In my October letter, I noted that markets had not yet meaningfully priced in the chance of a Trump win and we would expect a short-term selloff in U.S. equity markets between November 8 and the end of the year if he were to prevail. Witness the sharp deterioration in equity markets last Friday upon the FBI’s email announcement, and we can see the beginning of markets pricing in the possibility of a President Trump. Conversely, we maintain our expectation that markets would take a Clinton victory as an extension of the status quo and not react dramatically.

Ken Mehlman, the special guest on our recent quarterly client call, expressed his expectation for a positive market reaction to a Clinton win. Ken is the Global Head of Public Affairs for the private equity firm KKR with a unique perspective of Washington, D.C. based on personal experience, having served as the 62nd Chairman of the Republican National Committee and Campaign Manager of President Bush’s 2004 re-election campaign. He was very upbeat about the likelihood of an equity relief rally if Clinton came out on top, and we believe this...
to be all the more likely given the recent re-emergence of “email-gate.” (If you missed the call, you can listen to the replay.)

But despite whether her potential victory is immediately met with cries of “rally” or “rigged,” in a scant two months, this most contentious of campaigns will have receded to the history books and her administration would begin in earnest. Let’s see how closely candidate Clinton’s proposals might be likely to align with a Madame President’s reality.

**Clinton and Congress**

Even if the Democrats eke out a Senate majority, fiscal fisticuffs still portend an uphill battle, as Tea Party hawks aren’t going anywhere and the Senate will not be filibuster-proof. That aside, we feel that progress is most likely to be made in certain areas, namely, infrastructure spending. Its prospects are bolstered by the fact that there is appetite for this on both sides of the aisle and also that Clinton will bring to the table some very specific ideas on what she aims to achieve and how to get there. In particular, government spending on investment projects is well below the historical average and we believe there is a high probability of increased spending in the near term (Figure 1).

We expect more examples of small wins, such as some form of a window during which corporate profits of U.S. companies doing business outside our borders may be repatriated at a discounted corporate rate. Practically speaking, however, much of this cash is already invested in the U.S. economy and probably shows up as foreign portfolio and direct investment in the U.S. Other comparatively small steps KKR’s Mehlman indicated are likely to be successful are the patent

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**Figure 1**

*Government spending on investment projects is well below the historical average*

We believe there is a high probability of increased spending in the near term.

Source: Bureau of Economic Analysis

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Bigger-ticket items like the Affordable Care Act are another matter entirely, where tweaks and makeshift or limited adjustments are probably in store as opposed to its repeal or a major overhaul.

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and criminal justice reform that did not pass Congress over the last year. Same with an extension of subsidies for renewable energy.

Bigger-ticket items like the Affordable Care Act are another matter entirely, where tweaks and makeshift or limited adjustments are probably in store as opposed to its repeal or a major overhaul. This is similar to our view of the Trans Pacific Partnership, about which Mehlman feels—and we concur—that she is likely to broker a deal that includes amendments to the much-beleaguered trade agreement. She will certainly give it the good old college try—of that much, we can be almost certain, especially since she practically did an about-face on this front, supporting the deal early on but then changing her tune during a bruising primary battle with Senator Bernie Sanders who opposed it. The leaks of her staff’s email purportedly show her to be supportive of free trade as is the pro-business wing of the Republican Party.

Large tax package reforms will, of course, be a challenge. Her full policy proposal, which includes increased marginal tax rates on high-income individuals and eliminated loopholes for businesses, would increase revenue by $1.5 trillion according to the independent Committee for a Responsible Budget (Figure 2). She will undoubtedly find herself up against Speaker Paul Ryan and other House Republicans who may well try to use their “A Better Way” reform agenda as a bargaining chip in negotiations.

Our biggest concern about a Hillary Clinton presidency is that she has not offered a plan to remedy the long-term debt and deficit problem. We noted in our 2016 Capital Markets Forecast that the existing long-term projections, if realized, would likely be a detriment both to the economy and domestic investments. While Clinton’s tax hikes on the wealthy would raise revenue over a decade, her spending plans nullify any improvement in the overall budget. The Committee for a Responsible Budget projects essentially no change to the long-term picture. She has even expressed a desire to expand major spending programs such as Social Security and Medicare, which could alter the outlook.

