March | 2019

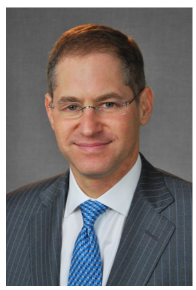
Capital Perspectives

Monthly investment analysis and insights from Wilmington Trust Investment Advisors

ON THE RECORD

Risks Recycled, Not Removed

In this issue:



Tony Roth
Chief Investment Officer

Financial markets change like quicksilver for a variety of reasons—new economic data, unanticipated geopolitical developments, and of course, human emotions. And along with those fluid markets, the different risks at play—and the degree to which they pose a threat—change as well. We believe that, in order to be a successful investor, it is important to be flexible in adjusting one's view when the facts change and, perhaps more difficult, hold the line when markets are being driven by fears rather than fundamentals.

That approach has served us well over the years and especially in the last six months. After a strong first half of 2018 for U.S. markets, and in light of our view that the U.S. economy would begin to slow in 2019, in August we took down our equity risk by 1.6%* and elevated our cash holdings to slightly above our long-term strategic benchmark. That timing was fortunate, as equity markets then took us all on a wild ride, with the S&P 500 falling almost 20% beginning in September before bottoming on December 24 and then bouncing 18%, to bring us now just 5% from the market's all-time highs (Figure 1). While the fourth quarter was unsettling to say the least, throughout that market tumult we maintained our view that markets were overly pessimistic on the economic fundamentals and the U.S. economy was not heading into a recession any time soon. We held our ground on overall risk positioning—shifting some equity exposure from international developed to U.S. large cap in December, and only modestly reducing risk at the beginning of February—which has served our clients well as equity markets have bounced back in spectacular fashion.

*High-Net-Worth Portfolios with Hedge Funds

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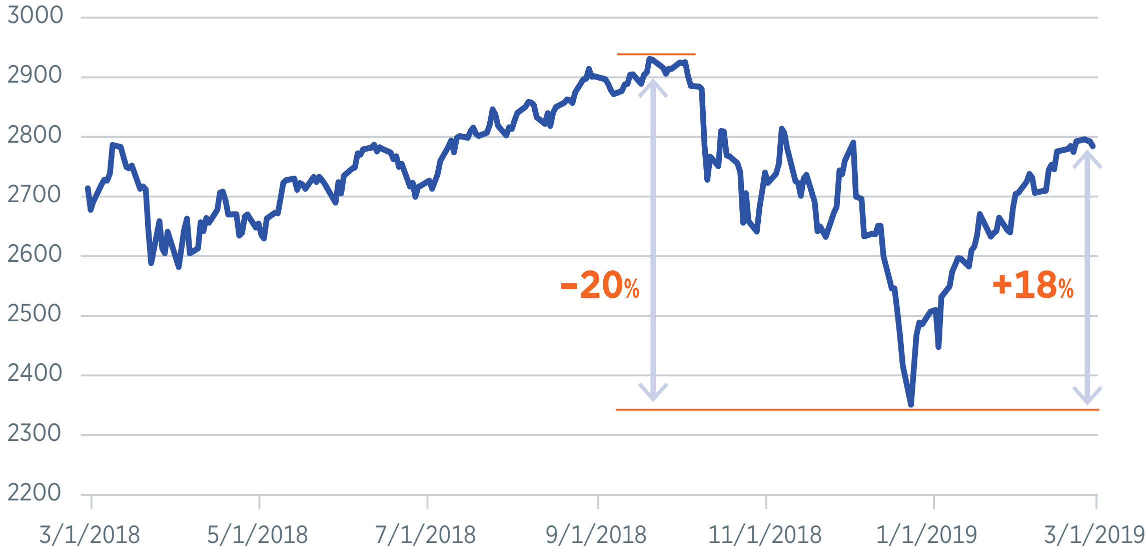
Figure 1

The S&P 500's wild ride



Data as of February 28, 2019.

Sources: Bloomberg, Standard & Poor's.

Investing involves risks and you may incur a profit or a loss. Past performance cannot guarantee future results.

Indexes are not available for direct investment.

The U.S. and China trade delegations are strongly signaling that a deal of some sort will come together to stave off the threat of higher tariffs. This outcome is increasingly priced into equity markets, but if the two sides can come to an agreement that removes existing tariffs, we see even further upside for global equities.

Contributing to the market's downdraft in 2018 were a number of risks, the most potent of which included political uncertainty, the U.S.–China trade conflict, and the Federal Reserve. One by one, these risks have receded somewhat, and equity markets have risen in tandem:

- **Political uncertainty**—Around the globe, political and policy risks were piling up throughout 2018, coming to a head in December with the Global Policy Uncertainty Index hitting the highest level since the data series was created in 1997 (Figure 2). In the U.S., we had a midterm election followed immediately by the longest government shutdown on record. In Europe, a confluence of populist-related risks was emerging in Italy, the UK, and France. The situation in Europe is likely to "muddle along," and the U.S. government shutdown is behind us, though these political risks are likely to be replaced by new ones.

