2019 Capital Markets Forecast

The Fourth Industrial Revolution: Digital, data, and debt disruption
Once upon a time, when I was a child, television stations would go off the air at around midnight. The “Star Spangled Banner” played, and then the screen would become static, showing only a test pattern until the morning. Contrast that to today, when the world is “on” 24/7 amid a flow of constant global digital connectivity. The expansive technological advancements over the past 10 or so years have affected every facet of our existence—the way we live, work, play, produce, and communicate. The supply chain of goods, services, and ideas is delivered to our fingertips with unprecedented immediacy and mobility. Effective innovation and adoption of new technologies now separate the survivors from the has-beens in virtually every sector of commerce. It is fair, we believe, to call this sweeping metamorphosis of technology no less than an “industrial revolution.”

Typically reserved for overarching periods of invention that dramatically alter society, industrial revolutions do not often come along. The first and second industrial revolutions made modern manufacturing possible. The third revolution gained traction in the 1980s and 1990s and heralded the digital era. We are now in the midst of a fourth revolution (Industry 4.0), which builds on those that came before, and has been spurred on by an exponentially paced sequence of technological breakthroughs. This horizontal digitization—that is, the arrival of digital and data at the core of nearly every economic sector and enterprise—has transformed the entire industrial complex, with critical implications for the economy and financial markets. The basis of our 2019 Capital Markets Forecast, we introduce this concept through the lens of economic sectors in Theme I.

Technology is a force to be reckoned with, and we expect horizontal digitization through higher productivity will hold inflation to fairly low levels. We explore this development in Theme II. While low inflation is easily observable in today’s economy, productivity is challenging to measure in real time. We believe technology investment is enabling increases in productivity that will only become evident in the rear-view mirror.

Theme III concerns an unintended side effect of horizontal digitization. Modest inflation and low interest rates have led some businesses to increase leverage, spurring a debt “super cycle.” Debt servicing costs of corporations should rise in tandem with interest rates. However, since we expect rates to level off over the next year, we do not think the sharp debt build-up will be the force that breaks the back of this economic cycle in the short term.

The transformative effect of digitization on the economy is sure to be a major impetus for global growth—one that may also have unintended, potentially perilous, consequences. We continually monitor the incremental changes taking place in the global economy to discern whether shifts in our house view are warranted. Here we delve into some of the anticipated dynamics and their potential impacts on your portfolio and beyond.

And as we move forward into 2019, I wish you a healthy, happy, and prosperous year on behalf of the Wilmington Trust and M&T Bank family.
Augmented reality (AR)
Interactive real-world experience in which objects are “augmented” by computer-generated information, often across multiple senses (e.g., sight, sound, smell)

Artificial intelligence (AI)
Intelligence demonstrated by machines, in contrast to the natural intelligence displayed by humans and other animals

Blockchain
Digitized and decentralized public ledger of all cryptocurrency transactions, originally developed as the accounting method for the virtual currency bitcoin

Cloud computing
Network of remote servers that is hosted on the internet to store, manage, and process data, versus using a local server or personal computer

Big data
Data sets that are so large and complex that traditional software doesn’t have the capacity to manage them

Industry 1.0
Steam power to mechanize production • 18th century

Industry 2.0
Electricity & steel to enable mass production • 19th century

Industry 3.0
Computers & the internet to automate and digitize production • 20th century

Industry 4.0
Today’s horizontal digitization to connect processes

Internet of Things (IoT)
Network of connected computing devices—able to exchange data with one another through the internet

5G
The next, or fifth, generation (compared to the current 4G) wireless technology, with increased speed and coverage

Robotics
Branch of technology that deals with the design, construction, operation, and application of robots

Gig economy
As a result of efficiency and productivity, many workers, like Uber drivers, are now reduced to part-time, short-term independent contractor “gigs”
Tech investment and spending across industries is forcing investors to rethink the tech sector

Spending by industry

IT budget as a percentage of revenue

Increase in IT budget over the last year

Nearly every sector is expected to make a sizable increase in tech investment in coming years.

