WILMINGTON TRUST
MEMBER OF THE M&T FAMILY

November | 2021

Capital Perspectives

Monthly investment analysis and insights from Wilmington Trust Investment Advisors

ON THE RECORD

Buckled Up in the Driver's Seat
The Forces Behind Our Portfolio Positioning

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Tony Roth
Chief Investment Officer

I'm (thankfully) finding myself on the road much more these days, visiting clients, colleagues, and family, and am struck by how similar investing is to being behind the wheel of a car. Like driving, investing requires a careful consideration of many visible and invisible risks, looking both ahead and behind us when interpreting economic data, and avoiding hard turns of the wheel unless necessary. It is the case today that we are traveling down a winding road and have better visibility of our destination nine to twelve months ahead of us, but not necessarily clarity on how we will get there. Elevated inflation, supply chain challenges, and policy uncertainty could throw up additional roadblocks in the months ahead, but we continue to assess the longer-term outlook as constructive. We retain an overweight to equities and have modestly reduced portfolio risk by trimming our overweight allocations to commodities and high-yield municipal bonds in favor of an above-benchmark tactical cash position. Effectively, we are sticking with our optimistic expectations for post-pandemic growth and earnings while at the same time hedging against the asset price disruption that higher inflation could bring to both stocks and bonds.

Economic whiplash

The economy threw on the brakes in the third quarter, thanks to the Delta variant of COVID-19. GDP (gross domestic product) clocked in at just 2.0% quarter-over-quarter on a seasonally adjusted basis, compared to 6.7% in the second quarter,* as personal consumption flatlined. New job creation disappointed despite record numbers of job openings. Growth in other parts of the world, including China, decelerated at a similar rate as mobility restrictions and plant shutdowns stymied economic activity.

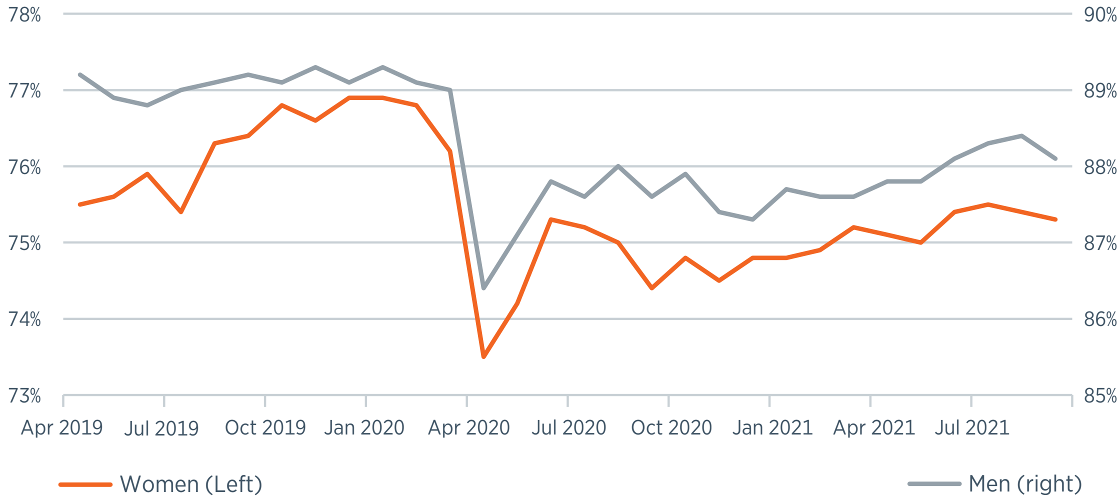
* Source: Bureau of Economic Analysis.

Continued

Figure 1

Worker shortages plagued by lack of participation

Labor force participation rate, 25 to 54 years, by gender



Data as of September 30, 2021.

Sources: Bureau of Labor Statistics, Macrobond.

The acceleration of retirements observed during the pandemic could mean worker supply undershoots employer demand for the foreseeable future.

