The domestic economy is encouraging

We are now expecting U.S. economic growth of 3.0% in 2017, down from our projection last fall for 3.5%, as the impacts of President Trump’s agenda have been pushed back to later in this year and even into 2018. Our expectations for a healthy 2017 growth pick-up (relative to 2016’s tepid 1.9%) are in part based on continued consumer spending, stronger capital expenditures (capex) by businesses, and better exports (Figure 1). On the consumer side, we expect spending to be buoyed by continued job gains, but also by stronger wage growth. Those higher wages are being spurred by a labor market with very few available workers, exhibited by the 4.7% unemployment rate, which we assess to be a bit below the long-term neutral level. The early consumer data for the first quarter of the year are encouraging, with core retail sales in January and February up 5.7% above the level in the fourth quarter of 2016.

Trump administration’s policy agenda falters

The prospect of major policy achievements by the Trump administration seems less certain than it did a month ago, and is subject to stumbling blocks, as we have seen with the unsuccessful effort to dismantle the Affordable Care Act (ACA),
also known as Obamacare. Stark differences between the conservative and moderate wings of the Republican Party were laid bare in the recent efforts to repeal and replace the current healthcare law. It was expected to be an ugly process and there are still rumblings from the administration that some form of replacement legislation will eventually be passed.

Even if the House effort had been successful, multiple factors would still, as they typically do, converge to make the wheels of legislative progress grind slowly. Aside from multiple committees, procedural votes, and the challenge of reconciling differences between both chambers, there is a limited number of days in session. Each delay pushes back the next agenda item on the docket. For example, corporate tax reform had initially been expected to be completed before the August recess, followed by expected positive effects on economic growth and risk assets. Now, however, the healthcare derailment and current uncertain future make it highly unlikely that tax reform will come to the floor until after the summer recess.

We still believe in the organic strength of consumers and business investment as discussed above (2.5% GDP growth), but are now penciling in just a 0.5% boost from Trump policies this year. The expected boost is, of course, integrally connected to whether pro-growth proposals on President’s Trump’s agenda will come to fruition. The risks of that not being the case have increased as a result of the obvious challenges faced with the first major initiative, as well as the

The healthcare derailment ... is likely to in turn delay the completion of subsequent agenda items like tax reform.

Figure 1
The 3-month annualized growth rate of shipments hit 10% in February, the highest since 2014

Sources: U.S. Census Bureau; WTIA
Political risks have been receding in Europe, where business and consumer sentiment levels have reached their highest points in six years. The revelation that the FBI is investigating members of his campaign team, which could further distract from efforts to make legislative headway.

**Adjusting our portfolio positioning**

We have responded to the changing political outlook by making modest but important shifts in our tactical allocations. As noted earlier, the U.S. economic background is still supportive and tempts us to keep our risk exposures unchanged, but other realities such as rising political risks in the U.S. intrude. Meanwhile, political and other risks have been receding in Europe, where it appears more likely that centrist candidates will prevail in upcoming elections; also, business and consumer sentiment levels have reached their highest points in six years. (For more on our expectations for the increasingly positive face of Europe, I encourage you to read this issue's “Winds shift in Europe’s favor,” by Clem Miller, portfolio manager of the Wilmington Multi-Manager International Fund.)

Our tactical asset allocation needs to reflect the evolving political stage and areas where we see potential value (Figure 2). Therefore, we are reducing our U.S. domestic large-cap allocation to a neutral weight relative to our strategic asset allocations and adding the funds raised to our developed international equity allocation. For our flagship Growth and Income portfolio, our targeted developed international equity allocation will be 1.9% above the strategic asset allocation.
We recognize that U.S. equity markets are likely to be choppy in the months ahead and highly sensitive to headlines out of Washington. Our continued faith in the U.S. is reflected in our decision to not underweight U.S. equities, despite increasingly elevated valuations in either large- or small-cap markets.

We are also maintaining our overweight allocation to emerging markets equities as we are pleased with the performance we have seen year-to-date (+8.5%), which has boosted portfolio results. We are standing by our underweight position in fixed income markets as we still expect interest rates to move gradually higher in response to further rate hikes by the Fed. With the reduction in GDP for 2017, however, our outlook for the 10-year Treasury is to move up to 2.7%, down from our previous estimate of 2.9%.