- **U.S.–China trade conflict**—On top of the global political upheaval was the threat of an escalating trade war between the world's two economic superpowers. From where we sit today, these geopolitical risks are less concerning, particularly regarding U.S.–China trade. The U.S. and China trade delegations are strongly signaling that a deal of some sort will come together to stave off the threat of higher tariffs, which has been our base case over the past year. This outcome is increasingly priced into equity markets, but if the two sides can come to an agreement that removes existing tariffs, we see even further upside for global equities.

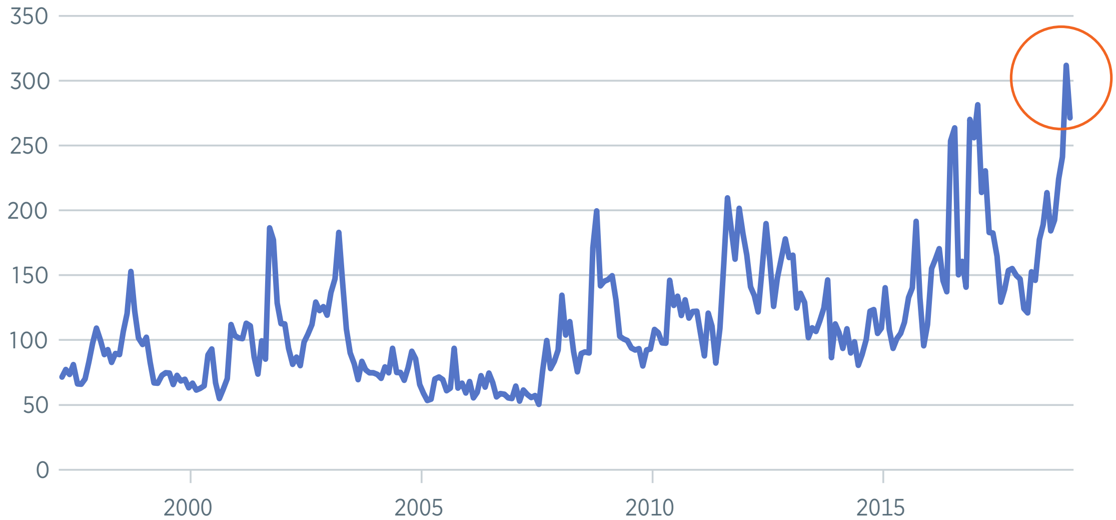
- **Federal Reserve**—It is no coincidence that the S&P 500 began its precipitous decline immediately after Fed Chair Powell made reference to the fed funds rate being "a long way from neutral." (The reference to the "neutral rate" is the estimate of the fed funds rate that is seen to neither stimulate nor restrict growth

Continued

Figure 2

Economic policy uncertainty peaked in 2018

(Global Economic Policy Uncertainty Index)



Data as of January 31, 2019.

Sources: Bloomberg; Baker, Bloom & Davis.

The major concerns contributing to the market rout in the fourth quarter are no longer in the fore, but we cannot ignore a "recycling of risks," with new but related issues emerging to take their place.

in the U.S. economy, and the connotation of that statement was that the Fed saw many more rate hikes in the future.) This statement spooked investors and reinforced a fear that the central bank was operating with blinders on, set on raising rates even if inflationary pressures did not materialize in earnest. Since then, Fed commentary has shifted dramatically, emphasizing "patience" in further rate increases and humility that the Fed's models are "not infallible" (Figure 3). This is not to say that the Fed is necessarily done hiking for the cycle, but we have been reassured that the burden of proof has shifted when it comes to raising rates. The Fed will wait for the data to prove the need to further raise rates, rather than restricting growth in anticipation of inflationary pressures that may never materialize.

These three major concerns contributing to the market rout in the fourth quarter are no longer in the fore, but we cannot ignore a "recycling of risks," with new but related issues emerging to take their place, particularly in regard to trade and politics.

In terms of global trade, we are monitoring the challenges around passage of the U.S. Mexico Canada Agreement (USMCA, or "NAFTA 2.0") in a divided Congress. More concerning is the European trade situation and the idea that President Trump's tariff tactics could be seen as yielding results. After reaching a deal with China, President Trump could turn his attention to European autos. An escalation of tariffs between the U.S. and Europe would come at a bad time for both regions, as U.S. economic data have shown signs of slowing and the European economy is flirting with recession.