The near-term outlook is foggy and will depend on the answers to three important questions:

1) **Where are the workers?**
Job openings sit at record levels, yet the last few months have revealed disappointing job growth. Clearly this is a supply-side labor issue that is spilling over into wage growth, inflation, and supply chain problems. The October jobs report will be critical, as it is the first month with a "clean" report since the September expiration of extra federal unemployment benefits. Bloomberg consensus estimate is for a net addition of 395,000 jobs. Most important to watch will be the labor participation rate. This is the size of the labor pool measured by the number of people working or looking for work as a percent of the working-age population. This figure dropped significantly during the pandemic and has yet to recover, particularly for women (Figure 1). We attribute this to a confluence of factors, including generous unemployment benefits, elevated savings accounts, health concerns, childcare issues, retirements, and especially a reconsideration of the desire to work. Going forward, several of these factors will drop off and the participation rate should recover, but the acceleration of retirements observed during the pandemic could mean worker supply undershoots employer demand for the foreseeable future.

2) **When will supply chain traffic jams clear?**
To answer this question requires a crystal ball we simply do not have, but we do speak with experts in the transportation, logistics, manufacturing, and retail industries. Third-quarter earnings season has also been revealing, as even communication services companies like Snap have indicated that supply chain pressures are affecting their bottom lines. Our research suggests backlogs at ports may be close to peaking, but a return to normal is unlikely before mid-2022 at the earliest. The shortage of semiconductors, which has been so painful for

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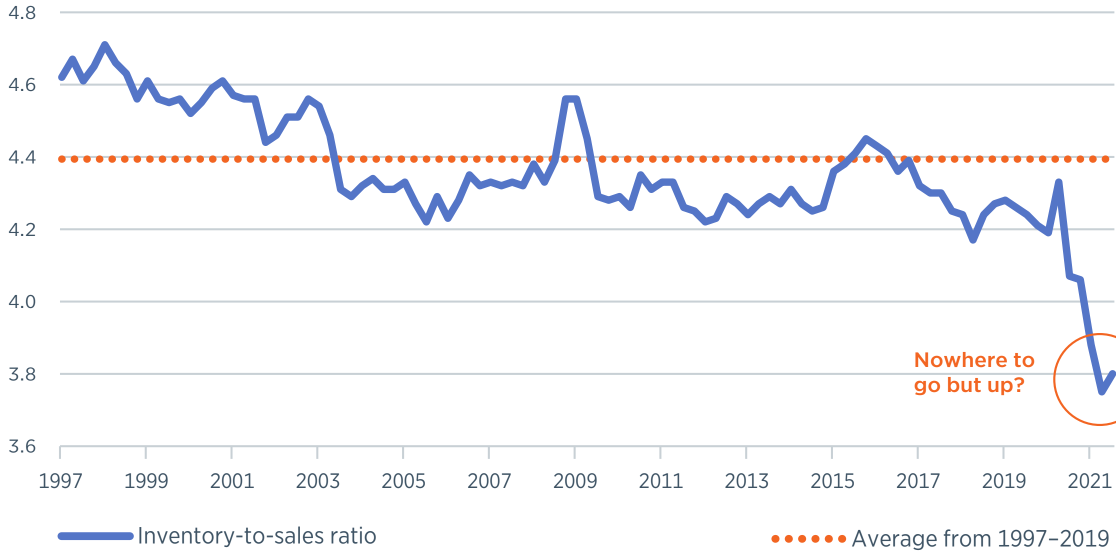
Figure 2

Record-low inventories suggest a massive restocking of shelves in 2022

Ratio of nonfarm inventories to final sales of goods and structures



Data as of September 30, 2021.

Source: Macrobond.

We continue to view inflationary risks as skewed to the upside, and our overweight allocation to equities remains a good long-term hedge.

auto manufacturers and other companies, may not alleviate until the end of next year. U.S. auto sales in September were the lowest since late 2011 and fell at an annualized rate of 54% in the third quarter*—evidence of the severe toll that supply chain problems are having on the industry and overall economy. That said, we expect the strain on supply chains to ease over the next year as workers return to the labor market and spending shifts from goods to services. Looking further out, the record-low levels of inventories (Figure 2) create a very nice backdrop for an inventory rebuild cycle that should be supportive of growth in 2022.

3) How high will inflation go before peaking?

This answer depends very much on how answers to the first and second questions we've posed pan out, but our base case is that inflationary pressures start to recede in 2022. Input prices remain elevated and wage growth has accelerated, but if you squint you can start to see signs of more normal rates of inflation, particularly in the month-over-month data. Industrial commodities like copper, iron ore, and steel are already declining alongside China's property market. We expect the Consumer Price Index to slow from a year-over-year rate of 5.4% to around 3% a year from now, which is more than 1% above the 2010–2019 average but much more manageable for businesses and consumers than today's rate of price increases. That said, we continue to view inflationary risks as skewed to the upside, and our overweight allocation to equities remains a good long-term hedge.