As of November 28, 2017.

Source: Deloitte
Twenty years ago, MSCI and S&P Dow Jones indices developed the Global Industry Classification Standard and defined sectors and industries for the equities market more or less as we know them today. This provided a rational and intuitive way of discussing certain companies that were part of the same sector and exhibited certain consistent traits in the nature of their businesses. Fast forward to 2018, and the lines are blurred between what is a “tech” company and what is not.

Clearly those companies that produce computers, digital tools, and microchips are tech companies. But what about the fast food company that utilizes technology at the core of its business, investing tremendous capital to improve efficiency? Or the grocery store deliverer that relies entirely on artificial intelligence and robotics in its warehouse? Based on the current trend, in fewer than 10 years we predict technology will be so woven into the fabric of global corporations that nearly all industries and sectors will become essentially “tech hybrids”—requiring current sector descriptions to be revisited and made more nuanced to reflect that new reality.

As an example of the technological arms race that is occurring, according to technology trend-tracker CB Insights, private tech investments by non-tech Fortune 500 companies increased 149% between 2013 and 2016 (with a global investment bank the most active non-tech investor). Internet technology (IT) budgets for some non-tech industries have increased 50%–60% in the past year alone (Figure 1).

Tech investment has a circular effect: Companies spend on technology to gain market share and increase efficiencies, helping improve profitability. But increased technology interfacing carries its own security challenges that require additional technology investment. Banks and other financial institutions, for example, have been big spenders when it comes to digitization and technology, in part given their well-established security needs (your online bank account needs the equivalent of a cybersecurity armed guard standing outside the door). Importantly, it’s not just money that is valuable. Data and privacy are assets in and of themselves, and tech investment across industries like healthcare and hospitality reflects increased security needs.

**THEME 1**

**Horizontal digitization of technology across economic sectors**

Based on the current trend, in fewer than 10 years we predict technology will be so woven into the fabric of global corporations that nearly all industries and sectors will become essentially “tech hybrids”—requiring current sector descriptions to be revisited and made more nuanced to reflect that new reality.
Reshaping the way “non-tech” industries do business

Technological transformation is shaping the long-term investment implications for different companies, industries, and sectors.

Consumer discretionary

The poster child is Amazon, which has created massive disruption and competition across the retail, transportation, healthcare, and technology sectors. Then there’s Domino’s Pizza—referred to by its CEO as “a tech company that sells pizza”—which uses AI and voice recognition to identify and digitally process a customer’s spoken order, whether placed over the phone or in person, as digital orders cost an estimated $0.25 each versus at least a dollar’s worth of an employee’s time per each traditional phone/counter order.

Though the impact of tech and digitization is quite apparent in this sector, the benefits of technological connectivity are being realized outside of this space as well. Consider how tech is also reinventing the way these traditionally “non-tech” sectors and companies do business...

Consumer staples

Industry pairings of research and development with tech to monetize the IoT are bearing fruit. For example, Clorox’s teams came together to create the Brita Infinity Pitcher, which tracks water intake and orders a new filter from Amazon when it’s time, allowing tech to directly support top-line growth. Clorox is also utilizing big data by partnering with “smart thermometer” company Kinsa to place ads where its internet-connected thermometers detect higher levels of fever readings.

Communication services

5G wireless is a very disruptive technology that will support real-time speeds needed to enable self-driving cars. Infrastructure upgrades will be needed to support the shorter, denser signal produced by 5G, and current devices will require an upgrade to support 5G, which could amount to as much as $500 billion of total investment in new cell towers, antennas, and chips.