**Against an increasingly positive growth backdrop**

Compared to her predecessor who came into office when the nation’s economy was suffering its biggest decline in the preceding seven years, Clinton would be coming into office with the gross domestic product (GDP) having increased in the third quarter of 2016 at the respectable rate of 2.9%. And there are two additional facts that we expect to support the global firming of market risk sentiment: Oil and the U.S. dollar (USD) have both stabilized and we don’t expect them to undermine growth or markets as they have repeatedly over the past two years.
As for monetary policy itself, there are signs that the world’s key central banks are starting to wake up to the fact that the effects of their extreme stimulative policies may well be having the exact opposite effects than those that were intended. In our view, the negative impacts of these policies on savers, banks, insurance companies, and pensions are just now starting to be understood by these government authorities. At the same time, a pullback from these policies may actually result in greater short-term stimulus as an inflection toward tighter policy would likely cause a multitude of borrowers and spenders to get busy prior to greater increases in the cost of funds. To this end, we expect the Fed to hike not only in December but two more times in 2017, along with tapering by the European Central bank of its quantitative easing program. Together, these shifts toward monetary normalcy should be thoroughly welcome by markets.

It is for these reasons that we have decided to move to a small incremental overweight position on risky assets across our portfolios. While emerging markets are up nearly 16% year to date, this gain has been largely accomplished through outsized advances in very downtrodden markets, such as Brazil and Russia. On the other hand, increasing stability and economic gains in China (6.7% in the third quarter) have not been entirely reflected in its equity markets and there is the possibility of improved fiscal policy starting in 2017. Additionally, other emerging markets such as India, South Korea, and Mexico have underperformed emerging markets overall and appear cheap.

In general, valuations within the European and Japanese markets appear to be very attractive. The financials sector in Europe has been a source of concern but the prospects of the European Central Bank moving away from quantitative easing and negative interest rates perhaps in early 2017 give us a reason to believe that this sector may begin to improve.

Our biggest concern about a Hillary Clinton presidency is that she has not offered a plan to remedy the long-term debt and deficit problem.

While Clinton’s tax hikes on the wealthy would raise revenue over a decade, her spending plans nullify any improvement in the overall budget.

Source: Committee for a Responsible Federal Budget, September 2016.
And finally, we are seeing the beginning of a gently sloping upward trend in the commodities space, after the end of a nearly 20-year "super cycle" followed by a dismal few years in the wake of the financial crisis. Figure 3 shows the Commodity Research Board Raw Industrials Index (CRB RI), which we consider a proxy for global growth that tracks well with emerging markets performance. The index bottomed out in November 2015 and has risen fairly steadily, even through the market turmoil of January and February 2016. The MSCI Emerging Markets Index hit its low two months later in January 2016, and since then it has rallied about 33%. As of October 5, the CRB RI is up about 16% from its low.

Our evolving core narrative and positioning

In light of our view that emerging markets is benefiting from cheap valuations, stronger commodity prices, a Federal Reserve that is likely to move cautiously in raising interest rates, and growing evidence that "new" economy companies are beginning to lead markets (a shift we highlighted in our 2016 Capital Markets Forecast), our Investment Committee voted last week to add 1.0% to our emerging markets allocations. We are also adding 1% to developed international equities, where we have been slightly underweighted; the shift moves us just slightly above our long-term strategic asset allocations. The committee felt that funding this trade through reductions in large-cap U.S. equities and real estate investment trusts accomplished several things. We still favor an overweight to U.S. equities, given a positive economic backdrop, but felt that valuations were relatively

One area where Trump could likely provide a short-term boost in the commodities space is the expected reductions in regulations faced by businesses.
expensive to international markets and, while third-quarter earnings reported thus far appear to be more positive, there are lingering concerns over how strong this will be.