The U.S. political environment will also garner more attention as we approach the 2020 presidential elections. We are by no means political prognosticators, and

Continued

Figure 3

"Fed-speak" then and now

Then	Now
September 26, 2018: **"Our economy is strong. Growth is running at a healthy clip...Today's projections show gradual interest rate increases continuing..."** *– Chair Powell*	**February 26, 2019:** **"...the cumulative effects of [global economic and financial] developments, along with ongoing government policy uncertainty, warranted taking a patient approach with regard to future policy changes."** *– Chair Powell*
October 3, 2018: **"Interest rates are still accommodative, but we're gradually moving to a place where they will be neutral...We may go past neutral, but we're a long way from neutral at this point, probably."** *– Chair Powell*	**February 28, 2019:** **"...monetary policy at this junction needs to be especially data dependent...given the reality that the models that we consult are not infallible."** *– Vice Chair Clarida*

Concerns about slowing global growth abounded in the fourth quarter of 2018, and it's unclear whether we are out of the woods.

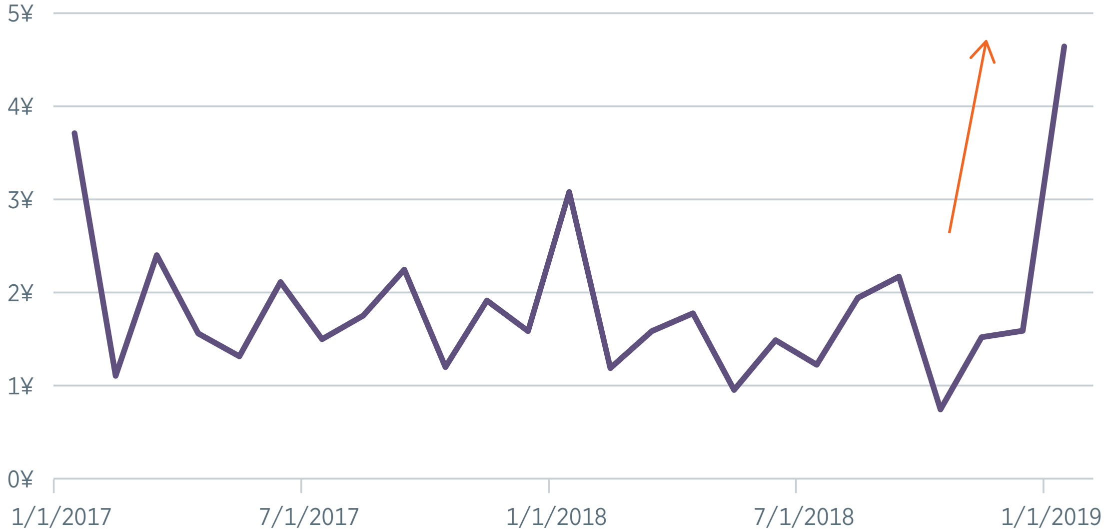
politics generally do not provide a clear or lasting catalyst to the broader markets. However, this upcoming election could see Democrats running on a platform of higher taxes, which is an issue likely to move the markets. While the Democratic candidates who have entered the fray thus far have been positioning themselves pretty far left on the political spectrum, a more moderate Democratic candidate—should one emerge—may have a better chance of winning and could therefore actually pose a greater threat to President Trump's second term and, by extension, the 2017 Tax Cuts and Jobs Act.

Concerns about slowing global growth abounded in the fourth quarter of 2018, and it's unclear whether we are out of the woods. After a robust year of global synchronized growth, we witnessed a sharp deceleration in global economic activity in 2018. China was at the epicenter of the slowdown after policymakers took steps to reduce excessive leverage and frothy credit growth, but the shock waves were felt in Europe, Japan, and other emerging markets. While still early to confidently say the worst is behind us, we are starting to see "green shoots" of economic activity in China that we believe are the result of several rounds of fiscal and monetary policy easing (Figure 4). We expect a trade deal between the U.S. and China that removes the overhang of uncertainty to lift confidence and have positive spillover effects to China's developed and emerging markets trading partners. However, there is a risk of a hand-off of economic woes from China to the U.S., as economic data from retail sales to capital expenditures have been more mixed in the U.S. of late. We see this slowing of U.S. economic data as consistent with our expectation of slower growth but still see no evidence of a U.S. recession on the horizon. For now, though, it is safe to say that the durability of global economic growth is still very much in question.

Figure 4

Chinese stimulus making its way into the economy

(China All-System Financing Aggregate (net monthly change, CNY trillions))



Data as of January 31, 2019.

Sources: Bloomberg, People's Bank of China.

