4%	0.8%
U.S. Small Cap	5.4%	6.3%	2.2%	2.9%	1.5%	1.3%
Developed ex-U.S.	0.6%	2.4%	1.2%	1.0%	0.5%	0.5%
Emerging Markets	7.4%	4.7%	2.1%	2.5%	1.3%	1.5%

Technical	YTD	1yr	3yr	5yr	10yr	20yr
U.S. Large Cap	-2.0%	2.4%	-0.8%	1.7%	-0.3%	0.4%
U.S. Small Cap	1.0%	6.8%	-2.1%	6.0%	2.2%	0.8%
Developed ex-U.S.	1.1%	6.0%	3.8%	2.9%	0.8%	0.2%
Emerging Markets	2.7%	5.3%	-0.3%	0.7%	0.5%	-0.3%

Source: Glenmede Investment Management, FactSet

Data as of 6/30/2025

Factor Benefits in Combination

While each of the four primary components of Glenmede's multi-factor models has historically added value in isolation, their combined application has demonstrated a strong track record of enhancing returns and reducing risk over time. This integrated approach strengthens the case for active portfolio management in international equity markets.

Selecting stocks based on the interaction of multiple criteria can result in a portfolio that exhibits the desirable traits of what Robert Haugen, one of the pioneers of quantitative investing, described as a "Super Stock." The performance of these combined characteristics has shown notable stability across market cycles and effectiveness across sectors and regions.

Since 2000, international developed equities, as represented by the MSCI World ex-U.S. Index, have produced an aggregate annualized return of 4.5% (Exhibit P). In comparison, individual factor models (price momentum, return on equity, earnings per share revision and price/earnings) have each outperformed the cap-weighted index, delivering returns ranging from 7.0 – 9.7%.

Notably, a portfolio constructed using an equally weighted blend of these factors generated annualized excess returns of approximately 5.4%, outpacing each of the individual components. The advantage has been even more pronounced on a risk-adjusted basis. The return per unit of risk (as measured by the standard deviation of annualized returns) was 0.45 for the multi-factor approach, compared to a range of 0.32 – 0.36 for the individual factors and just 0.27 for the MSCI World ex-U.S. Index.

Much like Haugen's "Super Stock" concept, a balanced, multi-factor approach, such as that employed by Glenmede's Disciplined International Equity strategy, can support stronger outcomes for international allocations and reinforce the broader investment case for global diversification.

[15] Top quintile excess returns are calculated on a sector-neutral basis. Performance of Valuation, fundamentals, earnings and technicals are based on Glenmede factor library. U.S. Large Cap: Russell 1000 Index, U.S. Small Cap: Russell 2000 Index, Developed ex-U.S.: MSCI World ex-U.S. Index, Emerging Markets: MSCI Emerging Markets Index. Past performance may not be indicative of future results. One cannot invest directly in an index.

Exhibit P: Factor investing abroad is best employed in diversified combination[16]

Source: Glenmede Investment Management, FactSet | Data as of 12/31/2024

[16] Data shown represent the annualized total returns, standard deviation of annual total returns and the ratio of returns over standard deviation for the MSCI World ex-U.S. Index and factor-based portfolios composed of securities ranked in the top quintile within that index (equal-weighted, monthly rebalanced) based on price momentum, return on equity, earnings per share (EPS) revisions and price/earnings, respectively. Multi-factor portfolio is based on stocks ranked on a mix composed of 25% weights in each of the four factors. The MSCI World ex-U.S. Index is an unmanaged, market capitalization weighted index measuring the performance of companies in developed countries excluding the U.S. Past performance may not be indicative of future results. One cannot invest directly in an index.

Conclusion: Practical Considerations for Portfolio Positioning

Global investing has long been a prudent principle of portfolio construction, even if it has not felt that way in recent years. The decade-plus stretch of U.S. outperformance, bolstered by dollar strength, tech dominance and macroeconomic stability, tested investors' conviction in international diversification. But tides that rise can and — often do — recede. The case for a more globally oriented approach appears to be not only evergreen but also timely.

Today's landscape is defined by inflection points. Market leadership appears to be rotating. The dollar has softened from its highs. Valuations abroad remain more attractive in many regions. Fiscal orthodoxy is giving way to growth-minded policymaking, particularly in Europe. And breakthroughs in AI may narrow the long-standing gap in technological leadership. At the same time, globalization is showing signs of reversal, with implications for correlations, volatility and diversification benefits. Put simply, the assumptions that underpinned the last cycle may not hold in the next.

The message for investors is not to abandon U.S. equities. The U.S. remains home to many world-class businesses, a robust entrepreneurial spirit and a highly dynamic economy. But relying solely on one country's markets to deliver the full spectrum of global growth, innovation and resilience is increasingly difficult to justify. A globally diversified portfolio broadens the opportunity set, mitigates concentration risk and may offer a more balanced source of long-term returns, especially if the next decade looks different from the last.

In practical terms, this means investors should take a hard look at their portfolios and assess whether they have taken a home bias too far. Our view is that an optimally constructed portfolio should have at least 20% of the equity sleeve dedicated to foreign stocks as a structural long-term investment. The risk-return profile of such a well-diversified portfolio should help investors maximize the probability of reaching their financial goals.

The Glenmede Disciplined International Equity strategy may provide such return and risk diversification benefits, particularly due to the unique characteristics of international factor exposure.

So if the times really are a-changin', investors would do well to ensure their portfolios are positioned to change with them.