Energy

Data platforms, like one developed by energy production optimizer Tachyus, collect data related to seismic activity, drilling patterns, production, and maintenance records. They then combine data modeling with artificial intelligence to predict equipment failure before it happens and proactively identify optimal drilling locations. In a field reliant on costly machinery and lengthy project timelines, this could potentially double or triple the efficiency of upstream oil companies.
**Materials**
Technology has resulted in a much cheaper lithium-ion battery, a key component of **electric vehicles**. In 2010, a battery pack cost an estimated $900/kilowatt-hour compared to $190 for today’s Tesla Model 3—a decline of almost 80% in about seven years. At this rate, price parity between electric and gasoline-powered vehicles may be achieved as early as 2020.

**Financials**
In October of 2017, the Interbank Information Network was formed by the Royal Bank of Canada, the Australia and New Zealand Banking Group, and JPMorgan Chase to streamline the global payments process using **blockchain**. Among other benefits, this makes settlement of payments instantaneous (no more waiting for the check to clear or a payment to hit your account), while also reducing transaction costs and counterparty risk.

**Healthcare**
Biogen, Pfizer, and GlaxoSmithKline have all separately forged partnerships with genomics and biotech firm 23andMe to provide access to customer data that can aid pharmaceutical research. Using **algorithms and reams of data**, drug trials can target specific genetic markers, isolating a particular population to decrease time and cost, while increasing the accuracy of the drug trial process.

**Industrials**
Instead of consulting a computer screen or instruction manual, industrial mechanics can work more efficiently and accurately through **augmented reality**. At Boeing, for example, technicians wear Google Glass headsets to visually overlay instructions on top of equipment, while assembling wires in their 787-8 Freighters. In transportation, companies like Daimler and Volvo have invested in autonomous trucking, with “platooning” (trucks driving close together and sharing information to minimize wind resistance and fuel usage), offering the potential for a reduction in cost, traffic congestion, and the number of accidents.

**Real estate**
Technology has greatly redirected the utilization of commercial real estate. The National Association for Industrial and Office Parks estimates that U.S. office space per employee has fallen roughly 10% since 2011 alone. The **cloud** has curbed the need for huge data centers, retailers have reduced their footprint to expand their online presence, and WeWork (a company providing shared or pay-as-you-go workspaces) has cultivated the remote workplace.

**Utilities**
Blockchain could be the biggest jolt to the sleepy, regulated utility sector in years, with the potential to disrupt the grid and encourage energy conservation through the real-time, flexible trade of energy credits, as with Energy Saving Certificates in Europe. **Smart meters** can also measure and regulate energy usage to more efficiently manage the grid during periods of strained capacity.
Technology and portfolios

Structural trends, like advances in technology, play a key role in our investment decisions—though short-term positioning shifts take into account many factors, including valuations, cash flow, and expectations for corporate profitability (margins). While mindful that we are late in the economic cycle, we generally favor companies that are either set to benefit from the wave of tech spending—like technology companies themselves—or business models poised to prosper by exploiting the increased efficiencies offered by innovation, such as consumer discretionary, industrials, healthcare, and energy.

But technology is a double-edged sword. Tech innovation could mean big wins for companies able to lead transformation, but it could also mean certain companies quickly become obsolete or even extinct. We have already witnessed the fall of the one-time-behemoth-but-now-extinct video rental chain Blockbuster, which was displaced by digital TV streaming services and on-demand programming. Or we could look to Eastman Kodak, which had the resources but still failed to adapt to the way we now take and share photos. With this rapid pace of innovation expected to continue and little ability to predict exactly how these trends will unfold, we are more cautious toward those industries we regard as particularly vulnerable to disruption, such as retail, utilities, and real estate.

There is tremendous opportunity outside of the U.S. related to the horizontal digitization of technology across sectors. After all, many countries have specific, government-led programs to prioritize the digitization of the manufacturing industry. China’s “Made in China 2025” initiative aims to strengthen its factories by integrating technology across the supply chain. Germany has allocated 200 million euros to fund “Industrie 4.0,” a national strategic initiative meant to increase digitization and interconnection between products and business models. As a result, some of the most innovative companies transforming or integrating technology across sectors are non-U.S. companies, including industrial conglomerate Siemens, aircraft manufacturer Dassault, and electrical engineering and software company, Yokogawa. Innovation is being driven by global demand and met by global suppliers. At this time, the tech-related opportunities are greatest in the U.S. and Asia, not only because of the significant weight to tech in each region’s equity market, but also because of the pace of innovation happening in those areas. We are monitoring the rapidly evolving regional landscape.