Policy uncertainty

The winds are definitely shifting in Washington, and by that we mean the net impulse of both fiscal and monetary policy is receding. The Federal Reserve (Fed) is set to commence the tapering of quantitative easing asset purchases, with this process

* Source: Ward's Automotive Group.

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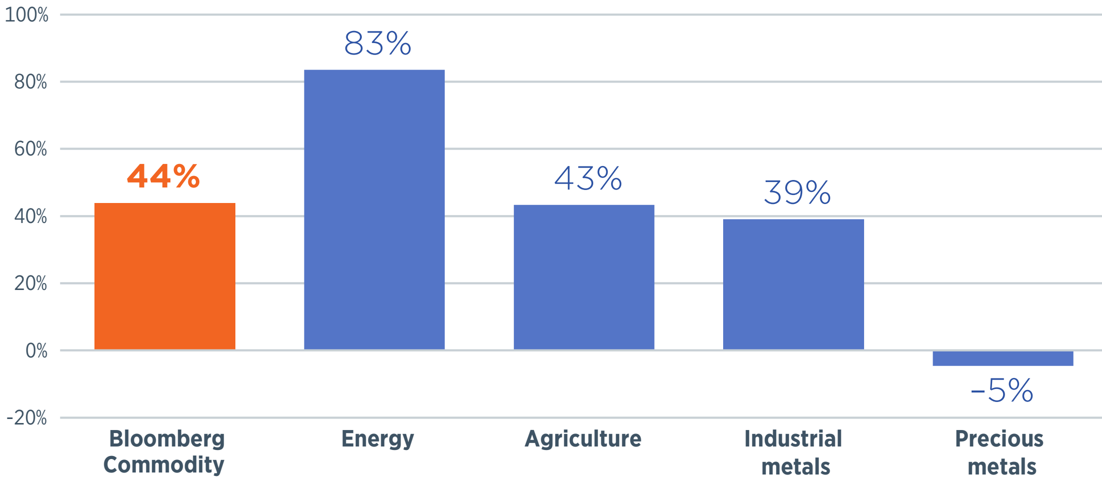
Figure 3

Strong returns for commodities across the complex

12-month commodity returns



Data as of October 29, 2021.

Figures represent total returns. Blue bars represent the Bloomberg commodity sub-indices.

Please see disclosures for descriptions of the indices noted.

Source: Bloomberg.

We stand by our equity overweight, but have sought to curb overall portfolio risk by reducing our commodity and high-yield municipal bond allocations.

projected to be completed in the middle of 2022. Our projection is for the Fed to begin raising rates at the end of 2022, but if we are wrong, we expect inflation to have forced the central bank to act sooner. The trajectory of the rate hike cycle remains more critical than the exact timing of "liftoff."

The Democrats continue to work to pass infrastructure and social spending bills. The size of the latter has diminished to $1.75 trillion, from the $3.5 trillion originally discussed. This reduced fiscal spending adds some downside risk to our 4% GDP forecast for 2022. The silver lining for investors is that a smaller spending bill requires less in the way of tax increases to fund it. At this time, the prospects for any material increase in tax rates for corporations or individuals are uncertain, which is likely contributing to the stronger recent performance of equities that had priced in close-to-certain rate hikes for corporations and wealthy individuals.

The debt ceiling could return to the fore in December, should the Democrats fail to roll an increase into one of the two bills. This remains a risk of low probability but potentially grave impact.

Recalibration of portfolios

Valuations have become elevated across asset classes, which mutes the return outlook over a three- to five-year timeframe for equities, fixed income, and real assets. We stand by our equity overweight, but have sought to curb overall portfolio risk by reducing our commodity and high-yield municipal bond allocations.

Commodities have had an incredible run, with the Bloomberg Commodity Total Return Index gaining over 44% in one year (Figure 3); West Texas Intermediate oil has climbed nearly 133%, according to Bloomberg (October 31, 2020–2021). An overweight allocation to this asset class has provided nice exposure to the global economic recovery while acting as a hedge against inflation risks. Commodities could certainly continue to climb, but we recognize more downside risks associated

* Source: Ward's Automotive Group.