With that, I leave you until next month.

Best,

Tony
Winds shift in Europe’s favor

Clement K. Miller
Portfolio Manager
Wilmington Multi-Manager International Fund

Our expectations, as reflected in our core narrative, are for the strong European stock performance exhibited in late 2016 and early 2017 to persist for the remainder of this year into next. We take a deeper look now at the prospect for diminishing headwinds and strengthening tailwinds in this space.

Further meaningful victories by anti-EU parties and candidates appear unlikely.

Diminished headwinds

Brexit
Prime Minister Theresa May triggered Article 50 of the European Union’s (EU) Lisbon Treaty on March 29, kicking off the two-year period of EU “divorce proceedings.” The surprise decision to leave as a result of the June 2016 referendum had raised the prospect of a chaotic split between the United Kingdom (Great Britain and Northern Ireland) and the EU (“Brexit”), prompting investors to demand a sizable political risk premium on U.K. equities. However, since taking office, Prime Minister May has calmed markets by pursuing a pragmatic course of action. She allowed for a nine-month cooling-off period before triggering the two-year divorce negotiations. She has used these nine months effectively to prepare citizens for a potential hard British exit, craft negotiating strategy, and conduct extensive consultations with EU leaders. The upcoming Brexit negotiations will no doubt be challenging. Of particular concern to the U.K. is the fate of the “passporting” rights that allow U.K.-based financial services firms access to EU customers. However, both sides appear to be approaching the negotiations in good faith, committed to exploring some kind of new, different relationship.

Elections
Spooked by the surprise outcomes in the U.K. referendum and U.S. presidential election, global investors began to fear that anti-EU parties and candidates would prevail in continental European elections to take place both this year and next. As a result, the political risk premium global investors demanded on U.K. stocks also extended to eurozone stocks. Now, however, further meaningful victories by anti-EU parties and candidates appear unlikely. The Netherlands has already delivered a positive surprise, producing a parliament dominated by pro-EU
parties. Moreover, it seems highly likely that pro-EU candidate Emmanuel Macron will prevail in the May 8 run-off round for the French presidency. German elections will occur in September and Italian elections are due sometime before May 2018. Pro-EU mainstream coalitions are likely to remain in power in those important markets as well.

**Strengthening tailwinds**

**Eurozone credit demand and ECB tapering**

The global recession and European debt crisis had placed severe stresses on eurozone commercial banks. The European Central Bank (ECB) and other eurozone officials had engaged in strenuous efforts to reinforce bank solvency, even while attempting to reflate the European economy through quantitative easing measures intended to lower interest rates and increase the money supply.

These efforts seem to be paying off. Eurozone credit demand is demonstrating solid organic growth. Eurozone banks are in a stronger position to meet such demand because most of them have raised the capital necessary to satisfy the more stringent Basel-III capital adequacy requirements. Furthermore, the ECB announced in December 2016 that it would be tapering its bond purchases, beginning in April 2017. This prompted a steepening of yield curves, which is improving banks’ net interest margins on such expanded lending. These developments are constructive for eurozone banks, such as Spain’s Banco Santander and BBVA; Italy’s Intesa Sanpaolo and Unicredit; France’s BNP Paribas; and the Netherlands’ ING.

**Emerging markets consumers**

Many European stocks depend on the rising prosperity of emerging markets (EM) consumers for the bulk of their marginal revenue and earnings growth. Thus, sustained Chinese and Indian economic growth and recovering Brazilian and Russian growth all provide important tailwinds. Notable beneficiaries are consumer staples companies, such as:

- Household and personal products manufacturers Unilever and Reckitt-Benckiser
- Food producer Nestle
Sustained Chinese and Indian economic growth and recovering Brazilian and Russian growth all provide important tailwinds.

