



Capital Perspectives

Monthly investment analysis and insights from Wilmington Trust Investment Advisors

ON THE RECORD

Approaching the Inflection Point

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Tony Roth
Chief Investment Officer

As we survey the U.S. economy, we see pandemic-induced pain that, did we not know better, could easily obscure the renaissance we foresee later this year. The labor market remains severely impaired, with the total number of Americans holding full-time jobs down 7% from the pre-COVID-19 peak. Small businesses continue to shutter at historic rates. Interest rates have spiked higher. And consumer savings has reached record levels while the spending rebound has stalled. Despite all this, we believe we are marching toward an economic inflection of historic scale driven by a consumer shift from goods to services as the scourge begins to lift.

Given this positive outlook, we see near-term, rate-driven volatility in equity markets as a buying opportunity over a nine- to twelve-month investment horizon. Indeed, we have added additional risk to portfolios, rotating out of cash, investment-grade bonds, and liquid alternatives into high-yield bonds, commodities, and equities.

Prepare for liftoff

Collapsing COVID case counts, accelerating vaccine distribution, outsized consumer savings, massive fiscal stimulus, and easy monetary policy are coalescing to turbocharge U.S. economic growth in the second half of 2021. We may be on the cusp of GDP growth rates not seen since the mid-1980s. Just how strong economic growth will be in the U.S. this year depends on exactly how these factors play out.

COVID daily case growth has declined 55% over the last four weeks in the U.S. (Figure 1a), and we expect immunizations to ramp up from the current pace of

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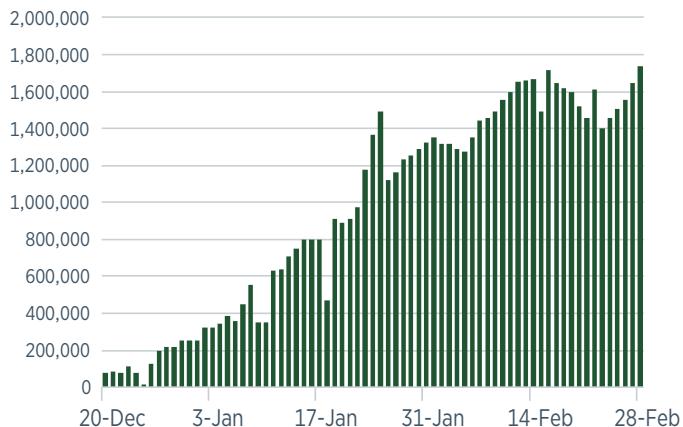
Figure 1

Latest COVID-19 wave receding

1a. U.S. daily cases



1b. U.S. daily vaccine doses administered



Data as of February 28, 2021. Source: Macrobond.

Collapsing COVID case counts, accelerating vaccine distribution, outsized consumer savings, massive fiscal stimulus, and easy monetary policy are coalescing to turbocharge U.S. economic growth in the second half of 2021. We may be on the cusp of GDP growth rates not seen since the mid-1980s.

1.7 million people per day (Figure 1b). The latest round of fiscal stimulus appears poised to deliver at least another \$1.5 trillion of support to consumers, businesses, municipalities, and communities. Various members of the Federal Reserve, including Chair Powell, have exhausted the different ways of communicating the same thing: The Fed will not be tightening monetary policy any time soon.

Importantly, this stimulus is coming at a time when virus mitigation efforts may soon be receding, and consumers can deploy their pent-up \$1.5 trillion of excess savings. The sting currently felt by the still-massive 10 million jobs hole in the labor market is real, but fiscal support should provide a bridge to the end of the health crisis.

In our view, the biggest risk to our bullish outlook is the emergence of one or more viral strains that neutralize or diminish the effectiveness of the newly delivered vaccines. At this time, the South African strain is the biggest risk, but other troublesome variants will surely crop up. It appears the leading vaccines can sufficiently mitigate the most severe and life-threatening cases of the South African variant, even if the overall efficacy rate for preventing the disease is lower. Moderna has already begun trials for a booster vaccine specifically targeting the South African variant, and like the flu, a seasonal COVID booster shot may be part of the end game. In any event, should concern over variant strains mount to a level that policymakers maintain mitigation measures and consumers continue to avoid travel, leisure, entertainment, and restaurants, then our sanguine outlook would be compromised.

Interest rate revival

The flood of liquidity being dumped into the economy by Congress and the Fed increases the likelihood of both a robust economic rebound and inflation. Our base case for inflation over the next year, as measured by the year-over-year change in the Consumer Price Index (and conservatively assuming the Democrats pass a fiscal

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↑ We expect interest rates to move higher over the next 12 months, with the 10-year yield rising to **1.75%–2%**.