We are making no changes to overall asset allocation in client portfolios at this time, as we are of the view that our modest overweight to equities and preference for the U.S. and emerging markets will pay off in an environment of slightly slower but still-solid growth. We expect interest rates to move modestly higher, which would put pressure on fixed income returns, and we remain underweight in this asset class. There will always be risks on the investment horizon. Our job is to monitor all risks and adjust portfolios when we believe the markets are not adequately pricing in those risks that are likely to have a material impact on the overall economy. In this way, we use our economics-led investment process to strike the right balance in managing but not necessarily minimizing all portfolio risk, in an effort to help our clients achieve their long-term investment goals.

Until next month,

Tony

Tony

IN FOCUS

Intelligent Alpha

Alternative data, predictive analytics, and the future of active management

Clement K. Miller, CFA
Portfolio Manager

The Fourth Industrial Revolution and the horizontal digitization of the economy are just getting started, and we believe every industry will increasingly look to leverage their greatest asset: data.

When selecting external money managers, Wilmington Trust Investment Advisors prizes those it believes exhibit a superior capacity for uncovering and analyzing scarce information and acting on such insights in what has become an incredibly competitive field. An increasing number of money managers are attempting to gain an edge by deploying predictive analytics, which uses various forms of alternative data. In an age of horizontal digitization, companies across many economic sectors are using sensors to collect a wide variety of data in order to boost efficiency and profitability (see our 2019 Capital Markets Forecast for more on this and other aspects of the Fourth Industrial Revolution). Money managers see considerable potential in acquiring this same data, in order to make better-informed investment decisions. Let's take a closer look …

Traditional data

Traditionally, many managers collect and utilize company-supplied quarterly earnings reports, annual financial statements, and investor presentations to gain insights into the viability of a particular investment. They enter this data into spreadsheets, which they use to project future earnings or calculate various financial ratios and estimates of stock valuations.

The additive value of this data to money managers in generating superior investment performance is increasingly open to question. Since company-supplied data are freely available to everyone, there's no scarcity value. The data is always lagged, and thus is stale, if not even backward-looking, as soon as it is released. Moreover, the data can be tinged with management over-optimism. Further, the generally accepted accounting principles used in these reports are not helpful in valuing businesses that monetize intellectual property—a less tangible and more difficult-to-value asset. Recognizing these issues, many money managers have long supplemented company-supplied data with private industry research and interviews with customers and suppliers.

Alternative data

In recent years, thanks to the Fourth Industrial Revolution and horizontal digitization, money managers can move beyond the use of traditional data. They can now acquire vast amounts of granular real-time business information from a wide array of commercial sources. Computer engineers have designed many systems for collecting business information at the point of origin and in real time. Figure 1 illustrates various kinds of alternative data, collected through sensors and from web-scraping (a technique in which large amounts of website data are extracted and saved to a computer's local file or a database).

Continued

Figure 1

Sources of alternative data

Sensor data

- Credit/debit card receipts
- Point-of-sale
- GPS locational signals
- Radio frequency ID (RFID)
- Satellite/aerial imagery
- Weather radar
- Meter usage
- Flight tracking

Web-scraped data

- Consumer product reviews
- Social media posts
- Investment blogs

Additionally, computer scientists have embraced big data in designing various techniques for transforming and combining raw numerical, textual, imagery, video, and audio data into inputs and predictive analytics. These techniques can employ semantic and sentiment analysis to comprehend the meaning and discern the emotional context in text, audio, and video.

Predictive analytics

Predictive analytics comprises sophisticated models that utilize machine learning to mine alternative data sets for patterns or trends that can be useful for projecting earnings or calculating stock valuations. Using such a model, a stock analyst may wish to test a specific investment hypothesis. Or, the analyst might want to instruct the model to autonomously mine datasets for any potentially interesting patterns and trends.

The availability of powerful graphics processing units enables analysts to both visualize and manipulate data in many ways that have not been possible through use of spreadsheets. Newer generations of machine learning programs employ neural networks to engage in a degree of autonomous learning. However, no matter how sophisticated these machine learning systems can become, any form of data mining runs the risk of detecting trends or patterns that are meaningless, or worse, misleading. Thus, experienced human analysts will always be required to interpret results.

How money managers may use predictive analytics

The following are examples of how money managers may use predictive analytics to enhance their research into a particular company and traditional modeling framework:

- **Luxury brands**
  To predict sales of a luxury clothing brand at specific high-end stores, credit card receipts can be evaluated in conjunction with customer foot traffic using GPS signals collected through mobile phone apps

- **Hospitality industry**
  To predict revenues at specific hotel properties, digital receipts from online travel booking sites can be integrated with consumer sentiment data scraped from consumer rankings, reviews, and social media postings

- **Utility stocks**
  To predict revenues from power and natural gas utilities, a model may incorporate metered usage and weather forecasting

- **Agriculture**
  To predict agricultural production, a money manager may use analytics that draw from USDA agricultural data available from satellite/aerial imagery and weather forecasts

Continued

Predictive analytics comprises sophisticated models that utilize machine learning to mine alternative data sets for patterns or trends that can be useful for projecting earnings or calculating stock valuations.