Continued

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	○ ○ ● ○ ○ ○ ○	Underweight
	Global REITs	○ ○ ○ ● ○ ○ ○	
	Other/Commodities	○ ○ ○ ● ○ ○ ○	
Alternatives	Equity Long/Short Hedge	○ ○ ● ○ ○ ○ ○	Underweight
Cash		○ ○ ○ ○ ● ○ ○	Overweight

Coming in just a few weeks:

Our ***2022 Capital Markets Forecast!***

with weakness in China's property market and broader economy. In addition, an environment of high but stable or declining inflation can be very challenging for the commodity complex, so a neutral allocation is prudent.

A reduction in high-yield municipal bonds to a neutral allocation has also taken risk off the table. This asset class has quietly outperformed all other cash and fixed income assets year to date, delivering a return of nearly 5% (this would equate to an even higher return on an after-tax basis). Going forward, we see little room for further credit spread compression, and uncertainty around the scope of the Democrats' spending agenda leaves the asset class a bit more at risk. Fundamentals remain sound, but we believe current spread levels will mute future price returns.

The proceeds of these reductions are being added to cash. We recognize that the prospects for the real return on cash are bleak should inflation remain elevated. However, fixed income is the other natural destination for these cash proceeds, and there the near-term prospects are even less appealing. We anticipate a continued rise in interest rates, with the 10-year Treasury yield reaching 2% a year from now, which will hurt the short-term price return on investment-grade bonds. Our intention is to redeploy these cash proceeds as opportunities arise. We would point to the cash-management solutions offering slightly higher yield, slightly higher duration, and reasonable risk for those clients sitting on high cash levels.

The end of the year could certainly have some surprises in store for us, but we are keeping both hands on the wheel. We look forward to sharing with you next month the pinnacle of our annual research efforts—our *2022 Capital Markets Forecast*.

Best,

Tony

IN FOCUS

The Engagement Lever:
Pull to activate risk mitigation

Jessica Blitz
Research Analyst and Head of Corporate Engagement

Steve Norcini
Portfolio Manager and Head of Sustainable Investing

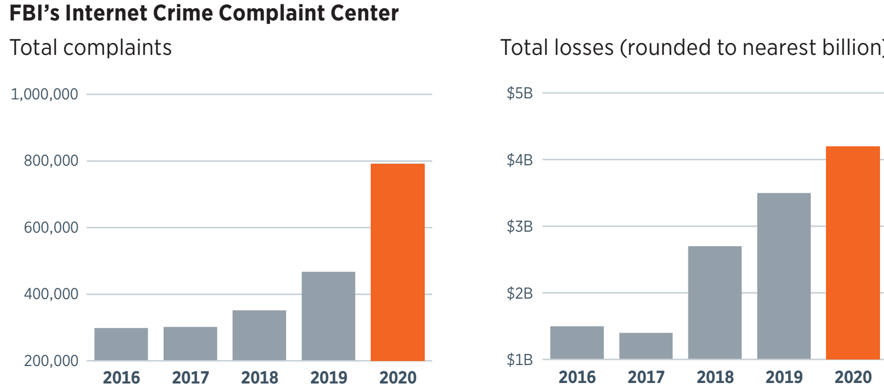
At a glance:

- **The FBI has recorded more than two million cybercrime complaints in the last five years, totaling over $13 billion in losses**
- **As we embrace digitization, the vulnerability of personal data increases and firms should consider actively investing in tech and infrastructure to help prevent future hacks**
- **Unlike socially responsible investing (SRI), ESG investors are not exclusionary in their approach; they will own leaders in their space, and encourage continued risk mitigation practices undertaken by management**
- **ESG managers have been able to avoid investing in many of the companies that have experienced the most severe tail risks, including data breaches**
- **We engage with select portfolio companies on financially material issues and are cognizant of the dangers of becoming complacent in cybersecurity risk management**

At a White House summit on cybersecurity this past August, President Biden described it as a "core national security challenge."* He added that "the federal government can't meet this challenge alone," in a blunt assessment of our critical infrastructure resiliency and the role the private sector will have to play in keeping the public protected. The fears of becoming a victim of cybercrime are hardly new, and the likelihood is only growing as we move toward an increasingly digitized world. The FBI's Internet Crime Complaint Center (IC3) has recorded more than two million complaints in the last five years, totaling over $13 billion in losses (Figure 1).