While exciting, these technology trends are not without their risks. Where could this go wrong? With the scale of technology’s impact and the pace of change, over-investment late in the economic cycle could leave some companies exposed. We are reminded of the last tech wave in the late 1990s, when some areas of the economy invested too much too fast and were forced to significantly pull back on property or equipment spending (capital expenditures, or capex) when confidence began to falter. Our expectation for slowing global growth in 2019, along with risks related to trade, could put the capex cycle in jeopardy.
The fourth industrial revolution has been instrumental in pushing the current economic recovery to the second longest on record—and it is slated to become the longest in July. In our view, this is due in significant part to higher productivity stemming from technology.

One inescapable aspect of U.S. economic conditions as we enter 2019 is the tightness of the labor market. The unemployment rate is at a 60-year low, unemployment claims have fallen to previously unthinkably low levels, job postings are at all-time highs, and workers are voluntarily quitting their jobs to start new ones at a rate not seen since 2001. This has understandably stoked fears of a labor market that might overheat, driving wages inexorably higher, squeezing profit margins, and forcing companies to raise prices, which in turn would have the Fed cranking rates higher to snuff out inflation. In fact, we are seeing few signs of inflationary pressures.

Déjà vu all over again

If this description of the U.S. economy sounds familiar, that’s because it is strikingly similar to circumstances we faced in the 1990s during the longest-ever economic expansion on record. The unemployment rate and jobless claims were falling to multi-decade lows and prompting all of these same fears as early as 1996. Then-Fed Chair Alan Greenspan had many colleagues and advisors arguing that monetary policy needed to be tightened, fearing that an overheating labor market would stoke inflation. They believed this to be the case despite the fact that inflation was actually slowing down. Greenspan took issue with their logic, believing there must be something afoot keeping prices from accelerating. And that something was productivity—the rising tide that lifts all boats. When labor is able to produce more in a working hour, it reduces company costs per unit, resulting in higher profit margins and little need for firms to raise prices, keeping inflation low.

On the surface, productivity in the late 1990s seemed weak. At the time, Greenspan thought it was being mismeasured because the tight labor market had not generated inflation pressure. He was right. Productivity data are notoriously challenging to measure, especially when new technologies are growing faster than government data crunchers can analyze. In the 1990s, it was Industry 3.0. Productivity data from that decade ended up being revised significantly upward. With the data we have now, we know productivity growth in the early 1990s averaged just 1.8% per year. From 1995 to 2000, it shot up to 3%.

Productivity growth comes from firms investing in new equipment and new technologies. A firm can boost its productivity quickly with such measures. For the economy as a whole, though, the impact is seen only after multiple years of capex,
Productivity growth is the result of capex on research & design of new products, new equipment, and new structures, but with a significant lag

It takes a long time for capex to play through to overall productivity in the economy. The strongest productivity growth of the past several decades occurred in the early 2000s as a result of the burst of capex that took place several years earlier in the internet revolution of the late 1990s. The delay is due to the lags involved—from the discovery and development of new production technologies to implementation by early-adopters, and then the widespread adoption which comes much later.

Capex data (green line) is “lagged” five years. This means that the peak of the capex cycle (orange circle) of 9.2%, occurred in the year 2000, just before the dot-com crash, and led to a boost in productivity roughly five years later.

As of September 30, 2018.
Sources: Wilmington Trust Investment Advisors, Inc. (WTIA), Bloomberg.