While there may be some rotation of leadership under the surface, we think a broader equity market, one that is not dependent on just a handful of stocks moving higher, creates a foundation for a healthier equity market.

package of at least \$1.5 trillion), is 2.25%–2.5%. However, inflationary risk is to the upside, and rate markets have quickly repriced the risk that the Fed may be forced to tighten monetary policy sooner rather than later.

The 10-year Treasury yield has increased from 0.9% at the start of the year to 1.4% as of the end of February. This represents a 50% increase in two months. The 10-year yield has now retraced two-thirds of its COVID plunge but is still approximately half a percent below its December 2019 level.

The sudden rate move has led to increased equity volatility, particularly for growth-oriented, tech-related stocks. A higher discount rate for future cash flows may lower the price investors are willing to pay for these long-term growth engines. When rates rise suddenly, more expensive stocks that we believe are priced to perfection could see valuations reset to a larger degree than value stocks, which in many cases have already priced in a sufficient margin for error.

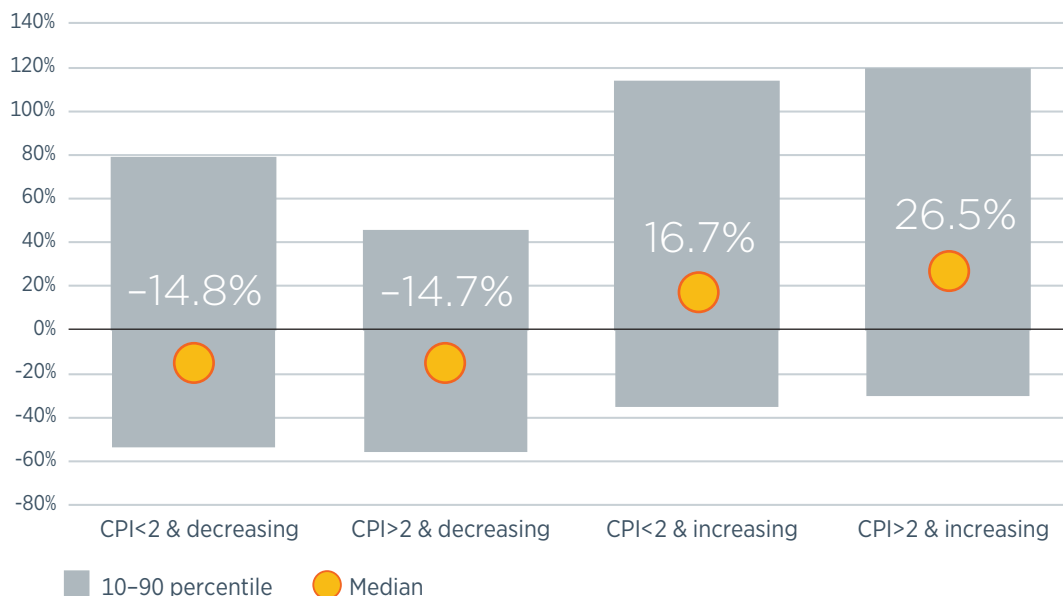
Higher rates and a steeper yield curve also support more cyclical stocks, either because their businesses are further levered to an improving economy or, in the case of financials, the fact of higher rates themselves improve earnings prospects. Naturally, stocks at the epicenter of the COVID crisis, including travel, leisure, and entertainment, could receive a strong tailwind from consumers rotating from goods purchases into utilization of services. Many, though not all such stocks, have largely already priced in such a recovery.

At the end of the day, the relationship between interest rates and the broader equity market is determined by three factors: the level of rates, the speed of the rate move, and the reason for the change in rates. We expect interest rates to move higher over the next 12 months, with the 10-year yield rising to 1.75%–2%. The pace of the increase in rates is likely to slow, though of course markets rarely move in a straight line. Even with a 10-year yield approaching 2%, rates are still low relative to history and they are moving up largely for the right reasons—that is, robust economic growth. This scenario is still quite constructive for equities. While there may be some rotation of leadership under the surface, we think a broader equity market, one that is not dependent on just a handful of stocks moving higher, creates a foundation for a healthier equity market.

Continued

Figure 2

Commodities supported by demand rebound and inflation risks
 Monthly annualized commodity returns by level and direction of inflation
 (January 1997–January 2021)



Data as of January 31, 2021.

Source: Macrobond.

Past performance cannot guarantee future results.

We now hold modest overweight positions in each major equity asset class. U.S. large and small caps stand to benefit from U.S. fiscal stimulus and an improving economy. International equities would also do well if our expectation for a weaker U.S. dollar comes to fruition.