These complaints cover everything from "phishing" (fraudulent emails that seek to induce recipients to reveal personal financial information) to identity theft, but are largely instances targeting individuals on a smaller scale. Perhaps looming larger are the broader attacks, ones that have shut down entire organizations using a relatively simple plan: Break into a company's operating software, encrypt swaths of data, and threaten to sell it on the dark web until multimillion dollar figures are paid. While some breaches aim to disrupt critical infrastructure—the May hack of the Colonial Pipeline and the resulting fuel shortages, for example—others have a different goal in mind: Monetize the private information of users and customers (Figure 2).

Figure 1
FBI's Internet Crime Complaint Center



Source: https://www.ic3.gov/Media/PDF/AnnualReport/2020_IC3Report.pdf

*Source: cnn.com/2021/08/25/politics/biden-cyber-meeting/index.html

Continued

An ill-prepared cyber-security effort has the potential to land a company in serious hot water with regulators, and customers alike, harming shareholders in the process.

Figure 2

Select data security breaches

Howard University	The school was forced to cancel classes following an August 2021 hack of its systems
T-Mobile	Over 54 million customers had their personal details, including SSNs and account PINs, leaked following an August hack
Scripps Health (San Diego health care system)	The major health care provider was forced to take their systems offline for two weeks in May following an IT hack
Houston Rockets	A self-reported 500 gigabytes of data, including contracts, nondisclosure agreements, and financial information were stolen by a hacking group in April
CNA Financial Corp.	The large U.S.-based insurer was locked out of its network for almost two weeks in March
Microsoft Exchange	250,000+ global victims estimated in a hack of the Microsoft Exchange email system that targeted small private businesses and local governments

Source: WTIA.

It would be almost impossible and impractical to run a large company without embracing digitization. The power of technology has allowed companies to reach a wider base of consumers than ever before and provide unprecedented ease of transacting with customers. It continues to increase the personalization of services that digital interactions can provide. As we embrace this newfound ease of doing business, though, the vulnerability of personal data increases.

Ensuring that capabilities exist to protect this information should be of paramount importance for management—not only to avoid the financial repercussions of a data breach, but also because of the responsibility firms have to safeguard the information with which users have entrusted them. It is not enough to be able to respond to an attack that happened to a peer or another company; firms should be actively investing in technology and infrastructure such that they are prepared to prevent tomorrow's attempted hack. An ill-prepared cybersecurity effort has the potential to land a company in serious hot water with regulators and customers alike, harming shareholders in the process.

How ESG investing may help manage these risks

Environmental, social, and governance (ESG) investing considers these criteria to work toward achieving financial objectives. ESG-oriented managers and investors believe these risks associated with company practices have the potential to impact long-term shareholder returns, similar to more traditional risks. Unlike socially responsible investing (SRI), ESG investors are not exclusionary in their approach: Instead of avoiding entire industries such as energy due to personal values, some ESG investors work to encourage continual risk mitigation practices undertaken by management leaders in their space.

Continued

ESG investors have long been concerned about data privacy and security.

Investors might be more familiar with ESG risks, such as a prevalence of related-person transactions (a governance risk) or operating next to a protected wildlife reserve (an environmental risk). In both of these instances, the firm's actions have the potential to impact bottom-line profitability—if, for instance, the related party is using company assets for his self-interest or if business operations disrupt federally protected land. We most frequently talk about social risks as they relate to key stakeholders—employees, customers, suppliers, and the broader community. Data privacy and security, given the impact on customers, is a social risk. Customers retain a right to data protection and privacy. If a company fails to properly protect its customers' data, it may bear responsibility and suffer financial penalties as well as reputational damage.

ESG investors have long been concerned about data privacy and security. A data breach, although a risk rarely preemptively considered by traditional investors, could have a significant impact on a company should it materialize. This scenario, and others like it, are known as "tail risks": highly infrequent events with the potential to derail even the most well-developed corporate strategy. By focusing on a broader definition of risk, ESG managers have largely been able to avoid investing in many of the companies that have experienced the most severe tail risks, including data breaches. Given their outsized influence on corporate value and the sustainability of long-term growth, this is a compelling risk-based argument for integrating ESG issues in any investment approach.