In the same manner, the purple circle in 2015 indicates the low productivity growth in that year, and this is attributable to capex growth being particularly low five years earlier.
THE “GIG” ECONOMY is a term that is at once very familiar, yet still hard to clearly define, and lacks a commonly accepted definition. The term is typically associated with companies such as Uber, Airbnb, or TaskRabbit, among others, which utilize technology to efficiently match customers with providers of services on an on-demand basis, an important development of Industry 4.0. Data on the number of workers in this new segment of the economy are limited. The Bureau of Labor Statistics estimates that those doing “electronically mediated work,” defined as those doing “short jobs or tasks found through websites or mobile apps that connect them with customers and arrange payment for the tasks,” accounted for just 1% of total employment as of May 2017. Broader definitions of the gig economy suggest higher numbers, with the McKinsey Global Institute estimating the gig economy workforce to be between 54 and 69 million people in the U.S., or about 27% of the working-age population. Despite the lack of clarity on the exact size of the current gig labor force, we know this new avenue for matching supply and demand has a number of implications for the broader macro economy. We believe the key impact is a more “elastic” labor supply, meaning workers move more quickly to areas where they are needed. This is an important release valve, so to speak, for the currently tight labor market, enabling the cycle to go on further.

and with a meaningful delay. Figure 2 shows how a long-term productivity growth rate moves up and down about five years after the movements in capex, as it takes time for new technologies to be adopted, implemented, learned, utilized, and finally measured.

The swoon in productivity this decade is a clear result of the collapse in capex that occurred for several years following the Great Recession. The more recent nascent acceleration is very much in line with the resurgence in capex that began several years ago. We expect that productivity growth is already on the upswing and will be boosted further by the surge in financial outlay by firms this year in response to the new corporate tax regime. We also anticipate upward revisions to current productivity numbers at some point in the future.

Although we are optimistic about productivity picking up, and we’re confident that it is actually stronger than current data show, there remains the risk of it not lifting soon enough to offset the tightening labor market. In the later stages of a recovery that is getting an oddly timed boost from fiscal policy, there is certainly a chance of the economy “running too hot.” Which forces will win out: Industry 4.0’s “gig economy” and increased productivity, or an overheating labor market and increasing wages?

The technology that drove the productivity of the late 1990s, namely internet adoption and digitization, continues to power productivity today but not without a bear market in 2000–2002. We believe the current cycle has room to run, as the Fourth Industrial Revolution continues to permeate all sectors, keeping down costs and inflation and holding back the Fed from swiftly cranking up rates. In fact, we believe we are likely in the early stages of this revolution, with material gains due to 5G, autonomous vehicles, and artificial intelligence still ahead of us. But we must remain vigilant in monitoring the labor market for any signals that inflation may bring an end to the cycle.
A primary side effect of technology’s contribution to lower inflation is the reaction of global central banks in maintaining accommodative monetary policy and low interest rates. For seven years, the Fed maintained its policy rate at 0%–0.25%. A decade after the onset of the financial crisis, the yield on the Bloomberg Barclays U.S. Aggregate Investment Grade Index is just 4.4%, below the average of 5.2% since 1998. In our view, technology adoption and higher productivity have allowed rates to stay low and companies have taken notice, assuming high levels of borrowing that have effectively given birth to the next debt super cycle.

Nonfinancial U.S. corporate debt has grown from 63% of GDP in 2006 to 74% at the end of 2017. While financials significantly reduced leverage following the financial crisis, non-financial corporations barely skipped a beat in their debt binge. This phenomenon is not unique to the U.S., and in fact, the U.S. is less levered, or indebted, than many other countries. As of the third quarter of 2018, Canadian, eurozone, and Japanese economies all claimed nonfinancial corporate debt around or in excess of 100% of GDP (Figure 3).