- **Industrial real estate**
  Satellite and imagery data, GPS geolocational signals, and even radio frequency IDs can help monitor commercial truck traffic around warehouses and distribution centers, giving insight into demand pipelines
- **Mergers & acquisitions (M&A)**
  To help confirm the possibility of a specific M&A deal, a money manager can monitor private jet flight activity between the location of the acquiring firm and its acquisition target

Looking forward

The Fourth Industrial Revolution and the horizontal digitization of the economy are just getting started, and we believe every industry will increasingly look to leverage their greatest asset: data. Asset management is no exception.

Hedge funds were early pioneers in the use of alternative data and predictive analytics. However, during the last two to three years, many of the larger traditional investment firms have hired computer engineers and data scientists to staff in-house data acquisition and predictive analytics teams. Furthermore, many mid-sized firms have contracted with specialized third-party data firms that acquire and process the data for resale.

The expanding use of alternative data and predictive analytics has led to fierce competition among firms to hire computer engineers and computer scientists. Investment professionals are signing up for degrees and certificate programs in the emergent field of data science. Also, under recommendation from the investment industry, the CFA® Institute in 2019 introduced alternative data and machine learning into the curriculum of the Chartered Financial Analyst® exams.

Personal privacy concerns may constitute a significant challenge, and are beyond the scope of this article, especially when intermediaries are acquiring data and packaging it for resale. However, we anticipate that collectors, distributors, and users of alternative data will be able to adhere to evolving laws, regulations, and standards, as well as contribute to their development. The European Commission has taken a lead in codifying data protection, through its General Data Protection Regulation. We note that use of alternative data and predictive analytics cannot guarantee superior investment performance. In fact, given that these are tools used by analysts and portfolio managers, it would not be easy to isolate their performance contributions from those associated with other aspects of manager skill. Nevertheless, money managers who effectively use such tools are worthy of careful consideration for inclusion in a diversified portfolio.

Equities

February 2019 review

	AS OF FEBRUARY 28, 2019		
	Month	Year to date	Trailing 12-month return
S&P 500	3.2%	11.5%	4.7%
Russell 2000	5.2%	17.0%	5.5%
MSCI EAFE	2.6%	9.3%	–6.0%
MSCI Emerging Markets	0.2%	9.0%	–9.9%

Sources: FactSet, Bloomberg. Investing involves risks and you may incur a profit or a loss. Past performance cannot guarantee future results. Indexes are not available for direct investment.

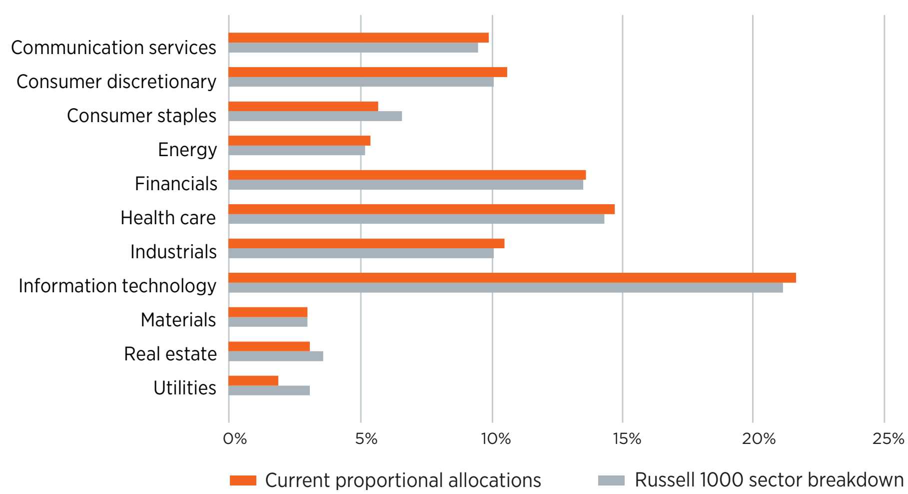
U.S. Equities

- U.S. equity markets continued to march forward, with the S&P 500 rising 3.2% for the month
- Earnings season was reasonably good with muted expectations for the first half of 2019 but some indication that some of the more cyclical sectors would see improvement in the second half of the year
- Small cap outperformed large cap by 2.0 points, while growth outperformed value by 0.4 points
- All sectors rose as low inflation expectations, the Fed on hold, and rising confidence in a trade deal with China allowed the market to move forward with some confidence
- The best performance came from technology, industrials, and utilities; underperforming sectors were led by consumer discretionary, communication services, real estate, and health care
- Valuations remain reasonable for long-term investors with current 2019 and 2020 PE multiples at 16.3x and 15.0x
- Concerns about potential negative year-over-year earnings growth in the first two quarters of 2019 may be overstating the effects of difficult comparisons to the +25% earnings growth experienced last year and the underlying strength of earnings, given the cyclical earnings pressure in energy and semiconductors that may be transitory; additionally, strong dollar effects will likely fade in the second half of the year