Managing ESG risk at Wilmington Trust

We consider a number of relevant financial and ESG risks, including cybersecurity, in our equity research. While we do not invest exclusively in companies that have fulfilled all best data privacy practices, we do use the levers at our disposal to manage identified risks. One of these levers is corporate engagement, a broad term that encompasses any number of actions investors might take to make company management aware of concerns as they arise in the normal due diligence and monitoring process. Engagement could take the form of conversations with management, written letters, or shareholder proposals at annual meetings.

Engagement is a cornerstone of ESG investing. Active engagement through constructive conversations with company management provides an avenue to address these risks, and to work alongside management to develop corrective practices that may improve company sustainability and long-term risk/return expectations. It also provides investors with an opportunity to gain further clarity on any matters of concern or confusion.

Engagement is an extensive undertaking, and with upwards of 50 portfolio holdings in any given portfolio, partaking in quality conversations with every management team is an unreasonable expectation. For that reason, we engage with select portfolio companies on financially material issues where the resulting costs or profits can be expected to substantially impact the economic value of a company.

Continued

Engagement is a cornerstone of ESG investing. Active engagement through constructive conversations with company management provides an avenue to address these risks.

For an energy company, these risks are largely environmental. For asset-light businesses in financials or health care, social issues such as product and customer safety concerns would be most impactful to the bottom line.

As long-term investors, our aim is to foster constructive relationships with management teams, and to act as a partner in their work to adjust or introduce behaviors and processes. The goal of aligning with company management is to ensure that material ESG risks are being considered in management strategy in order to maximize potential shareholder value.

Our engagement efforts

As the world increasingly relies on technology and digital recordkeeping, increasing amounts of personal data are stored online, in private firm databases, and with third-party providers. The rate of this trend accelerated rapidly as the COVID-19 pandemic forced many in-person activities and transactions online. For a health care provider, the increasing quantities of personally identifiable information (PII) and personal health information (PHI) stored online poses a notable risk.

We believe our resources are best utilized through focused and targeted engagement efforts on select topics. We decided that a commonsense point of focus was on the preparedness of health care providers for the increased challenge of data protection. With the pandemic ushering in both a greater degree of retail health data accumulated and an enhanced reliance on digital recordkeeping, it was paramount to ensure that this risk, like any other, was being preemptively managed by companies that might find themselves most affected.

After extensive research across our portfolio investments, we identified two firms that we believed, based on available information, may be vulnerable to ransomware attacks. Both a national pharmacy chain and a clinical laboratory chain hold vast amounts of PII and PHI on large portions of the population. COVID-19 testing further broadened their network of customers. After gathering information from public reporting, company disclosures, and third-party ESG data providers, we were able to engage directly with the management of both companies to present our findings and ask questions. In these cases, speaking with management was a further step taken in ensuring that risk mitigation practices were in place. After conversations with key management personnel, we believe the systems and policies these companies have in place are appropriate, their responses to the heightened reliance on technology during the pandemic are reasonable, and their data security governance infrastructure is sound. All of this may not have been reflected in full in published materials due to the sensitive nature of the topic.

An active approach to corporate engagement

The risks associated with a data breach are far-reaching and would likely include reputational damage, legal ramifications, and a potentially negative impact on earnings as they remediate any residual issues. The opportunity cost of lost business as the organization attempts to identify the threat or due to public mistrust only

Continued

As the world increasingly relies on technology and digital recordkeeping, increasing amounts of personal data are stored online

further emphasizes the devastating nature of these attacks. Even beyond the reputational damage, though, the implications of a firm violating individuals' right to privacy by suffering a data breach should be considered another facet of potential damage.

As equity investors, we're steeped in balance sheet analysis and cash flow projections. Our team is well versed in building and readjusting models to forecast future returns. ESG criteria force investment teams to go beyond traditional earnings forecasts and concentrate on long-term risks and opportunities. This allows for more focus on tail risk events such as data breaches. Taking an active engagement approach to risk may help our team create meaningful change in the way these risks are handled by company leaders.

As a financial institution ourselves, we are cognizant of the dangers of becoming complacent in cybersecurity risk management. As investors, we want to ensure our portfolios feel this urgency as well.