Adjusting portfolios

We have held an overweight to risk in portfolios since November and just recently decided to add further to risk assets. Specifically, we are rotating out of cash, investment-grade fixed income, and liquid alternatives into equities, commodities, and high-yield bonds.

We see equities outperforming cash and investment-grade fixed income over the next year, even after the robust returns of the last three months, and added to U.S. large-cap and international developed equities. We now hold modest overweight positions in each major equity asset class. U.S. large and small caps stand to benefit from U.S. fiscal stimulus and an improving economy. International equities would also do well if our expectation for a weaker U.S. dollar comes to fruition. European and Japanese economies are struggling currently with the virus and vaccine distribution, but we see these challenges as temporary and compensated for by current valuations. The European Central Bank and Bank of Japan are likely to remain more accommodative for longer than the Fed, and international economies are more levered to a global reflationary environment.

We are adding to commodities as a hedge against inflation surprising to the upside (Figure 2), taking our real assets exposure to a slight overweight. A strong global recovery would support demand for oil and industrial metals. Precious metals could also return to favor should Bitcoin see any near-term setbacks. Commodities have performed well in recent months and we could very well be in the early innings of the next commodity supercycle.

Current tactical asset allocation

	Tactical tilts	-	NEUTRAL	+	Positioning
Equities	U.S. Large Cap	○ ○ ○ ○ ● ○ ○ ○			Overweight
	U.S. Small Cap	○ ○ ○ ○ ● ○ ○ ○			
	International Developed	○ ○ ○ ○ ● ○ ○ ○			
	Emerging Markets	○ ○ ○ ○ ○ ○ ● ○			
Tax Exempt Fixed Income	Investment Grade	○ ● ○ ○ ○ ○ ○ ○			Underweight
	High Yield	○ ○ ○ ○ ● ○ ○ ○			
Real Assets	Inflation-linked Bonds	○ ○ ○ ● ○ ○ ○ ○			Overweight
	Global REITs	○ ○ ○ ○ ● ○ ○ ○			
	Other/Commodities	○ ○ ○ ○ ● ○ ○ ○			
Alternatives	Equity long/short hedge	○ ○ ● ○ ○ ○ ○ ○			Underweight
Cash		○ ○ ● ○ ○ ○ ○ ○			Underweight

Lastly, we favor high-yield over investment-grade bonds. Fiscal stimulus and an economic recovery should support further spread compression in high yield, particularly for municipal bonds and key sectors like higher education and transportation. It is important to be mindful of duration, as high-yield municipal bonds tend to have more interest rate sensitivity than their investment-grade counterparts. We are choosing to counter this risk by implementing this asset class change using a short-duration fulfillment.

Interest rate uncertainty could continue to create pockets of volatility, but we view these pullbacks as buying opportunities. Barring crippling new viral variants, coming calendar quarters are likely to witness an inflection point in economic levels and we are positioning portfolios to benefit from attendant strength in risk markets over a nine- to twelve-month horizon.

Until next month,



Tony

Women and Investing: A stronger grip on their financial futures



Meghan Shue
Head of Investment
Strategy & Portfolio
Construction



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Senior Investment
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At a glance:

- **A third of the world's financial assets is now under the control of women; from 2016 to 2019, women accumulated wealth at rate of 6.1% and that rate will accelerate to 7.2% in the next four years**
- **In the U.S., women control \$10.9 trillion in assets, which is expected to reach \$22 trillion within 10 years and then increase even more**
- **While all investors face the challenge of normal human biases and emotions, women have certain behavioral traits that seem to provide innate investing advantages; recent research found that women fund managers outperformed their male counterparts by a full percentage point**
- **A greater number of Millennial women (70%) take the lead in all financial decisions, compared with female Baby Boomers (40%)**
- **Studies have shown that partnering with a financial advisor helps boost investor confidence**

The power of the purse is increasing at an unprecedented pace.

A third of the world's financial assets is now under the control of women. From 2016 to 2019, they accumulated wealth at a compound annual growth rate of 6.1%. Over the next four years, that rate will accelerate to 7.2%—adding \$5 trillion more annually to the global wealth pool, according to a comprehensive global study.¹

These strides are equally apparent in the United States, with women no longer relegated to the passenger seat when it comes to investment decisions and in control of \$10.9 trillion.² That amount is expected to reach \$22 trillion within 10 years and then increase even more as Baby Boomers eventually pass down at least \$30 trillion, and heterosexual women—who are 60% more likely to outlive their husbands—inheriting a disproportionate percentage of this wealth by 2030. This is a potential wealth transfer of such magnitude that it approaches the annual U.S. gross domestic product.