I urge you to read this issue’s “In Focus,” where we take a look at women investors. Now in control of unprecedented wealth, there is for many a gender gap. Many women wealth creators and inheritors could benefit, research shows, from increased confidence and knowledge around investing—both of which are tied to having a trusted investment advisor.

Wishing you a very happy Thanksgiving and that you have many blessings for which to be grateful.

Until next month,

Tony
Women Investors: Driving empowerment, confidence, and success

Women have become financial powerhouses. That much is certain. They have taken on an increasing role in managing wealth to the tune of $11.2 trillion—and nearly half of those funds are invested solely by women.¹

What’s more:

• In 2005 about half of the Americans with assets of more than $675,000 were women and they had a total fortune of $5.8 trillion²

• American women control two-thirds of household spending³

• 37% of North American millionaires are women⁴

• Between 2002 and 2007, women’s income (globally) increased by nearly $4 trillion to $9.8 trillion. By 2017, women’s income will jump by almost $6 trillion to $15.6 trillion⁵

• Women currently control 51 percent, or $14 trillion, of personal wealth in the U.S. and are expected to control $22 trillion by 2020⁶

One thing is clear—whether women are wealth creators, inheritors, or owners through marriage, they need to take responsibility for preserving, enhancing, and, ultimately, transferring their assets.

In this article, we will explore women’s changing role in wealth management, the obstacles faced by many, and strategies for actualizing their potential as both investors and wealth leaders; in particular, the importance of partnering with an investment professional. Let’s first take a look at the origins of this move toward increased wealth control by this powerful and influential segment of the population.

How women have come to be in control of greater wealth

Women don’t just have a seat at the table when it comes to making financial decisions. They’re often at the head of the table. A few factors are responsible for having tipped the scales in favor of women having more of a say.

Increased wealth generation

Family roles are changing because women are contributing to family income to a far greater degree. Consider that a startling 5.1 million who are married out-earn their husbands.⁷
Women comprise 47% of the workforce and are also making great strides as entrepreneurs. The 2016 State of Women-Owned Businesses Report estimated that there are now 11.3 million women-owned businesses in the United States, a 45% increase in the number of women-owned firms between 2007 and 2016. Those businesses generated $1.6 trillion in revenues.\(^9\) As women earn more, it makes sense that they are having an increasing say in family finances. In fact, female wealth creators are the most likely to describe themselves as the family’s chief decision maker (75%) and nearly half (43%) of those whose spouses are the wealth creators are taking control of their financial destinies.\(^10\)

**Changing family roles and mindsets**

Some women, particularly younger ones, have always taken equal responsibility for the family finances, sharing with their partners tasks such as investing retirement assets, borrowing to buy a house, and planning for their children’s college education. In fact, across all age groups, married women are playing an increasingly important part in managing assets, even if they aren’t the source of the wealth.

**More time as lone decision maker**

Life events such as divorce, which occurs in roughly half of all marriages, are often responsible for women ending up as head of the household. Another reason is widowhood, which is tied to the gender difference in longevity. Today, a 50-year-old female can expect to live almost 33 years longer—four years more than a 50-year-old male.\(^11\) That’s on average. Data show many women will spend more than 15 years as widows and are four times more likely to outlive their spouses.\(^12\)

Additionally, they are more likely to be in the default position of sole financial manager, facing uniquely gender-based risks of increased healthcare and extended care expenses; outliving assets; losing a spouse’s retirement assets; inflation; and living on fixed income with less spending power.\(^13\) All considered, measures of long-term financial security for women are still at lower levels than those of men.\(^14\)

**The gender gap in wealth management**

Despite increasing involvement in financial decision making, women still face significant challenges compared to men when it comes to preserving and enhancing their assets. Let’s look at some of the main issues underlying the gender divide between female and male investors.
Some women are less confident about investing compared to men and, therefore are unsurprisingly less comfortable about their level of investment knowledge. A study of American women showed they are among the most financially literate in the world (35% vs. 39% compared to men), yet, they are 44% less likely than male counterparts to consider themselves knowledgeable. So while the times may be a-changing, it’s slow going.