- Cigarette manufacturers British American Tobacco and Imperial Brands
- Cosmetics manufacturer L’Oreal
- European luxury brand firms LVMH (Louis Vuitton Moet Hennesey) and Richemont, as well as premium-brands liquor manufacturer Diageo, which generate considerable earnings from sales to wealthy Asian consumers
- Several European banks domiciled in Europe, which generate large portions of their earnings from retail lending in Latin America, Asia (in the case of London-based HSBC), or Brazil and Mexico (in the case of Spain-based Banco Santander and BBVA, respectively)

**Infrastructure**

In the absence of large-scale infrastructure spending in developed markets, European industrial stocks depend on Chinese and Indian infrastructure expansion for sales and earnings growth. Such expansion, which began accelerating in 2016, continues today with Chinese fiscal stimulus. Participating in Asian infrastructure products are industrial giants Siemens and ABB, which provide systems for power plants, electric distribution, and rail systems. Further, an increase in Chinese steel demand has led to a surge in iron ore prices, which is boosting earnings of iron miners Rio Tinto and BHP Billiton, a dually listed...
European pharmaceutical stocks are typically on the watch for U.S. regulatory actions that could support or impair their access to the U.S. market. Additionally, the Trump administration seeks to launch an infrastructure spending program sometime in 2017, which is likely to also attract the participation of European firms.

Oil
Global crude oil demand is showing sustained growth, while it seems likely that OPEC and non-OPEC countries will continue to coordinate supply constraints. Oil prices above $50 per barrel are constructive for all global oil stocks, including those domiciled in Europe, namely Royal Dutch Shell, BP, Total, and ENI.

U.S. Food and Drug Administration
European pharmaceutical stocks have long depended on the U.S. market for a large portion of revenues and earnings. Consequently, they are typically on the watch for U.S. regulatory actions that could support or impair their access to the U.S. market. It seems probable that the Trump administration, which favors deregulation more generally, will encourage the Food and Drug Administration (FDA) to streamline its review processes. These developments will likely bolster the U.S. sales of European pharmaceutical stocks Novartis, Roche, Sanofi, Glaxo SmithKline, Bayer, and AstraZeneca. President Trump has also spoken of trying to reduce drug prices but this would no doubt require legislative action, which is unlikely to be forthcoming given the recent failure to repeal and replace the ACA. In fact, we believe that if no major healthcare legislation passes, federal spending on healthcare and prescription drugs would be on track to continue climbing.

Euro and pound sterling
Finally, it's worth noting that the large depreciation of the euro during 2014 and of the pound sterling in 2016 have subsequently allowed European firms to reduce the prices of those products they manufacture in Europe and sell globally, while at the same time maintaining or expanding their profit margins.
Equities

AS OF MARCH 31, 2017

<table>
<thead>
<tr>
<th>Sector</th>
<th>Macroeconomic</th>
<th>Quantitative</th>
<th>Fundamental</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staples</td>
<td>1</td>
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<tr>
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<td>Telecom</td>
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<td>5</td>
<td>6</td>
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<tr>
<td>Discretionary</td>
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<td>4</td>
<td>7</td>
</tr>
<tr>
<td>Technology</td>
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<td>3</td>
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<td>Healthcare</td>
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<tr>
<td>Industrials</td>
<td>7</td>
<td>8</td>
<td>6</td>
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<tr>
<td>Financials</td>
<td>8</td>
<td>9</td>
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<tr>
<td>Energy</td>
<td>9</td>
<td>7</td>
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<td>Materials</td>
<td>10</td>
<td>8</td>
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<tr>
<td>REITs</td>
<td>11</td>
<td>11</td>
<td>9</td>
</tr>
</tbody>
</table>

Sources: FactSet, Bloomberg. Investing involves risks and you may incur a profit or a loss. Past performance is no guarantee of future results.

U.S. Equities
- Markets were flat in March as confidence in the new administration’s agenda waned and the value-oriented beneficiaries of potential policy changes underperformed growth stories.
- Technology, consumer discretionary, and materials led performance with positive returns in March while financials, real estate, and utilities declined.
- Smaller-cap stocks continued to underperform large as expectations for lower tax rates are pushed out.
- U.S. market valuation is full, without the passage of fiscal stimulus in the form of tax cuts and reduced regulation.