It is true that the system can tolerate higher debt levels than in the past because debt servicing costs are low. Interest payments as a percent of corporate profits are around 6%, compared to levels as high as 11% during the early 1990s. But beneath the surface are a couple of troubling statistics. First, for Russell 3000 companies, there is about $525 billion of debt maturing within the next two years that would be subject to higher interest rates if our expectations for the Fed are correct. Second, the amount of outstanding debt rated BBB (classified by S&P as “investment grade” but just one rung above “junk”) has grown over 275% since 2009. Debt burdens have increased for the largest BBB issuers, but according to Morgan Stanley, we have also seen 60% more BBB issuers than in 2009, with increases apparent across sectors and sizes of market cap (share price times the number of shares outstanding). The result is over 50% of the investment-grade bond index hovering above junk, more than doubling in size over the past decade.

We also suspect the quality of the investment-grade bond universe has declined more than the ratings would suggest, as almost a third of BBB debt is more than four times levered\(^1\) and covenants (provisions in debt contracts to protect the lender) are particularly light relative to history. In other words, many companies rated investment grade actually look more like high-yield companies on the basis of leverage alone.

**Why is this concerning?**

Let’s walk through a scenario (Figure 4). If cash flows slow, from a recession or other growth scare, companies in the BBB group are at risk of being downgraded into junk territory (“fallen angels”). This could trigger a sell-off of those downgraded

---

\(^1\) As measured by net leverage, which is defined as total debt less cash-like securities divided by earnings before interest, taxes, depreciation, and amortization.
### BBB debt looms

BBB-rated debt is a larger part of the market and lower quality than it has been in years.

**Investment-grade and high-yield markets’ ratings ($ billions).**

<table>
<thead>
<tr>
<th>JANUARY 2009</th>
<th>OCTOBER 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>AAA &lt;br&gt; AA &lt;br&gt; A &lt;br&gt; BBB &lt;br&gt; BB &lt;br&gt; B &lt;br&gt; CCC</td>
<td>AAA &lt;br&gt; AA &lt;br&gt; A &lt;br&gt; BBB &lt;br&gt; BB &lt;br&gt; B &lt;br&gt; CCC</td>
</tr>
<tr>
<td>BBB</td>
<td>Heightened risk of “fallen angels” in 2019*</td>
</tr>
</tbody>
</table>

As of October 31, 2018.

* “Fallen angels” in credit markets refers to companies that are downgraded from investment grade (BBB and above) to below-investment grade, also known as “junk bond” status. A rising rate environment or any unexpected economic weakness heightens the risk of BBB-rated firms being downgraded.

Sources: FTSE Fixed Income LLC, Morgan Stanley, WTIA.
The Fourth Industrial Revolution is well on its way and will surely continue to transform the way companies produce and consumers use those goods and services. Where will this lead from an investment perspective? With innovation and disruption taking place so pervasively and at warp speed, investors must have a finger on the pulse of technology to discern possible winners from losers across sectors.

Technology investment is also at the heart of what we believe will be an increase in productivity. Opportunities to build wealth are certainly still present, but we must remain wary of the perils around growing leverage as one area of financial excess. Much remains to be seen but one thing is clear: There is no going back and guidance at this pivotal time is critical. To that end, we encourage you to reach out to your advisor for a PARAGON® assessment (portfolio analysis, risk assessment, and goals optimization), with our differentiated capabilities. We create portfolios with an aim toward limiting drawdown exposure—the importance of which was made clear during the financial crisis—and, as such, may be likely to recover from a loss more quickly than traditional portfolios. With so much in rapid flux, it’s essential that your overall wealth planning keeps pace with both exogenous risks and your personal evolving landscape. PARAGON can help ensure all the areas of your financial life are working in concert with one another toward the achievement of your unique goals.

Looking forward

The Fourth Industrial Revolution is well on its way and will surely continue to transform the way companies produce and consumers use those goods and services. Where will this lead from an investment perspective? With innovation and disruption taking place so pervasively and at warp speed, investors must have a finger on the pulse of technology to discern possible winners from losers across sectors. Technology investment is also at the heart of what we believe will be an increase in productivity. Opportunities to build wealth are certainly still present, but we must remain wary of the perils around growing leverage as one area of financial excess.