Women surveyed said they felt no more prepared to make wise financial decisions today than they did two years (or even a decade) ago. The same research found that while nearly all women felt they understood savings accounts (92%), health insurance (80%), and life insurance (74%), less than two-thirds (61%) had a good understanding of their workplace retirement plans. Worse, only 38% and 31% were confident about their knowledge of mutual funds and annuities, respectively, and felt they didn’t know what to consider when evaluating their investment options.

Of course, degrees of confidence vary greatly, depending on an individual’s circumstances and experience. Overall, women tend to have greater confidence when it comes to household finances and day-to-day money matters as opposed to long-term financial goals, while the converse is true with men. Confidence also fluctuates to the degree to which women are breadwinners, as well as how involved divorcees and widows were in investment decisions when they were married.

Many women it seems are late to the game when it comes to making financial decisions. They have historically been kept out of the loop on important financial issues by spouses, parents, and even adult children. Older women in particular often do not have any involvement with family portfolios at all until the most stressful possible time, such as after a divorce or when a loved one passes away. With little or no involvement, it’s understandable they would feel ill-prepared to make these decisions when they’re on their own. As a lack of confidence and experience can lead to trepidation or even avoidance, it makes sense that a study found divorcees and widows (51%) and single women (44%) were most likely to
On the plus side…

Women investors are more patient than the opposite sex, and have a tendency to buy and hold when an investment doesn’t produce an expected return. Men, on the other hand, are more likely to sell; they trade nearly 1.5 times more than women. As excessive trading can lead to greater fees and sometimes cause one to sell “low,” patience can truly be a virtue.

Another area where women surpass men is in savings rates. In a study of defined contribution workplace retirement plans like 401(k)s, women are 14% more likely to participate and (keeping income a constant for men and women), women’s plans have higher balances.

53% of women who use an advisor consider themselves on track or ahead vs. 23% who don’t use an advisor.

consider themselves behind the curve in planning and saving for retirement.

Risk tolerance

A lack of confidence and experience may also help explain why women in general are more likely than men to opt for conservative portfolio allocations and take “no, below-average, or average” risk with investments, according to a study by the Financial Industry Regulatory Authority. Its research showed, for instance, women were more inclined to own securities where the returns were certain, such as savings accounts, CDs, and cash value life insurance policies, as well as government and savings bonds. They were also less likely to have opened tax-deferred retirement savings accounts, such as IRAs (or Keogh plans, for self-employed individuals).

Once again, knowledge comes into play: the more women know about investments, the smaller the gap between them and their brethren investors as far as willingness to take risk. An overly conservative approach may protect assets in the short term, but will also likely make it more difficult to have a well-diversified portfolio, which studies have shown can help reduce volatility and enhance long-term growth. (Read more at “Does Diversification Still Matter? As Much as Ever”)

Empowerment through partnership

Taking ownership need not—indeed, should not—be a solo proposition. There simply is no good reason to navigate the complex world of wealth management alone. In fact, there is a great deal of research to suggest that partnering with an investment advisor can go a long way toward helping one to feel empowered and achieve successful outcomes. Yet nearly 53% of women (and 75% of those under age 40) surveyed do not have a financial professional to help them achieve their goals.

For one thing, unmanaged assets are typically underleveraged. Those with advisors hold an average 9% of their portfolio assets in cash vs. 20% for those without advisors. When you consider that women are generally less likely to review and compare performance to market benchmarks in order to track portfolio performance, say they have control of investments or a consistent investment strategy, or be regular, involved investors, it becomes clear that it’s important to partner with an experienced professional.

Helping to boost both knowledge and confidence may in turn help close the gap...
between women and men; 53% of women who use an advisor consider themselves on track or ahead vs. 23% who don’t use an advisor.\textsuperscript{22}

An experienced investment advisor’s objective is to help preserve and maximize wealth through prudent growth strategies, while also protecting assets through diversification and risk management. Here are the steps that an advisor will typically take to help a client achieve her goals:

- **Assess risk tolerance:** An investment advisor works closely with clients to assess their risk tolerance—that is, how much fluctuation each investor is prepared to accept in a portfolio’s value over shorter periods. By understanding risk tolerance, the advisor can recommend a portfolio mix that aligns with comfort levels. (At Wilmington Trust, we look at risk through a lens that’s differentiated in the industry. In addition to volatility, we focus on “drawdown,” or the potential for significant capital loss over an extended period of time. It’s what individuals really care about and it governs each step of our investment process.)