International Equities

- Likely to bode well for international equity markets in 2019 were two announcements—one, by China's financial regulatory body that the deleveraging program had been completed and that the authorities would now focus on supporting economic growth; and, second, that progress has been made in U.S.–China trade talks across a broad range of issues
- Also supportive for international equities was a shift in approach by UK Prime Minister May to allow a vote that would permit a delay of the March 29 departure date and prevent a no-deal Brexit; this may force hard-core Leavers to support the Withdrawal Agreement that May negotiated with the European Union

Our sector allocations, as of February 28, 2019



Sources: Bloomberg, WTIA.

ASSET CLASS OVERVIEW

Fixed Income

February 2019 review

	AS OF FEBRUARY 28, 2019		
	Month	Year to date	Trailing 12-month return
Bloomberg-Barclays U.S. Aggregate Bond Index	–0.1%	1.0%	3.2%
Bloomberg-Barclays U.S. Investment Grade Credit Index	0.1%	1.0%	3.2%
Bloomberg-Barclays Ba High Yield Index	1.6%	5.9%	4.5%
Bloomberg-Barclays 60% High Yield Total Return/ 40% Municipal Total Return Index	0.5%	1.3%	5.8%
Bloomberg-Barclays U.S. Mortgage Backed Securities Index	–0.1%	0.7%	3.6%
S&P Municipal Bond Index	0.5%	1.3%	4.0%
S&P Municipal Bond New York Index	0.5%	1.3%	3.6%
S&P Municipal Bond California Index	0.5%	1.1%	3.7%

Sources: FactSet, Bloomberg. Investing involves risks and you may incur a profit or a loss. Past performance cannot guarantee future results. Indexes are not available for direct investment.

U.S. Treasuries

- Prices fell as two major concerns hanging over the market (China trade war and a hard Brexit) were temporarily deescalated
- The 10-year note tested an intra-month low yield to maturity of 2.6% on four separate occasions, only to end the month at a higher yield of 2.7%
- With the Fed pausing on future rate hikes, the curve has begun to steepen slightly
- Treasury inflation-protected securities (TIPs) outperformed nominal U.S. Treasuries as a more cautious Fed has slightly raised inflationary expectations; the 10-year TIPs breakeven is now 2.0%, up from a year-to-date low of 1.7%

Investment-grade (IG) Corporates

- IG credit outperformed duration-matched Treasuries during February, adding to very strong returns in January; risk premiums contracted, driven by dovish Fed commentary and solid 4Q earnings reports
- The OAS of the Bloomberg/Barclays U.S. Credit Index ended the month at 114 basis points, or bps (1.1%), 7bps tighter from 121bps at the end of January
- Returns for IG credit were positive; total return for the Bloomberg Barclays U.S. Credit Index was 0.1% for February and 1.0% for the year thus far
- The IG primary market rebounded from December's dearth of supply; new issue supply totaled $98.8bn, up 10% from $89.3bn last February; for the year, total supply of $204.2bn is down 2.0% from $208.4bn in 2018

High-yield (HY) Corporates

- The HY market is off to its strongest start since 2001 amid subdued inflation, better-than-expected earnings, and anticipation of a trade deal
- HY bonds provided gains totaling +1.7% with CCC-rated bonds (+1.8%) performing in line with single-Bs (+1.8%) and slightly outperforming BBs (+1.7%)
- Year to date, HY bonds are ahead +5.9% with CCCs (+6.2%) underperforming Bs (6.6%) and ahead of BBs (+6.2%)
- In primary market activity, the month saw $21.2bn in new issues price, bringing year-to-date volume to $38.8bn vs. $43.4bn that priced over the same period last year (–13%)

Municipals

- S&P Municipal Bond Index yields continued to grind down: 2.6% compared to 2.617% in January, down 0.1%
- Broad market index returns were strong, with a 1.3% total return year to date
- Total inflows of $12.4bn year to date reflect the best start to the year in decades; demand for municipal debt should grow as taxpayers feel effects of the state and local tax deduction limits
- Year-to-date issuance of $48.9bn rose 34% compared to January–February 2018 but remains slightly under the five-year average of $51.4bn