While they are increasingly becoming powerhouses in the financial arena and being more actively engaged in financial decisions than ever before, studies show women still face unique challenges that highlight the importance of making planning a priority.³ In this paper, we explore how a growing number of women are taking ownership of their financial lives, the characteristics that make women adept investors, and where further opportunity exists for them to fulfill their potential as captains of their financial destinies.

Think pink: Women enjoy innate investing advantages

When women choose to take charge of managing their money, the results tend to be quite good. Research performed by Warwick Business School, Europe's top-ranked business school, found that women outperformed men at investing by an average 1.8 percentage points per year over a 36-month period.⁴ Over time, this can amount to a big difference in total wealth. This study examined the trading habits of 2,800 investors over three years. It concluded that the reason for the outperformance by women was a result of men more frequently picking speculative stocks, holding onto losing positions longer, and taking profits sooner.

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Meanwhile, in the C-suites...

Business instincts have also been noted outside the investment arena, where leadership roles have been accelerating in recent years. One study by S&P Global, a financial information and analytics company, found that firms with female CEOs and CFOs produced superior stock price performance compared to the market average. These results came quickly, too, with a 20% jump in stock price momentum in the 24 months post appointment of a female CEO.⁸

Similarly, more gender-diverse boards of directors often lead to better corporate performance. For instance, in an analysis by the MIT's Sloan School of Management, companies with gender diverse boards had a higher commitment to R&D, obtained more patents, and reported higher levels of innovation.⁹

However, the list of reasons women have tended to generate superior investment returns runs quite a bit longer. While all investors face the challenge of being swayed by normal human biases and emotions—in particular, fear and greed, which are exceedingly counterproductive to investment success—women have certain behavioral traits that seem to provide innate investing advantages, i.e., in general, a behavioral personality that is more conducive to better investment performance.

Underscoring this is a 2019 research study, which found that gender was a key determinant in a range of biases and emotions that undermine investment performance results. For example, results indicated that women are more likely to exhibit these behaviors: anchoring (depending too much on initial information); disposition effect (the tendency to sell stocks that have gained in value and hold onto stocks that have declined in value); and herding (following the actions of a group). Conversely, male investors are more overconfident and take greater risk in investment decision making than do their female counterparts.⁵

Because women may tend to perceive risk where men may not (attributable in part to the latter's overconfidence in their investing skill), women tend to have more diversified portfolios and avoid the "risk of ruin" stocks, i.e., those with the potential for significant, unrecoverable loss. Women's behavioral personalities may also lend themselves to practicing greater patience, staying away from timing the market, and favoring investing in professionally managed portfolios and funds rather than individual stocks.

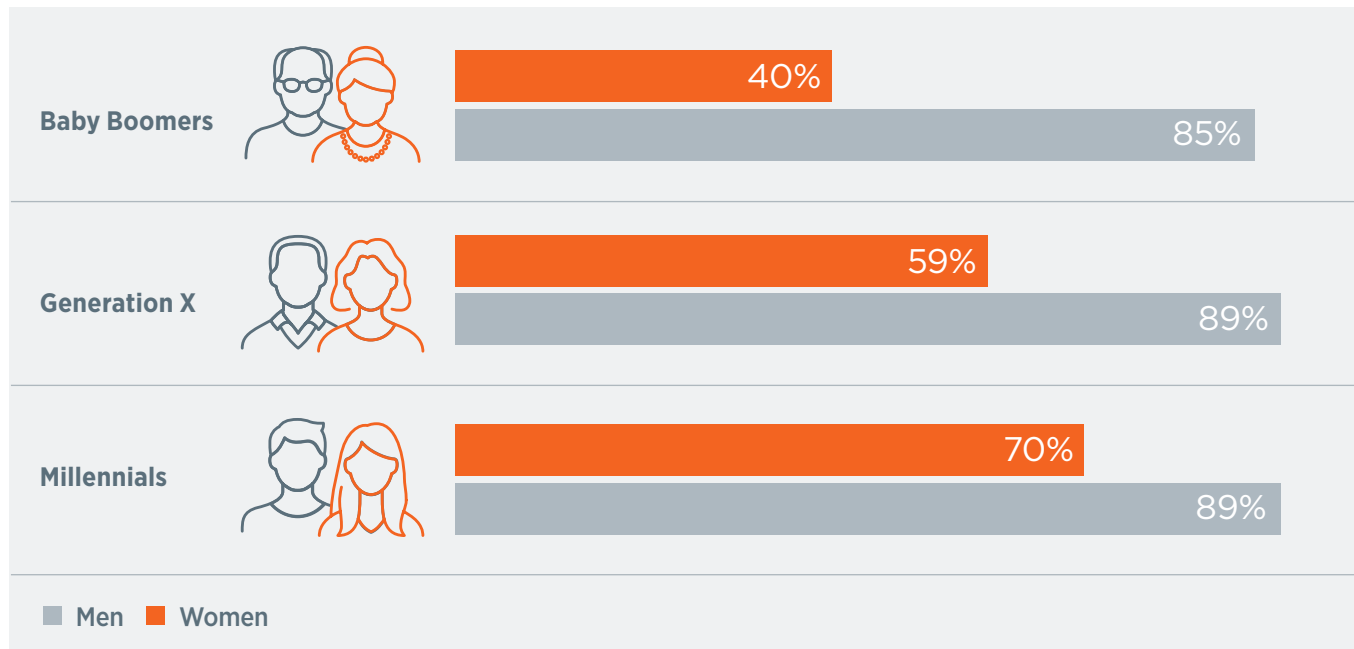
And, women are less afraid to ask questions, which is essential to becoming a more knowledgeable, confident, and successful investor. A recent analysis of female portfolio managers by Goldman Sachs, the investment bank, is illustrative of the advantageous investment qualities of women. They examined all U.S. large-cap stock mutual funds and found that through the period of January 2020 to August 2020—a time marked by a steep, pandemic-induced bear market and a quick recovery—women fund managers outperformed male managers by a full percentage point, showing the power of the patient, long-term focus women bring to investing.⁶