International Equities
- We expect European stocks to get stronger as a result of diminished headwinds from Brexit and European elections and greater tailwinds from: European credit expansion and steepening yield curves; earnings growth from consumer and capital goods sales in emerging markets; higher oil prices; and a more favorable regulatory environment for U.S. pharmaceutical approvals.
- Japanese stocks likely to strengthen due to industrial earnings tied to China’s infrastructure expansion and sales of technology products to the U.S. and other developed markets.
- Emerging markets—led by China which is engaged in fiscal stimulus—should perform well, in our view; other Asian economies, plus Brazil and Russia (which are recovering from local recessions) are also contributing to the rally.

Our sector inputs and allocations, as of April 1, 2017

<table>
<thead>
<tr>
<th>GICS sector</th>
<th>Sector rank</th>
<th>Macroeconomic</th>
<th>Quantitative</th>
<th>Fundamental</th>
<th>U.S. large-cap sector allocations</th>
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</thead>
<tbody>
<tr>
<td>Staples</td>
<td>1</td>
<td>7</td>
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</tr>
</tbody>
</table>

Sources: Bloomberg, WTIA

Benchmark: Russell 1000
Current allocation

Fixed Income

### AS OF MARCH 31, 2017

<table>
<thead>
<tr>
<th>Index</th>
<th>Month to date</th>
<th>Year to date</th>
<th>Trailing 12-month return</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bloomberg- Barclays U.S. Aggregate Bond Index</td>
<td>-0.1%</td>
<td>0.8%</td>
<td>0.4%</td>
</tr>
<tr>
<td>Bloomberg- Barclays U.S. Investment Grade Credit Index</td>
<td>-0.2%</td>
<td>1.3%</td>
<td>3.0%</td>
</tr>
<tr>
<td>Bloomberg- Barclays Ba High Yield Index</td>
<td>-0.1%</td>
<td>2.1%</td>
<td>10.8%</td>
</tr>
<tr>
<td>Bloomberg- Barclays 60% High Yield Total Return/40% Municipal Total Return Index</td>
<td>0.2%</td>
<td>3.1%</td>
<td>2.6%</td>
</tr>
<tr>
<td>Bloomberg- Barclays U.S. Mortgage Backed Securities Index</td>
<td>0.0%</td>
<td>0.5%</td>
<td>0.2%</td>
</tr>
<tr>
<td>S&amp;P Municipal Bond Index</td>
<td>0.2%</td>
<td>1.4%</td>
<td>0.6%</td>
</tr>
<tr>
<td>S&amp;P Municipal Bond New York Index</td>
<td>0.3%</td>
<td>1.4%</td>
<td>0.4%</td>
</tr>
<tr>
<td>S&amp;P Municipal Bond California Index</td>
<td>0.3%</td>
<td>1.6%</td>
<td>0.2%</td>
</tr>
</tbody>
</table>

Sources: FactSet, Bloomberg.
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### U.S. Treasuries
- The slight 1 basis point, or bps (.01%) rise in U.S. Treasury yields over the month belies the sector’s intermonth volatility
- The 10-year note rose by 23bps by March 15 only to fall 23bps by month’s end; on that same day, the 2-year hit 1.39%, its highest yield since 2009
- TIPs breakevens fell in the latter half of the month as the reflation trade lost its steam with oil prices falling and Trump’s legislative agenda on ice

### Investment-Grade (IG) Corporates
- In March, risk premiums held steady, while the failure to repeal Obamacare cast doubt on other market-friendly reforms, preventing further spread tightening; credit demand stayed strong as seen in the robust new issue calendar, though this supply, plus political risk, kept risk premiums from moving tighter
- Financials have outperformed industrials so far this year, a steeper yield curve and lighter regulation should help bank profitability, but bondholders would see greatly reduced capital or liquidity standards as a negative
- Treasury yields remained relatively stable during March; for the year, the index total return has been supported by tighter credit spreads and stable risk-free rates
- Primary market activity was strong with new issue supply of $128.3bn; 1Q 2017 supply was $397bn, the largest supply quarter on record, though it’s expected to moderate in April, with estimates calling for $80–85bn of new supply vs. 3-year historical average of $101.3bn for the month