While the risk of a data breach can never be fully eliminated, a flexible and comprehensive firmwide approach to cybersecurity is likely to help manage it, and we want to ensure that our portfolio companies are not taking any chances.

ASSET CLASS OVERVIEW

Equities

Andrew H. Hopkins, CFA
Head of Equity Research

AS OF OCTOBER 31, 2021	Month	Last 3 months	Trailing 12-month return
S&P 500 Index	7.01%	5.13%	42.89%
Russell 2000 Index	4.25%	3.44%	50.77%
MSCI EAFE Index	2.46%	1.24%	34.18%
MSCI Emerging Markets Index	0.99%	-0.49%	16.96%

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

U.S. equity markets turned up to post new highs after a modest drawdown (peak-to-trough drop in asset values) in September. Earnings reports continue to reflect strong growth as the effects of COVID-19 diminish their impact on company results. Forward earnings continue to be revised higher during the reporting season despite issues around the difficulties in supply chains, higher input costs from both materials and wage costs, and higher transportation costs that are causing price inflation. With the large-cap S&P 500 up 24.03% year to date, there is some examination of where long-term growth rates should be for the economy and inflation and how quickly the country returns to those levels. The S&P 500 returned 7.01% in October while the more cyclical Russell 2000 Index rose 4.25%. Also, the Russell 1000 Value Index saw an increase of 5.08% while the Russell 1000 Growth Index rose 8.66%. The best performance came from consumer discretionary, energy, technology, and basic materials. Underperforming sectors included communication services, consumer staples, utilities, and health care. Valuation is at the high end of historical averages with a 2021 price/earnings multiple of 20.9x, which adds to market vulnerability. Earnings estimates continue to climb higher with growth of earnings projected to be 42.7% this year coming out of the downturn, and 2022 growth projected to decelerate to 8.1%.

What's changing

Equities continued their strong performance during October as vaccines and other COVID medicines became available and workplaces expected a return to the office, at least partially for some jobs. The recovery is sparking higher costs and pricing from most goods manufacturers. Even service companies are being hit by rising employee costs, raising inflation concerns. In the current reporting season, there is a mixture of reactions to the supply chain difficulties as well as the higher input, transportation, and wage costs mentioned above. Some companies have responded by working through these supply chain issues and inflated costs with price increases, while others are lowering margin expectations. Equity earnings estimates continue to push to the upside, especially for the cyclical sectors where earnings were devastated last year.

What we expect

The preoccupation of the market with COVID is now diverting toward the potential health of the recovery as we look further into 2022. Much of the dislocation caused by supply chain issues is expected to be largely cured sometime in 2022, resulting in better availability of products that may help relieve the current inflation threat to a degree. Unemployment rates continue to decline, but the supply of labor is in question for many jobs that are available and the impact of wage inflation to fill these jobs has put cost pressure on many companies. As the prospect of significant corporate tax increases now appears more muted, there will be less earnings pressure on that front. Along with the emergence from supply chain issues, that leaves room for healthy earnings growth if companies can continue their attempts to offset increased costs with higher prices—as they are currently doing without a fallout in demand. While equity valuations remain full, earnings growth has kept pace this year. Moving into next year, higher costs and interest rates may pressure valuations as growth moderates from this year's high level.

Investment Positioning

Portfolio targets effective November 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%	Neutral
Real Assets		
U.S. Inflation-Linked Bonds	1.0%	Underweight
Global REITs	1.5%	Neutral
Other	1.5%	Neutral
Nontraditional Hedge	5.0%	Underweight
Cash & Equivalents	2.0%	Overweight
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 November 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%	Neutral
Real Assets		
U.S. Inflation-Linked Bonds	0.9%	Underweight
Global REITs	1.3%	Neutral
Other	1.3%	Neutral
Nontraditional Hedge	6.0%	Underweight
Private Markets	17.5%	Neutral
Cash & Equivalents	2.0%	Overweight
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.

Disclosures

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Not Bank Deposits or Obligations	**May Lose Value**

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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.**

Continued

Disclosures Continued

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.

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**.)

Paragon
Paragon® is a portfolio analysis, risk assessment, and goal optimization tool. The Paragon report uses hypothetical examples in conjunction with forecasts for inflation, economic growth, and asset class returns, volatility, and correlation and provides you with general financial planning information and to serve as one tool in helping you develop a strategy for pursuing your financial goals. It is not intended to provide specific legal, investment, accounting, tax or other professional advice. For specific advice on these aspects of your investments, you should consult your professional advisors.