Other research has traced the origins of women's natural inclination toward successful investing to biological forces and has shown they exhibit less overtrading and testosterone-associated aggression than their brethren. The result? A greater tolerance for standing pat in the face of market noise and a more consistent application of investment strategy, according to Meredith Jones in her book, *Women of The Street: Why Female Money Managers Generate Higher Returns (and How You Can Too)*.⁷ "Women create both cognitive and behavioral "alpha" with their investment style which contributes over the long-run to outsized investment returns," Jones explains.

Continued

Figure 1

Share of respondents who fully take the lead in financial decisions (%)



Source: Boston Consulting Group; April 9, 2020.

While all investors face the challenge of being swayed by normal human biases and emotions—in particular, fear and greed, which are exceedingly counterproductive to investment success—women have certain behavioral traits that seem to provide innate investing advantages

Generational differences in empowerment and confidence

Despite the growing investing engagement of women, it appears investment acumen is greater in the hands of Millennial women overall, relative to their Baby Boomer mothers. For instance, about three in ten Millennial women (those born between 1980 and 1995) say they enjoy managing investments, compared to only 21% for Baby Boomer women.¹⁰

Greater financial literacy translates to greater confidence and empowerment. A full 70% of Millennial women said that they take the lead in all financial decisions, compared with just 40% of female Baby Boomers.¹¹ Significantly, unlike past generations, 66% of married Millennial women *stay* involved in financial decisions, compared to 29% of female Baby Boomers. (To even further drive Millennial investment education, we recommend the following resources geared toward young women: [girls who inve\\$t](#) and [Rock the Street, Wall Street.](#))

Mind—and narrow—the gap

Only by closing the gender gap in investment participation can you truly become the master of your wealth universe. There are a number of ways to narrow this divide and put yourself firmly on the path of financial independence.

First, work to break down mental barriers. Non-investors, men and women, erect mental barriers that keep them from investing. Beliefs like “investing is for the professionals,” “it’s too complicated,” “I don’t have enough money,” or “I might lose all my money” may be real fears, but like many fears, they tend to be out of proportion to the reality. Also similar to many fears, knowledge can assuage concerns through education and understanding of investing principles.

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“If you don’t let not knowing how it’s done intimidate you, it’s amazing what you can do.”

Sara Blakely, Founder/Owner of Spanx, Part owner of the NBA Atlanta Hawks

Rather than focus on fears, reframe investing in a way that empowers you to achieve your highest aspirations. The world is on the cusp of a new era of technological possibilities that will reward those who invest in that future, and there is no reason for women not to participate in the wealth generation that will follow.

Next, strive to build self-confidence. This quality can be nurtured in a number of ways—through education, experimentation, building a supportive network, and working with an experienced financial advisor, which can help provide the assurance you need to make the best investment decisions for your personal circumstances and objectives.