- **Frame needs and goals:** The advisor helps clients identify short-, medium-, and long-term goals for growth and income from the portfolio, looking at income and liquidity needs before and during retirement. Even women who would prefer that their advisors manage their investments for them to a large extent should expect to be involved in determining overall goals and understanding how wealth is managed to achieve those goals.

- **Create a blueprint:** The advisor then creates a blueprint, or design, that lays out the plan to achieve one’s goals (referred to as an Investment Policy Statement or IPS at Wilmington Trust). It reflects a carefully designed plan for diversifying across asset classes like stocks, bonds, international securities, cash, and nontraditional investments to provide the risk and return that the client targets. The advisor then begins to implement the plan by choosing what he or she believes to be the most experienced, capable solutions from an investment platform.

- **Revisit and review:** Investment goals change as life changes. Events like marriage or divorce, a new baby, a death in the family, retirement, or the sale of a business can all have an impact on women’s needs for growth and income. A good investment advisor will periodically review a client’s IPS and long-term investment strategy to ensure the portfolio is on track to meet stated goals.

Those with complex portfolios or who require assistance with wealth management issues like estate planning, business succession, or charitable planning would be wise to consult with tax and legal advisors that specialize in these areas. Investment advisors cannot provide tax or legal guidance; however, they can refer clients to experienced professionals or work closely with outside counsel.

Unmanaged assets are typically underleveraged.

Those with advisors hold an average 9% of their portfolio assets in cash vs. 20% for those without advisors.

Some estimate that by 2030, women will control as much as two-thirds of the nation’s wealth.
Take control and prepare to pass the torch

Women view financial security through the lens of family life, working, and investing—for themselves as well as their children and perhaps other family members—to provide the income and assets they need to live well. Today, with ultra-high-net-worth baby boomers poised to pass on some $16 trillion to the next generation within the next 30 years, estate planning and family governance are important issues for all investors, but in particular women, for reasons we have discussed. Women can begin the education process as soon as their children are old enough to talk about wealth planning, by discussing financial resources and strategies with them and including them in meetings with investment advisors. Many high-net-worth women are exploring family giving and philanthropy as a way of reinforcing closely held values and involving their children in the causes that are important to them.

Only by closing the gap between potential and empowerment can you truly become the master of your wealth universe. In turn, your children will take their cues from your example, and be better positioned to preserve and enhance their legacy. Take the first step toward embracing increased understanding, knowledge, and independence. Reach out to an investment advisor today.

ENDNOTES
See page 18
ASSET CLASS OVERVIEW

Equities

As of October 31, 2016

<table>
<thead>
<tr>
<th>Sector</th>
<th>Rank</th>
<th>Our Assessment</th>
<th>U.S. Large-Cap Sector Allocations</th>
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<tbody>
<tr>
<td>Telecom</td>
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<td>Utilities</td>
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<tr>
<td>Real estate</td>
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</tbody>
</table>

Sources: Bloomberg, WTIA

Our sector inputs and allocations, as of October 31, 2016

- U.S. Equities
  - Stocks down almost 2% with positive returns only in financials and technology; telecom, real estate, and healthcare down over 6%.
  - 3Q earnings expectations are for a slight YOY increase—a sign last year’s earnings recession is over.
  - Our year-ahead target range for the S&P 500 is 2124–2329 ($137 times 15.5x–17x forward P/E), with the current market level near the low end of the range. Preferred sectors from the model are technology, financials, and healthcare where we see reasonable valuations below that of the broader market, now trading at 16.7x forward estimates.
  - Macro view favors utilities, staples, and healthcare; quant favors telecom, industrials, and materials; fundamental view favors healthcare, financials, and industrials, which have reasonable valuations given their long-term growth potential.