Gold
The gold industry can be significantly affected by international monetary and political developments as well as supply and demand for gold and operational costs associated with mining.

ESG
A strategy that integrates environmental, social, and governance (ESG) factors into the investment process may avoid or sell investments that do not meet criteria set forth by the investment manager. Such investments may perform better than investments selected utilizing ESG factors.

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.

The BBG Commodity TR USD index measures the performance of future contracts on physical commodities which traded on US exchanges and London Metal Exchange. The commodity weightings are based on production and liquidity, subject to weighting restrictions applied annually.

Bloomberg Commodity Total Return index (BCOMTR) is composed of futures contracts and reflects the returns on a fully collateralized investment in the BCOM and combines the returns of BCOM with the returns on cash collateral invested in 13 week (3 Month) U.S. Treasury Bills.

Bloomberg Energy Subindex Total Return (BCOMENTR), formerly known as Dow Jones-UBS Energy Subindex Total Return (DJUBENTR), is a commodity group subindex of the Bloomberg CITR composed of futures contracts on crude oil, heating oil, unleaded gasoline and natural gas and reflects the return on fully collateralized futures positions and is quoted in USD

Bloomberg Agriculture Subindex Total Return (BCOMAGTR), formerly known as Dow Jones-UBS Agriculture Subindex Total Return (DJUBAGTR), is a commodity group subindex of the Bloomberg CITR composed of futures contracts on coffee, corn, cotton, soybeans, soybean oil, soybean meal, sugar and wheat and reflects the return on fully collateralized futures positions and is quoted in USD.

Bloomberg Precious Metals Subindex Total Return (BCOMPRTR), formerly known as Dow Jones-UBS Precious Metals Subindex Total Return (DJUBPRTR), is a commodity group subindex of the Bloomberg CITR composed of futures contracts on gold and silver. It reflects the return on fully collateralized futures positions and is quoted in USD.

The Bloomberg Industrial Metals Subindex Total Return Index (BCOMTNT), formerly known as Dow Jones-UBS Industrial Metals Subindex Total Return (DJUBINTR), is a commodity group subindex of the Bloomberg CITR composed of longer-dated futures contracts on aluminum, copper, nickel and zinc and reflects the return on fully collateralized futures positions and is quoted in USD.

The Bloomberg Barclays US Credit Index measures the investment grade, US dollar-denominated, fixed-rate, taxable corporate and government related bond markets. It is composed of the US Corporate Index and a non-corporate component that includes foreign agencies, sovereigns, supranationals and local authorities.

Bloomberg Commodity Total Return index is composed of futures contracts and reflects the returns on a fully collateralized investment in the BCOM. This combines the returns of the BCOM with the returns on cash collateral invested in 13-week (3-Month) U.S. Treasury Bills.

The Bloomberg Barclays US Treasury US TIPS TR USD index measures the performance of rules-based, market value-weighted inflation-protected securities issued by the U.S. Treasury. It is a subset of the Bloomberg US Treasury Inflation-Linked Bond Index (Series-L), which measures the performance of the US Treasury Inflation Protected Securities (TIPS) market. Federal Reserve holdings of US TIPS are not index eligible and are excluded from the face amount outstanding of each bond in the index.

Duration risk is the risk associated with the sensitivity of a bond's price to a one percent change in interest rates. The higher a bond's duration, the greater its sensitivity to interest rates changes.

Continued

Disclosures Continued

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.

Global intangible low-taxed income (GILTI) is a category of income that is earned abroad by U.S.-controlled foreign corporations (CFCs) and is subject to special treatment under the U.S. tax code.

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 All Country World Index (ACWI) is a stock index designed to track broad global equity-market performance. Maintained by Morgan Stanley Capital International (MSCI), the index comprises the stocks of about 3,000 companies from 23 developed countries and 26 emerging markets.

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.

The S&P Developed Property index defines and measures the investable universe of publicly traded property companies domiciled in developed markets. The companies in the index are engaged in real estate related activities, such as property ownership, management, development, rental and investment.

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.

Stagflation is persistent high inflation combined with high unemployment and stagnant demand in a country's economy.

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