Easier said than done? Well, a proven way to boost confidence is by not going it alone. Investors who work with a financial advisor reported higher levels of investment knowledge and confidence. They also perceived themselves to have a higher risk tolerance and consequently held almost 15 percentage points less cash than self-directed investors who operate on their own.¹¹

A financial advisor can be an invaluable resource in helping you make the critical financial and investment decisions you face. Many women agree, with 60% of wealthy women already using a financial advisor.¹² One of the most important advantages to partnering with advisors is their ability to guide in the creation and periodic updating of a financial plan. Working without a written financial plan is like a traveler taking a journey without a map. A plan can help prioritize goals, calculate funding levels to reach those goals, and define the most effective investment strategy to attain those goals.

Why financial planning matters

Many women do not prioritize financial and investment planning in their personal lives, and once again, a lack of confidence is at the root of it. Whether it is a lack of familiarity with investing, an understandable measure of anxiety and fear about making investment decisions, or an uncertainty about how to get started and where to turn for help. Research shows women have significantly lower confidence in managing their investments than in other areas of their financial lives, such as budgeting, paying off debt, or buying life insurance.¹³

Inaction and delay, however, will only create more anxiety and will not address the pressing imperative to create a financially secure future. Distant goals can be difficult to work toward, but many women may find that becoming more engaged in managing their investments and the financial independence it may facilitate results in larger life benefits, including:

- **Creating a higher sense of well-being:** Wealth doesn’t necessarily make one happier, but financial security can translate into a greater sense of well-being and optimism about the future. In one survey by BlackRock, a large asset manager, people who plan are 43% more positive about their futures, regardless of age, wealth, gender, or life stage.¹⁴ This finding was supported by a separate survey that found that individuals with retirement plans reported higher degrees of well-being (76%) than those without retirement plans (52%).¹⁵

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Working without a written financial plan is like a traveler taking a journey without a map. A plan can help prioritize goals, calculate funding levels to reach those goals, and define the most effective investment strategy to attain those goals.

- **Enjoying greater happiness through self-determination:** Women in charge of their futures enjoy higher levels of life satisfaction. There is a deep body of research that supports the idea that active planning toward goals increases the odds of a successful outcome, generating a higher positive self-image.¹⁶ In other words, there are emotional benefits to being actively involved in meaningful accomplishments.
- **Converting aspirations into reality:** Every individual harbors a unique set of financial goals. It may be funding a child's education, retiring abroad, or starting a foundation to catalyze important social change. Realizing big dreams can happen only through planning and smart, disciplined investment decision making.

Though the psychological benefits of financial security are great, many women may also be motivated by the unique economic realities they face. The fact is that the path to financial independence for women has historically been rockier than for men. Earning less, having a greater propensity to take career breaks to care for family, and living longer are just some of the life experiences that can create a higher hurdle for women to clear to secure their financial goals. This hurdle may appear daunting, but through careful planning and sound investing it's nothing that can't be overcome.

And with empowerment under way, the student can become the teacher and you can prepare to pass the torch to both your daughters and your sons. With younger children, talk to them about finances, investing, and wealth planning as soon as they're old enough to understand. When they're older, include them in meetings with advisors. You also may want to consider family giving and philanthropy as a way of reinforcing closely held values and involving your children in the causes that are important to you. They will, in turn, take their cues from your example, and be better positioned to preserve and enhance their legacy.

ENDNOTES

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In looking for a professional with whom to partner, it's important to find an advisor who is willing to talk to you as an intelligent partner, not down to you, and one who is willing to take the time to listen to you and understand your needs and goals.

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ASSET CLASS OVERVIEW

International Equities

Clem Miller

Senior Portfolio Manager

AS OF FEBRUARY 31, 2021

	Month	YTD	Trailing 12-month return
MSCI EAFE (Developed) Index	1.5	1.2	16.2
MSCI EAFE (Developed) Growth Index	-1.4	-1.7	21.8
MSCI EAFE (Developed) Value Index	4.4	4.0	9.8
MSCI Euro Area Index	2.7	1.4	16.6
MSCI UK Index	3.2	3.4	1.4
MSCI Japan Index	0.6	0.5	24.0
MSCI Emerging Markets Index	-1.6	3.9	31.1
MSCI Asia ex Japan Index	-1.4	5.4	38.4
MSCI China Index	-3.9	6.3	40.1

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

What we are seeing now

The world's public health systems are rapidly deploying their vaccine arsenal to inoculate as many individuals as quickly as possible, trying to stay ahead of the spread of virus mutations. Over the last three months, global economic recovery has accelerated, even while significant public health measures remain widespread. Production in the oil/gas, metals, and semiconductors industries has been lagging the pace necessary to meet recovering demand, creating supply/demand imbalances sending stock prices back to (and, in some cases, well above) pre-pandemic levels. As a result, these industries have been producing large positive contributions to both developed and emerging markets returns. Further, pricing pressures in these industries, and others, have raised bond market concerns about the prospect of generalized price inflation. UK yields have increased, Japanese yields have lifted above their zero target, and German yields have become less negative. Given higher yields, banks, insurers, and capital markets firms are now making positive return contributions. In emerging markets, we have seen strong continuing contributions from internet media, technology hardware, and electronic equipment, as well as from semiconductors. However, the contribution from e-commerce has been less than anticipated, given the Chinese government's actions with respect to Alibaba.