- International Equities
  - We expect developed market equity indexes to continue to rise modestly in local currency terms. The global (especially European) economic environment is improving.
  - Recent European Central Bank and Bank of Japan discussion about bond purchase tapering has led to expectations of steeper yield curves and greater commercial bank profitability, leading to some recovery in financials.

- Expectations of rising oil prices are also supporting energy stocks domiciled in the U.K. and elsewhere in Europe. Apart from continuing uncertainty over Brexit impact, the political environment in Europe and Japan remains benign.

- In USD terms, we expect: Emerging markets (EM) to keep outperforming U.S. and other developed markets due to continued strong performance of Asian technology firms; large capital investments by the Chinese government to sustain economic growth; rising earnings expectations for oil companies and miners; and continuing improvement in Brazil’s political conditions.

- Continued strengthening of EM currencies, despite the likely Fed rate hike.

Our sector inputs and allocations, as of October 31, 2016

<table>
<thead>
<tr>
<th>GICS sector</th>
<th>Sector rank</th>
<th>Macroeconomic</th>
<th>Quantitative</th>
<th>Fundamental</th>
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Sources: Bloomberg, WTIA

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U.S. Treasuries
• Yield curve continues to steepen as markets set up for possible fiscal spending increases post elections; also, U.S. and global economy surprised to the upside.
• Central bank talks of “tinkering” with the yield curve are exacerbating the steepening trend.
• Inflationary expectations rose as TIPS continued to outperform.
• 10-year note breaks through a 1.85% yield-to-maturity for the first time since May 17.

Investment-grade (IG) Corporates
• Credit performed well; risk premiums tightened, leading to positive excess returns.
• Despite tighter credit spreads, total returns were negative reflecting higher Treasury yields, but YTD total returns are stronger, reflecting tighter credit spreads and lower risk-free yields.
• Primary market stronger; Sept. new issue volume was $144.5bn (through Oct. 31); YTD volume $1.48tn (Bloomberg).
• Large M&A activity picked up later in the month; if approved by regulators, 2 big announced deals should lead to significant bond issuance. Qualcomm’s $47bn all-cash acquisition of NXP Semiconductor to be funded with $11.0bn of new debt; AT&T’s $85.0bn acquisition of Time Warner to be funded with $40.0bn of new debt.

High-yield (HY) Corporates
• With little supply, Oct. positive for 9th consecutive month; energy, metals and mining, and CCCs outperformed.
• Double-digit gains posted this year.
• Leveraged loans provided a steady gain of 0.5% month to date, outperforming more rate-sensitive high-grade (HG) bonds, although clearly lagging HY gains.

Municipals
• Intermediate and long-term muni yields rose for the 2nd month; 5-year rates nearly unchanged, but 10- and 15-year HG yields rose 19bps and 26bps, respectively.
• 1.76% yield on 10-year HGs—their highest since late March, up from early July low of 1.31%.
• Driving this move were demand and supply; investor appetite for tax-free bonds was paltry; in fact, we experienced negative flows in 2 of the last 3 weeks for HY bonds.
• Record $30bn-plus in new issue came to market in the last 2 weeks; total issuance for 2016 may hit all-time high.
• Weaker market tone means investors must be flexible and deft when selling securities but it provides more value opportunities for buyers.

International
• Recent indications of potential tapering of European and Japanese bond purchases led to rising yields, depressing returns in local currency terms.
• We expect yields to keep rising, producing further negative bond returns in local currency terms; foreign currencies have depreciated due to expected Dec. Fed hike, leading to translation losses.
• USD-denominated EM bonds are caught between two cross-currents: we expect rising Treasury yields to adversely impact returns on these long-duration bonds, but see higher oil and commodity prices as potentially narrowing credit spreads for issuers reliant on oil and commodity revenues.
REAL ASSETS AND NONTRADITIONAL

Asset Class Overview

Real Assets and Nontraditional

<table>
<thead>
<tr>
<th>Hedge Fund Research Institute Indexes</th>
<th>Month to date</th>
<th>Year to date</th>
<th>Trailing 12-month return</th>
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<tr>
<td>Fund Weighted</td>
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<td>4.9%</td>
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<td>Event Driven</td>
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<td>6.1%</td>
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<td>Macro</td>
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<td>1.5%</td>
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<tr>
<td>Relative Value</td>
<td>0.8%</td>
<td>5.6%</td>
<td>5.3%</td>
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</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

- After three strong quarters, listed real estate had a difficult time on concerns of Dec. rate increase and inconsistent earnings.
- Commodities and inflation-linked bonds mostly treaded water in Oct. after large gains earlier in the year.

