

News Release

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***Wilmington Trust's 10-Year Capital Markets Forecast Emphasizes
Investment Opportunities Amid Higher Long-Term Inflation***

Wilmington, DE, January 26, 2009 –Reaffirming that capital market returns tend to move in cycles over long horizons, Wilmington Trust's investment experts have released a new 10-year capital markets forecast which focuses on the continued importance of risk management and projects the likely performance of and risks associated with various asset classes and strategies through 2018.

“In recent years, we warned repeatedly that future investment returns were likely to be much lower than those recorded in the recent past,” said Adrian Cronje, Ph.D., CFA®, chief investment strategist and co-author of Wilmington Trust's 2009 Capital Markets Forecast for Strategic Planning. “We are even more confident now in our belief that today's financial markets offer outstanding opportunities for patient, long-term investors whose spending requirements, liquidity needs, and tolerance for risk are accurately reflected in their investment strategies.”

The forecast, Mr. Cronje said, projects the likely relative performance of various asset classes as a basis for positioning diversified strategies to manage risk and capture opportunities for excess returns from today's starting point. He believes that the current bear market in financial assets of virtually every kind has left publicly traded securities on sale and enhanced prospective risk-adjusted returns. “Across risky asset classes and our asset allocation strategies, we project higher ranges of 10-year returns for any given level of expected volatility than we did one year ago,” Mr. Cronje said. “In the wake of savage re-pricing of risky assets last year, we believe that there is now a high probability that publicly traded equities will record

double-digit annualized returns, and globally diversified portfolios of real assets will record at least high single-digit annualized returns between 2009 and 2018.”

However, investors should not completely disregard the effects of future inflation on such returns. Recent pricing in the bond market suggests inflation will lie dormant in the coming decade, according to Mr. Cronje, but such a view over-extrapolates the low level of inflation U.S. consumers are likely to encounter in 2009. “We project the prices of goods and services will rise between 2009 and 2018 at an annualized rate of approximately 4%, which results from long-term effects of the U.S. government stimulus being applied to alleviate economic fallout from the credit crisis,” Mr. Cronje said. “Our combined 2009 target allocations to U.S. Treasury Inflation-Protected Securities (TIPS) and globally diversified real assets are higher than our 2008 target allocations to real assets, even if we remain tactically underweight against these higher targets in the current deflationary environment. Within fixed income, we are currently emphasizing the opportunities presented by dislocations in the municipal and high-quality corporate bond markets,” Mr. Cronje added.

Despite disappointing hedge fund losses in 2008, hedge funds and illiquid alternative assets should continue to enhance the long-term, risk-adjusted portfolio returns of clients whose liquidity needs have been addressed, Mr. Cronje said. “We believe qualified investors will continue to benefit over the long term from investments in carefully selected and constructed hedge funds, and private equity and private real estate offerings,” he added.

The forecast also calls for increased strategic targets for small-cap stocks in developed international markets and increased, in most cases, strategic targets for the emerging markets. “In the coming decade, we expect international small caps and the emerging markets to outperform all segments of the public equity markets, thanks in part to being among the relatively cheapest part of global stock markets today,” Mr. Cronje said. “This exposure can also provide a hedge against dollar depreciation,” he said.

To ensure conservatism in the forecast, five principal margins of safety are built into these projections: starting dividend yields are discounted to account for potential dividend cuts, dividend growth rates will revert to normal levels after years of record corporate profitability, equities and fixed income securities will remain more volatile than their long-term records would imply (but less volatile than they were during the second half of 2008), correlations between asset classes will remain relatively high as they have been in the past decade, and higher individual tax rates are anticipated, thus reducing after-tax rates of return.

Mr. Cronje holds a Ph.D. in Macroeconomics and Econometrics and a master's degree in Economics and Finance from the University of Cambridge, United Kingdom. He earned his bachelor's degree in Economics, with honors, from the University of Cape Town, South Africa. Mr. Cronje holds the CFA Institute's Chartered Financial Analyst® designation and serves on the Wilmington Trust Investment Management group's Investment Strategy Team.

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Journalists may obtain a copy of Wilmington Trust's 2009 Capital Markets Forecast for Strategic Planning, which includes detailed analysis of potential risk and returns of various asset classes, and historical performance data on Wilmington Trust's investment strategies, from the media contacts shown above.

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