### High-Yield (HY) Corporates
- At the end of March, HY bond prices collapsed and recovered as stock market volatility rose, oil traded down, U.S. Treasuries rallied, and mutual fund outflows subsided
- HY is down −1.3%, the largest correction since 3.0% decline in December 2015; even so, year-to-date returns exceed 1%
- By quality, BB-rated bonds held on better in March than single B- and CCC-rated
- In primary market activity, HY demand has been strong, as month-to-date 64 new bonds have priced for $40.2bn, the highest monthly total since $41.8bn priced in May 2016
- Year-to-date, 157 new bonds have priced for $90.8bn compared with a modest $41.5bn over the same period last year (+>100%)

### Municipals
- Fixed income markets in general and tax-exempt bonds specifically have surprised to the upside; despite two Fed rate hikes, munis have produced positive results for four straight months since the rout in November
- With April 15 on the horizon, expect seasonal demand pressures to weaken fund flows, now being matched by a supply slowdown; after a record January, new issues are off about 14% year over year
- Now approved, Puerto Rico’s revised fiscal plan leaves less than anticipated for debt service payments over the foreseeable future; benchmark Puerto Rico bonds traded down by nearly 10 points since the plan’s approval and we expect continued volatility in the island’s debt issues

### International
- Non-dollar developed-country bonds are likely to continue to remain unattractive; though the euro and yen are strengthening, eurozone and Japanese benchmark bond yields are rising
- Dollar-denominated emerging market bond prices plunged after the U.S. election, as increased U.S. yields impacted these longer-duration instruments

CONTINUED
**Asset Class Overview**

**Real Assets and Nontraditional**

<table>
<thead>
<tr>
<th></th>
<th>AS OF MARCH 31, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Month to date</td>
</tr>
<tr>
<td>S&amp;P Developed Property</td>
<td>–1.1%</td>
</tr>
<tr>
<td>Barclays Inflation</td>
<td>–0.1%</td>
</tr>
<tr>
<td>Bloomberg Commodity</td>
<td>–2.7%</td>
</tr>
</tbody>
</table>

Sources: FactSet, Bloomberg.

Investing involves risks and you may incur a profit or a loss. Past performance is no guarantee of future results.

**Real Assets**

- Global Listed Real Estate fell in March after gaining the first two months of the year; losses were concentrated in the U.S., with European REITs ending the month roughly flat.
- Commodities were down primarily due to oil prices, which fell dramatically in March on increases in domestic supply.

**Nontraditional Hedge**

- The hedge fund industry treaded water overall in March with strategies seeing varying results.
- Macro strategies had the most difficulty with trend followers struggling in choppy markets.
- Growth-focused equity long short managers experienced the best results.

**Nontraditional Private Markets**

- The pre-IPO, venture-backed company universe has been dogged over the last several years by valuation fears, high-profile blowups such as Theranos, and stories of markdowns in mutual fund held positions, but activity and pricing has largely held up.
- While the number of companies that raised money below prior valuations, or down rounds, ticked up slightly from 2015 to 2016, the proportion of down rounds to up rounds is still below historical averages.
- Likewise, though the total value of all deals closed in the U.S. dropped in 2016, it was higher than any year except 2015.
## Investment positioning

**Portfolio targets effective April 1, 2017 for high-net-worth clients with nontraditional assets**

### Equities

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Aggressive</th>
<th>Growth &amp; Income</th>
<th>Conservative</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Large-Cap*</td>
<td>46.0%</td>
<td>46.0%</td>
<td>46.0%</td>
</tr>
<tr>
<td>U.S. Small-Cap</td>
<td>13.8%</td>
<td>8.1%</td>
<td>1.5%</td>
</tr>
<tr>
<td>International Developed</td>
<td>19.5%</td>
<td>12.7%</td>
<td>5.0%</td>
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<tr>
<td>International Emerging Markets</td>
<td>9.7%</td>
<td>3.6%</td>
<td>1.0%</td>
</tr>
<tr>
<td><strong>Total Equities</strong></td>
<td>89.0%</td>
<td>57.0%</td>
<td>22.7%</td>
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</table>