Nontraditional Hedge

- Funds had their 7th consecutive positive month in Sept., the longest streak in over 3+ years.
- Equity the top performer, led by strong returns from managers specializing in tech investing.
- Macro was the only loser, with discretionary and systematic managers ending in the red.

Nontraditional Private Markets

- 2015 saw a record $440bn returned to investors, while capital called from investors decreased 15% from 2016.
- While fundraising has slowed over the past 2 years, it remains robust. This activity, combined with the slower pace of deployment, has led to a record amount of capital committed to funds but not yet drawn.
- This dynamic means that there is heightened competition for top-quality deals in well-trafficked market segments, which has driven up price to peak valuations.
Investment positioning

Portfolio targets effective November 1, 2016 for high-net-worth clients with nontraditional assets

<table>
<thead>
<tr>
<th></th>
<th>Aggressive</th>
<th></th>
<th>Growth &amp; Income</th>
<th></th>
<th>Conservative</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Strategic</td>
<td>Tactical</td>
<td>Change</td>
<td>Strategic</td>
<td>Tactical</td>
</tr>
<tr>
<td></td>
<td>asset allocation</td>
<td>asset allocation</td>
<td>this month</td>
<td>asset allocation</td>
<td>asset allocation</td>
</tr>
<tr>
<td>Equities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Large-Cap Core*</td>
<td>23.0%</td>
<td>26.5%</td>
<td>—</td>
<td>16.3%</td>
<td>20.2%</td>
</tr>
<tr>
<td>U.S. Large-Cap Sectors*</td>
<td>23.0%</td>
<td>19.8%</td>
<td>—</td>
<td>16.3%</td>
<td>13.6%</td>
</tr>
<tr>
<td>U.S. Small-Cap</td>
<td>13.8%</td>
<td>13.8%</td>
<td>—</td>
<td>8.1%</td>
<td>8.1%</td>
</tr>
<tr>
<td>International Developed</td>
<td>19.5%</td>
<td>19.6%</td>
<td>▲ 0.5%</td>
<td>12.7%</td>
<td>13.4%</td>
</tr>
<tr>
<td>International Emerging Markets</td>
<td>9.7%</td>
<td>10.2%</td>
<td>▲ 0.5%</td>
<td>3.6%</td>
<td>4.6%</td>
</tr>
<tr>
<td>Total Equities</td>
<td>89.0%</td>
<td>89.8%</td>
<td>1.0%</td>
<td>57.0%</td>
<td>59.2%</td>
</tr>
<tr>
<td>Fixed Income</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Investment Grade–Tax-Exempt</td>
<td>0.0%</td>
<td>0.0%</td>
<td>—</td>
<td>30.0%</td>
<td>23.8%</td>
</tr>
<tr>
<td>High-Yield–Tax-Exempt</td>
<td>0.0%</td>
<td>0.0%</td>
<td>—</td>
<td>2.0%</td>
<td>3.0%</td>
</tr>
<tr>
<td>Total Fixed Income</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>32.0%</td>
<td>26.8%</td>
</tr>
<tr>
<td>Real Assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Inflation-Linked Bonds</td>
<td>0.8%</td>
<td>2.4%</td>
<td>▼−0.1%</td>
<td>0.8%</td>
<td>3.5%</td>
</tr>
<tr>
<td>U.S. REITs</td>
<td>0.8%</td>
<td>0.5%</td>
<td>▼−0.6%</td>
<td>0.8%</td>
<td>0.8%</td>
</tr>
<tr>
<td>Non-U.S. REITs</td>
<td>2.5%</td>
<td>1.4%</td>
<td>▼−0.1%</td>
<td>2.5%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Total Real Assets</td>
<td>4.0%</td>
<td>4.3%</td>
<td>▼−0.8%</td>
<td>4.0%</td>
<td>6.3%</td>
</tr>
<tr>
<td>Nontraditional Hedge</td>
<td>5.0%</td>
<td>5.0%</td>
<td>0.0%</td>
<td>5.0%</td>
<td>5.0%</td>
</tr>
<tr>
<td>Cash &amp; Equivalents</td>
<td>2.0%</td>
<td>0.9%</td>
<td>▼−0.2%</td>
<td>2.0%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Totals</td>
<td>100.0%</td>
<td>100.0%</td>
<td>▼−0.2%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