International

- Less optimistic expectations for global economic growth in late 2018 and early 2019 have depressed benchmark yields across the globe
- As issues involving China and Brexit are worked out, we anticipate benchmark yields will firm up
- While monetary tightening may be on a slower path than previously anticipated, it remains much more likely than easing

Real Assets, Hedge Funds, and Private Markets

February 2019 review

	AS OF FEBRUARY 28, 2019		
	Month	Year to date	Trailing 12-month return
S&P Developed Property	–0.2%	10.4%	11.0%
Barclays Inflation	0.0%	1.4%	1.9%
Bloomberg Commodity	1.0%	6.5%	–5.7%

	AS OF FEBRUARY 28, 2019		
Hedge Fund Research Institute Indexes	Month	Year to date	Trailing 12-month return
Global	0.6%	2.8%	–4.1%
Equity Hedge	1.2%	5.1%	–6.5%
Event Driven	–0.2%	2.4%	–7.1%
Macro	0.8%	–1.2%	–3.2%
Relative Value	0.3%	2.8%	0.3%

Sources: FactSet, Bloomberg. Investing involves risks and you may incur a profit or a loss. Past performance cannot guarantee future results. Indexes are not available for direct investment.

Real Assets

- U.S. inflation-linked bonds were flat, as increases in inflation expectations were offset by increases in nominal rates, leaving real rates mostly unchanged
- After Developed Real Estate had its best month since late 2011, the asset class was down slightly, though it remains up double digits for the year
- Commodities gained roughly a percent as continued strength in energy and industrial metals overcame weakness in precious metals and agriculture

Hedge Funds

- Hedge Funds had a mixed month; while the industry as a whole was up, some strategies struggled
- Equity hedge was the top performer, gaining over a percent, with long biased managers leading the way in a positive equity environment
- Strategies that are less directional had a more difficult period, with merger arbitrage and equity market neutral each down over 1%
- Not all uncorrelated strategies struggled, though, with managers pursuing strategies including convertible arbitrage and multi-strategy relative value which were up slightly for the month

Private Markets

- 2018 was a strong year for private equity in nearly all respects, with strong capital raising, deal flow, and exit activity
- Buyout deal value totaled nearly $600bn, up 10% from 2017
- Despite this increased private equity firm activity, corporations continued to dominate the mergers and acquisitions (M&A) landscape; Private Equity buyout as a share of total M&A is roughly 15% share of total deal value and only a 10% share of total deal count

Investment Positioning

Portfolio targets effective March 1, 2019, for high-net-worth clients with Hedge Funds

	Aggressive			Growth & Income			Conservative		
	Strategic Asset Allocation (long term)	Tactical Asset Allocation (short term)	Change this month	Strategic Asset Allocation (long term)	Tactical Asset Allocation (short term)	Change this month	Strategic Asset Allocation (long term)	Tactical Asset Allocation (short term)	Change this month
Equities									
U.S. Large-Cap	46.0%	47.1%	—	32.6%	33.8%	—	15.2%	16.3%	—
U.S. Small-Cap	13.8%	13.8%	—	8.2%	8.2%	—	1.5%	1.5%	—
International Developed	19.5%	18.5%	—	12.7%	11.5%	—	5.0%	4.0%	—
Emerging Markets	9.7%	10.2%	—	3.6%	4.1%	—	1.0%	1.2%	—
Total Equities	**89.0%**	**89.6%**	**0.0%**	**57.0%**	**57.5%**	**0.0%**	**22.7%**	**23.0%**	**0.0%**
Fixed Income									
U.S. Investment Grade–Tax-Exempt	0.0%	0.0%	—	30.0%	26.6%	—	64.3%	60.1%	—
High-Yield–Tax-Exempt	0.0%	0.0%	—	2.0%	2.0%	—	2.0%	2.0%	—
Total Fixed Income	**0.0%**	**0.0%**	**0.0%**	**32.0%**	**28.6%**	**0.0%**	**66.3%**	**62.1%**	**0.0%**
Real Assets									
U.S. Inflation-Linked Bonds	0.8%	0.7%	—	0.8%	1.0%	—	0.8%	1.0%	—
U.S. REITs	0.8%	0.5%	—	0.8%	0.8%	—	0.8%	0.8%	—
International REITs	2.5%	1.7%	—	2.5%	2.5%	—	2.5%	2.5%	—
Total Real Assets	**4.0%**	**2.9%**	**0.0%**	**4.0%**	**4.3%**	**0.0%**	**4.0%**	**4.3%**	**0.0%**
Hedge Funds	**5.0%**	**5.0%**	**0.0%**	**5.0%**	**6.0%**	**0.0%**	**5.0%**	**8.0%**	**0.0%**
Cash & Equivalents	**2.0%**	**2.5%**	**0.0%**	**2.0%**	**3.6%**	**0.0%**	**2.0%**	**2.6%**	**0.0%**
Totals	**100.0%**	**100.0%**		**100.0%**	**100.0%**		**100.0%**	**100.0%**	

Note: Totals may differ slightly from the allocation building blocks due to rounding.