### Fixed Income

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Aggressive</th>
<th>Growth &amp; Income</th>
<th>Conservative</th>
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</thead>
<tbody>
<tr>
<td>U.S. Investment Grade–Tax-Exempt</td>
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<td>30.0%</td>
<td>64.3%</td>
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<tr>
<td>High-Yield–Tax-Exempt</td>
<td>0.0%</td>
<td>2.0%</td>
<td>2.0%</td>
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<tr>
<td><strong>Total Fixed Income</strong></td>
<td>0.0%</td>
<td>32.0%</td>
<td>66.3%</td>
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### Real Assets

<table>
<thead>
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<th>Aggressive</th>
<th>Growth &amp; Income</th>
<th>Conservative</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Inflation-Linked Bonds</td>
<td>0.8%</td>
<td>0.8%</td>
<td>0.8%</td>
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<tr>
<td>U.S. REITs</td>
<td>0.8%</td>
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<tr>
<td>Non-U.S. REITs</td>
<td>2.5%</td>
<td>2.5%</td>
<td>2.5%</td>
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<tr>
<td><strong>Total Real Assets</strong></td>
<td>4.0%</td>
<td>4.0%</td>
<td>4.0%</td>
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### Nontraditional Hedge

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<tbody>
<tr>
<td><strong>Total Nontraditional Hedge</strong></td>
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<td>5.0%</td>
<td>5.0%</td>
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### Cash & Equivalents

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<th>Growth &amp; Income</th>
<th>Conservative</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Cash &amp; Equivalents</strong></td>
<td>2.0%</td>
<td>2.0%</td>
<td>2.0%</td>
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</table>

* Going forward, our positioning chart replaces “U.S. Large-Cap Core Equity” and “Large-Cap Sector Equity” with a single line item, “U.S. Large-Cap.” This change reflects the continued responsibility of our Investment Committee to set the sector weights within the Large-Cap Sector Strategy and recognizes the role of the Portfolio Management Committee to set the weights allocated to this strategy alongside other large-cap manager allocations.

Note: Rounding errors may cause the allocation subtotals of some asset classes to differ slightly from the building blocks of their allocations.

Our reference allocations are developed from our long-term economic outlook, reflecting our highlighted themes as well as the insights of our investment and economic professionals. Reference allocations serve as a baseline strategic allocation for long-term investors. The expected returns presented constitute the informed judgments and opinions of Wilmington Trust about likely future capital market performance. No assurance can be given as to actual future market results or the results of Wilmington Trust’s investment products and strategies. Strategy forecasts are derived from the expected return and volatility assumptions in Wilmington Trust’s Capital Markets Forecast 2017, which is available on www.WilmingtonTrust.com or upon request from your Investment Advisor. A description of the process used to develop these numbers can be found in the disclosures section under Forecasted Performance. Return projections are pre-tax and pre-fees. Volatility (standard deviation of return) estimates are based on pre-tax return projections.

There is no assurance that forecast results will be realized or that any investment strategy will be successful.

Please see disclosures for information about our asset allocation strategies, risk assumptions, performance forecasts, fee assumptions, and other important information.
Positioning in response to our outlook

A big-picture glimpse of our overall positions, as of April 1, 2017 (for high-net-worth investors)

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

Our positioning is as follows:

- Neutral to cash, domestic equities, and liquid alternatives markets
- Overweight international developed, and emerging markets
- Underweight fixed income
- Slight overweight tax-exempt high yield
- Slight overweight to real assets due to higher inflation rates

* Going forward, our positioning chart replaces "U.S. Large-Cap Core Equity" and "Large-Cap Sector Equity" with a single line item, "U.S. Large-Cap." This change reflects the continued responsibility of our Investment Committee to set the sector weights within the Large-Cap Sector Strategy and recognizes the role of the Portfolio Management Committee to set the weights allocated to this strategy alongside other large-cap manager allocations.