* Large-cap allocations are broken down into the portion designated for use with active or passive managers (U.S. large-cap core) and the portion using our Sector Allocation Strategy (U.S. large-cap core sectors). Tactical positions are shown on page 13 in the graph "Our sector inputs and allocations." Source: Wilmington Trust Investment Advisors, Inc. (WTIA)

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 2016–2026, which is available on www.WilmingtonTrust.com or upon request from your Investment Advisor. A summary of the calculations 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 November 1, 2016 (for high-net-worth investors)

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Minimum Exposure</th>
<th>Current Tactical Allocation</th>
<th>Strategic Asset Allocation</th>
<th>Maximum Exposure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Equities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Large-Cap Core and Sector*</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Small-Cap</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>International Developed</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>International Emerging Markets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Fixed Income</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Investment-Grade–Tax-Exempt</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High-Yield–Tax-Exempt</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real Assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nontraditional Hedge</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash &amp; Equivalents</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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, and liquid alternatives markets
- Underweight fixed income
- Slightly overweight domestic large-cap, international developed, and emerging markets
- Slightly overweight tax-exempt high yield
- Overweight real assets due to opportunities in U.S. TIPS

* Large-cap allocations are broken down into the portion designated for use with active or passive managers (U.S. large-cap core) and the portion using our Wilmington Trust Sector Allocation Strategy (U.S. large-cap core sectors).

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Endnotes: Women Investors

1 Federal Reserve Flow of Funds Report, 10/4/11-3/12/09, Tiburon Research & Analysis
5 Boston Consulting Group
13 Source: WISER, “Unique Challenges Faced by Women in Preparing for and Managing Their Retirement Years,” 2006
24 “Women and Investing: A Behavioral Finance Perspective,” Merrill Lynch research, Fall 2014
25 “Women Versus Men in DC Plans,” Vanguard Research, October 2015

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Any positioning information provided does not include all positions that were taken in client accounts and may not be representative of current positioning. It should not be assumed that the positions described are or will be profitable or that positions taken in the future will be profitable or will equal the performance of those described.

Indexes 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.

An overview of our asset allocation strategies:
Wilmington Trust offers five model asset allocation strategies each for taxable and tax-exempt investors with particular sets of risk tolerances: Aggressive, Growth, Growth & Income, Income & Growth, and Conservative. Each strategy can be implemented with or without allocations to hedge funds. Strategic asset allocations (SAA) are maintained for each strategy and, on a quarterly basis, we publish the results of all of these strategy models versus benchmarks representing static investments without tactical tilts.

Model strategies may include exposure to the following asset classes: U.S. large-capitalization equities, U.S. small-cap equities, international developed large-cap, international developed small-cap and emerging market stocks, real assets (including international inflation-linked bonds and commodity-related and international real estate-related securities), investment-grade bonds (corporate or municipal), high-yield corporate bonds and floating-rate notes, and cash equivalents. Directional and absolute return hedge funds are distinct to the strategies with hedge funds. Each asset class carries a distinct set of risks, which should be reviewed and understood prior to investing.

Forecasted performance: Expected results are hypothetical and do not represent the performance of client accounts or actual investment products. “Expected returns” for each strategy are derived from our forecast returns for the underlying assets as described in the Capital Markets Forecast 2016–2026 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.

CONTINUED
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.

Tax disclosure:  
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