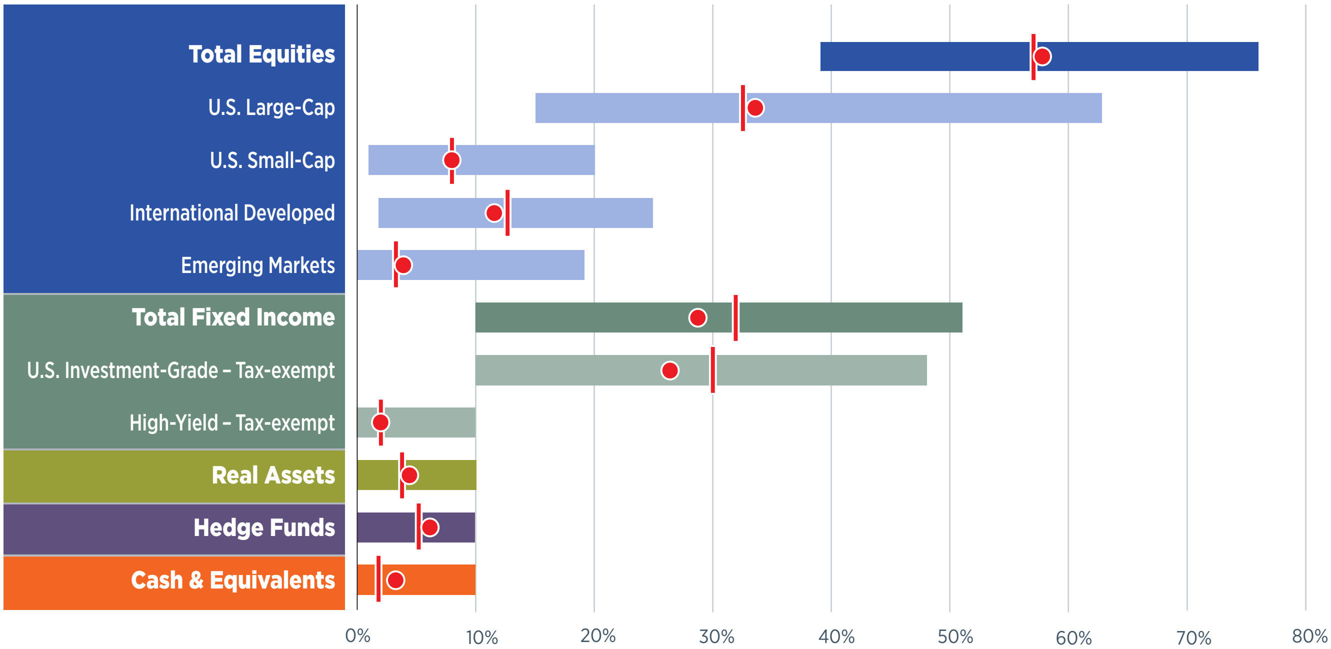
This material is for informational purposes only and is not intended as an offer or solicitation for the sale of any financial product or service or a recommendation or determination that any investment strategy is suitable for a specific investor. Opinions, estimates, and projections constitute the judgment of Wilmington Trust and are subject to change without notice. Allocations presume a long-term investment horizon. Wilmington Trust's Capital Markets Forecast 2019 is available on www.WilmingtonTrust.com or upon request from your Investment Advisor. There is no assurance that any investment strategy will be successful. Investing involves risks and you may incur a profit or a loss.

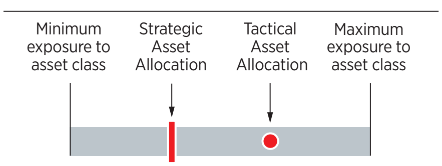
For an overview of our asset allocation strategies, please see the disclosures.

Source: WTIA.

Positioning in Response to Our Outlook

A big-picture glimpse of our overall positions, as of March 1, 2019 (high-net-worth investors)





Based on current Growth & Income Strategy for High-Net-Worth with Hedge Funds, this chart represents current weights relative to our strategic asset allocations with high and low boundaries reflecting maximum and minimum weightings.

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For an overview of our asset allocation strategies, please see the disclosures.

Source: WTIA.

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Continued

Disclosures Continued

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