What's changing

Supply/demand imbalances and inflation concerns are partly occluding market visibility into the pandemic's fundamental

long-term impacts on society, the economy, and equity markets. The pandemic has served to accelerate public and corporate use of internet media, e-commerce, fintech, automation, and artificial intelligence. Successful vaccine development has also brought market attention to the benefits of genomics and other biotech. Further, the pandemic has underscored the potential risks to humanity of failing to address climate change, a concern that has motivated development of wind and other forms of renewable energy generation. These trends are going to persist long after the current supply/demand imbalances are resolved, and indeed, well after vaccines have helped to establish global "herd immunity."

What we expect

Over the next few months, as more individuals are vaccinated and as higher prices incent additional output, we expect a gradual unwinding of supply/demand imbalances in oil/gas, metals, and semiconductors. Moreover, unless there are central bank decisions to roll back accommodation, we do not expect bond yields to move much higher. Therefore, we anticipate reduced return contributions from the oil/gas, metals, semiconductors, and financials industries. In developed markets, we foresee leadership passing to a mix of industries, including industrial machinery, automobiles, wireless communications, technology services, renewable energy, and others. In emerging markets, while we anticipate reduced contribution from semiconductors, we expect greater support from e-commerce, internet media, technology hardware, and electronic equipment.

Investment Positioning

Portfolio targets effective March 1, 2021, for high-net-worth clients with Hedge Funds

Growth & Income

	Strategic Asset Allocation (long term)	Tactical Asset Allocation (short term)
Equities		
U.S. Large-Cap	31.5%	Overweight
U.S. Small-Cap	5.5%	Overweight
International Developed	16.0%	Overweight
Emerging Markets	5.5%	Overweight
Fixed Income		
U.S. Investment Grade-Tax-Exempt	28.5%	Underweight
High-Yield-Tax-Exempt	2.0%	Overweight
Real Assets		
U.S. Inflation-Linked Bonds	1.0%	Underweight
Global REITs	1.5%	Neutral
Other	1.5%	Overweight
Nontraditional Hedge	5.0%	Underweight
Cash & Equivalents	2.0%	Underweight
Total	100.0%	

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

TAA, or Tactical Asset Allocation, represents our *current recommendation* for each model strategy.

SAA, or Strategic Asset Allocation, represents our *current benchmark* allocation for each model strategy.

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 2021 Capital Markets Forecast is available on www.WilmingtonTrust.com/cmf 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.

Investment Positioning

Portfolio targets effective March 1, 2021, for high-net-worth clients with Private Markets*

Growth & Income

	Strategic Asset Allocation (long term)	Tactical Asset Allocation (short term)
Equities		
U.S. Large-Cap	24.3%	Overweight
U.S. Small-Cap	4.3%	Overweight
International Developed	11.6%	Overweight
Emerging Markets	4.1%	Overweight
Fixed Income		
U.S. Investment Grade-Tax-Exempt	24.7%	Underweight
High-Yield-Tax-Exempt	2.0%	Overweight
Real Assets		
U.S. Inflation-Linked Bonds	0.9%	Underweight
Global REITs	1.3%	Neutral
Other	1.3%	Overweight
Nontraditional Hedge	6.0%	Underweight
Private Markets	17.5%	Neutral
Cash & Equivalents	2.0%	Underweight
Total	100.0%	

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

TAA, or Tactical Asset Allocation, represents our *current recommendation* for each model strategy.

SAA, or Strategic Asset Allocation, represents our *current benchmark* allocation for each model strategy.

* Private markets are only available to investors that meet Securities and Exchange Commission standards and are qualified and accredited.

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

Source: WTIA.

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Some investment products may be available only to certain "qualified investors"—that is, investors who meet certain income and/or investable assets thresholds.

Alternative assets, such as strategies that invest in hedge funds, can present greater risk and are not suitable for all investors.

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.

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

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.