For more on our 2019 Capital Markets Forecast, including a video that features our chief investment officer, please go to www.wilmingtontrust.com/cmf.
Disclosures

Advisory service providers
Wilmington Trust is a registered service mark. Wilmington Trust Corporation is a wholly owned subsidiary of M&T Bank Corporation. Investment management and fiduciary services are provided by Wilmington Trust Company, operating in Delaware only; Wilmington Trust, N.A., a national bank; and Manufacturers and Traders Trust Company (M&T Bank), member FDIC. Wilmington Trust Investment Advisors, Inc., a subsidiary of M&T Bank, is an SEC-registered investment adviser providing investment management services to Wilmington Trust and M&T affiliates and clients. Brokerage services, mutual funds, and other securities are offered by M&T Securities, Inc., a registered broker/dealer, wholly owned subsidiary of M&T Bank, and member of the FINRA and SIPC. Wilmington Funds are entities separate and apart from Wilmington Trust, M&T Bank, and M&T Securities.

General–suitability
Wilmington Trust’s 2019 Capital Markets Forecast is provided for informational purposes only and is not intended as an offer or solicitation for the sale of any financial product or service or as a recommendation or determination that any investment strategy is suitable for a specific investor. Investors should seek financial advice regarding the suitability of any investment strategy based on the investor’s objectives, financial situation, and particular needs. The investments or investment strategies discussed herein may not be suitable for every investor. The material is not designed or intended to provide legal, investment, or other professional advice since such advice always requires consideration of individual circumstances. If legal, investment, or other professional assistance is needed, the services of an attorney or other professional should be sought.

The forecasts presented herein constitute the informed judgments and opinions of Wilmington Trust about likely future capital market performance. Forecasts are subject to a number of assumptions regarding future returns, volatility, and the interrelationship (correlation) of asset classes. Assumptions may vary by asset class. Actual events or results may differ from underlying estimates or assumptions, which are subject to various risks and uncertainties. No assurance can be given as to actual future market results or the results of Wilmington Trust’s investment products and strategies. The estimates contained in this presentation constitute Wilmington Trust’s judgment as of the date of these materials and are subject to change without notice. The information in this presentation has been obtained or derived from sources believed to be reliable, but no representation is made as to its accuracy or completeness.

Investment products are not insured by the FDIC or any other governmental agency, are not deposits of or other obligations of or guaranteed by Wilmington Trust, M&T, or any other bank or entity, and are subject to risks, including a possible loss of the principal amount invested.

Securities listed or mentioned are provided for illustrative purposes only and are not intended to be representative of current recommendations or holdings. It should not be assumed that these securities were or will be profitable.

Investing involves risk and you may incur a profit or a loss.

Past performance cannot guarantee future results.

Diversification does not ensure a profit or guarantee against a loss.

There is no assurance that any investment strategy will be successful.

Quality ratings are used to evaluate the likelihood of default by a bond issuer. Independent rating agencies, such as Standard & Poor’s and Moody’s Investors Service, analyze the financial strength of each bond’s issuer. Moody’s ratings range from Aaa (highest quality) to C (lowest quality). Bonds rated Baa3 and better are considered “Investment Grade.” Bonds rated Ba1 and below are “Below Investment Grade” (also “High Yield” or “Speculative”). Similarly, Standard & Poor’s ratings range from AAA to D. Bonds rated BBB- and better are considered “Investment Grade” and bonds rated BB+ and below are “Below Investment Grade.”

Indices are not available for direct investment. Investment in a security or strategy designed to replicate the performance of an index will incur expenses, such as management fees and transaction costs, that would reduce returns.

The names of actual companies and products mentioned herein may be the trademarks of their respective owners.
Through our Capital Markets Forecast, we seek to understand the forces that may help to shape investors’ experiences in the years ahead. As always, we encourage you to contact us at any time to discuss our forecast and your individual portfolio.

Visit us at wilmingtontrust.com