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An overview of our asset allocation strategies:

Wilmington Trust offers seven asset allocation models for taxable (high net worth) and tax-exempt (institutional) investors across five strategies reflecting a range of investment objectives and risk tolerances: Aggressive, Growth, Growth & Income, Income & Growth, and Conservative. The seven models are High-Net-Worth (HNW), HNW with Liquid Alternatives, HNW with Private Markets, HNW Tax Advantaged, Institutional, Institutional with Hedge LP, and Institutional with Private Markets. As the names imply, the strategies vary with the type and degree of exposure to hedge strategies and private market exposure, as well as with the focus on taxable or tax-exempt income. On a quarterly basis we publish the results of all of these strategy models versus benchmarks representing strategic implementation without tactical tilts.

Model Strategies may include exposure to the following asset classes: U.S. large-capitalization stocks, U.S. small-cap stocks, developed international stocks, emerging market stocks, U.S. and international real asset securities (including inflation-linked bonds and commodity-related and real estate-related securities), U.S. and international investment-grade bonds (corporate for Institutional or Tax Advantaged, municipal for other HNW), U.S. and international speculative grade (high-yield) corporate bonds and floating-rate notes, emerging markets debt, and cash equivalents. Model Strategies employing nontraditional hedge and private market exposure, naturally, carry those exposures as well. Each asset class carries a distinct set of risks, which should be reviewed and understood prior to investing.

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Disclosures continued

Forecasted performance:
Expected results are hypothetical and do not represent the performance of client accounts or actual investment products. “Expected results” for each strategy are derived from our forecast returns for the underlying assets as described in our current Capital Markets Forecast and weighted based on their current allocation percentage. Forecasts are subject to a number of assumptions regarding future returns, volatility, and the interrelationship (correlation) of asset classes. Actual events may differ from underlying assumptions, which are subject to various uncertainties. No assurance can be given as to actual future market results. Expected returns for the individual asset classes are based on factors including, for equity-based securities, dividend growth rates and dividend yield changes. For fixed income securities, expected returns are calculated based on principal impacts from changes in the underlying U.S. Treasury curve, yield spread changes vs. the U.S. Treasury curve, and the interest income that could be earned. Estimates of default rates are also taken into consideration. “Expected standard deviations” are forecast from the trailing 10-year rolling standard deviation of the asset class and “Expected yield” is based on the current expected dividend or interest income and is expressed as a percentage of the underlying principal value.

Fee assumptions:
No adjustments are made for advisory fees, transaction costs, or any other expenses. In the course of implementing a given asset allocation, clients could select among a number of investment vehicles or strategies, each of which will have such fees and expenses. These expenses have the effect of reducing returns at a compound rate over time, and would reduce the results shown. In cases where Wilmington Trust, or an affiliate, provides advisory, brokerage, or other services to such an investment vehicle, Wilmington Trust may benefit directly or indirectly from those advisory, brokerage, or other fees. Investors should develop a thorough understanding of the fees, expenses, and other costs of any investment prior to committing funds.

Impact of fees:
The following is a hypothetical example of the impact over time of fees charged to a client’s account. It is not meant to suggest actual fees, which may vary, and does not reflect actual returns. Assuming an initial investment of $1,000,000 account value and an average annual return of 10%, an annual fee of 100 basis points (i.e., 1.00%) would result in account level fees of $10,641 the first year, $35,351 over three years, and $65,458 over five years. A schedule of Wilmington Trust’s fees is available upon request.

Actual results will vary from forecast results:
In the course of implementing a given asset allocation, clients could select among a number of investment vehicles or strategies, each of which would contribute differently to overall results. The returns for individual clients will vary depending upon the performance of each actual investment vehicle or activity, any restrictions, inception date, timing of rebalancing, actual expenses and fees, and other factors.

Risk assumptions:
All investments carry some degree of risk. This publication uses the return volatility, as measured by standard deviation, of asset classes as a proxy for illustrating risk. Volatility serves as a collective, quantitative estimate of risks present to varying degrees in the respective asset classes (e.g., liquidity, credit, and default risks). Certain types of risk may be underrepresented by this measure.
Investors should develop a thorough understanding of the risks of any investment prior to committing funds.

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