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 investments will, naturally, carry those exposures as well. **Each asset class carries a distinct set of risks, which should be reviewed and understood prior to investing.**

Allocations:

Each strategy is constructed with target weights for each asset class. Wilmington Trust periodically adjusts the target allocations and may shift away from the target allocations within certain ranges. Such tactical adjustments to allocations typically are considered on a monthly basis in response to market conditions. The asset classes and their current proxies are: large-cap U.S. stocks: Russell 1000® Index; small-cap U.S. stocks: Russell 2000® Index; developed international stocks: MSCI EAFE® (Net) Index; emerging market stocks: MSCI Emerging Markets Index; U.S. inflation-linked bonds: Bloomberg/Barclays US Government ILB Index; international inflation-linked bonds: Bloomberg/Barclays World exUS ILB (Hedged) Index; commodity-related securities: Bloomberg Commodity Index; U.S. REITs: S&P US REIT Index; international REITs: Dow Jones Global exUS Select RESI Index; private markets: S&P Listed Private Equity Index; hedge funds: HFRI Fund of Funds Composite Index; U.S. taxable, investment-grade bonds: Bloomberg/Barclays U.S. Aggregate Index; U.S. high-yield corporate bonds: Bloomberg/Barclays U.S. Corporate High Yield Index; U.S. municipal, investment-grade bonds: S&P Municipal Bond Index; U.S. municipal high-yield bonds: Bloomberg/Barclays 60% High Yield Municipal Bond Index / 40% Municipal Bond Index; international taxable, investment-grade bonds: Bloomberg/Barclays Global Aggregate exUS; emerging bond markets: Bloomberg/Barclays EM USD Aggregate; and cash equivalents: 30-day U.S. Treasury bill rate.

Continued

Disclosures Continued

All investments carry some degree of risk. Return volatility, as measured by standard deviation, of asset classes is often used 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.**

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

Definitions:

Alpha is a measure of performance on a risk-adjusted basis. The excess return of the fund relative to the return of the benchmark index is a fund's alpha.

Equity risk premium is the extra return that's available to equity investors above the return they could get by investing in a riskless investment like T-Bills or T-Bonds or cash.

Event-driven hedge fund strategies attempt to take advantage of temporary stock mispricing before or after a corporate event takes place. An event-driven strategy exploits the tendency of a company's stock price to suffer during a period of change.

HFR® (HedgeFundResearch) Indices are the established global leader in the indexation, analysis and research of the hedge fund industry.

LIBOR is the average interbank interest rate at which a selection of banks on the London money market are prepared to lend to one another.

Macro hedge fund strategies generally focus on financial instruments that are broad in scope and move based on systemic or market risk (not security specific). In general, portfolio managers who trade within the context of macro strategies focus on currency strategies, interest rates strategies, and stock index strategies.

MSCI AC Asia ex Japan Index captures large- and mid-cap representation across two of three developed markets countries (excluding Japan) and nine emerging markets countries in Asia. The index covers approximately 85% of the free float-adjusted market capitalization in each country.

MSCI China Index captures large- and mid-cap representation across China A shares, H shares, B shares, Red chips, P chips and foreign listings (e.g. ADRs). The index covers about 85% of this China equity universe. Currently, the index includes large-cap A and mid-cap A shares represented at 20% of their free float adjusted market capitalization.

MSCI EAFE Index is an equity index which captures large and mid-cap representation across 21 Developed Markets countries around the world, excluding the US and Canada. With 902 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

MSCI EAFE Growth Index captures large- and mid-cap securities exhibiting overall growth style characteristics across developed markets countries around the world, excluding the U.S. and Canada.

MSCI EAFE Value Index captures large- and mid-cap securities exhibiting overall value style characteristics across developed markets countries around the world, excluding the U.S. and Canada.

MSCI Emerging Markets Index captures large- and mid-cap representation across 26 emerging markets countries. The index covers approximately 85% of the free float-adjusted market capitalization in each country.

MSCI Europe Index captures large- and mid-cap representation across 15 developed markets (DM) countries in Europe. The index covers approximately 85% of the free float-adjusted market capitalization across the European DM equity universe.

MSCI Japan Index is designed to measure the performance of the large- and mid-cap segments of the Japanese market. The index covers approximately 85% of the free float-adjusted market capitalization in Japan.

MSCI United Kingdom Index is designed to measure the performance of the large- and mid-cap segments of the UK market. The index covers approximately 85% of the free float-adjusted market capitalization in the UK.

Relative value hedge fund strategies cover a variety of low-volatility trading strategies with the consistent theme of attempting to reduce market risk, i.e., the manager seeks to generate a profit regardless of which direction the markets are moving. All relative value strategies minimize market risk by taking offsetting long and short positions in related stocks, bonds, and other types of securities.

S&P 500 index measures the stock performance of 500 large companies listed on stock exchanges in the U.S. and is one of the most commonly followed equity indices.

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