



U.S. Tariffs and the Economy: Evaluating the impacts

Policy and your Portfolio

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Key takeaways

- The speed and uncertainty of tariff policy changes has limited visibility for consumers and businesses and remains a downside risk to economic growth.
- Are tariffs *strategic* or *tactical*? Likely to be both; will take time to sort out.
- Tariffs announced (partly delayed) thus far are 4-5x larger than those enacted in President Trump's first term.
- Ladders remain, and we are not (yet) calling a recession.
- We currently are positioning portfolios with a neutral allocation across asset classes.
- We expect higher equity market volatility in 2025, which should create tactical opportunities for patient investors.

Chutes & Ladders 7 weeks in

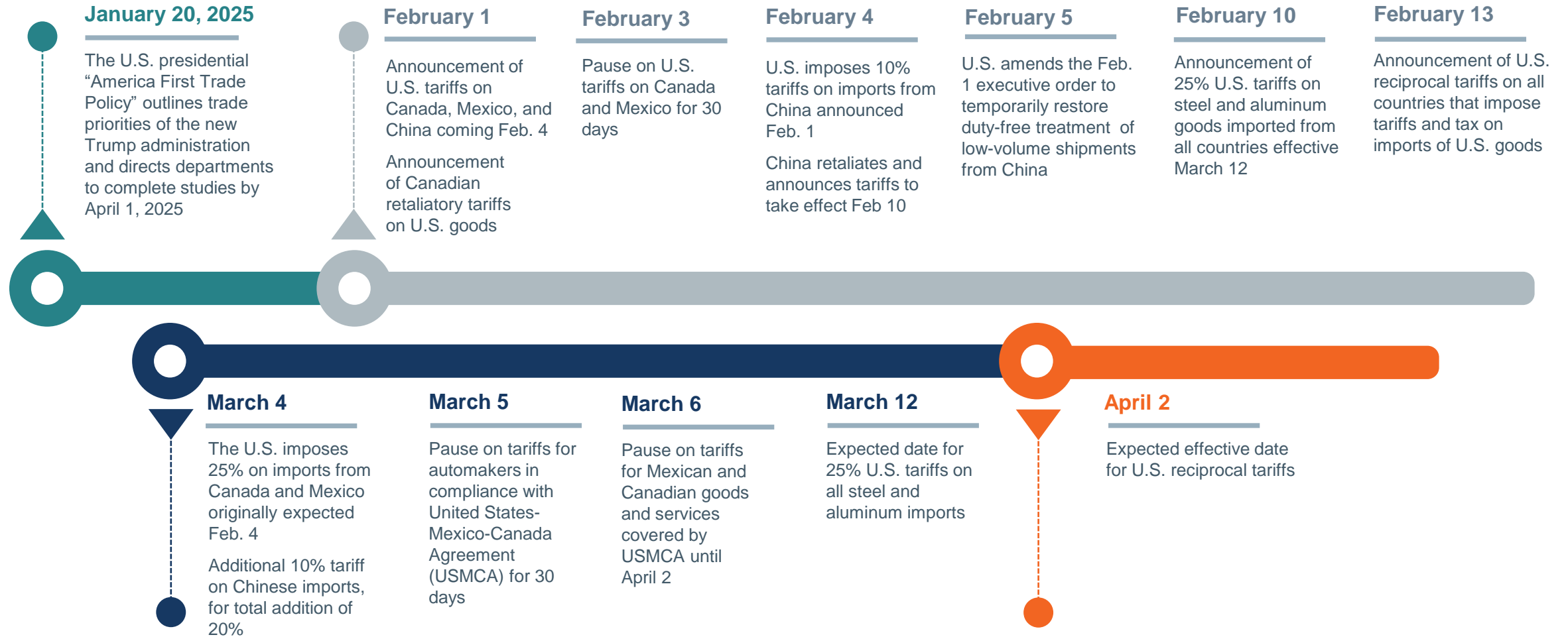
- **Chutes**

- Tariffs
- Inflation
- Consumer Retrenchment
- Valuation Reversion
- Government Shutdown

- **Ladders**

- Productivity
- Tax Cuts
- Expensing
- Monetary Policy – Rate Cuts
- Deregulation
- Tariffs (?)

Tariff timeline – strategic or tactical?



Source: WTIA.

Heightened uncertainty on all aspects of tariff policy



Tariff Targets and Rates

Mexico & Canada
25% except USMCA

China
20% or higher

All Other
Reciprocal Tariffs

Industries & Goods
Autos, Steel, Aluminum,
Agriculture



Duration

Short-term
1-2 months

Long-term
1-2 years

Permanent
Until removed by
subsequent President



U.S. Goals

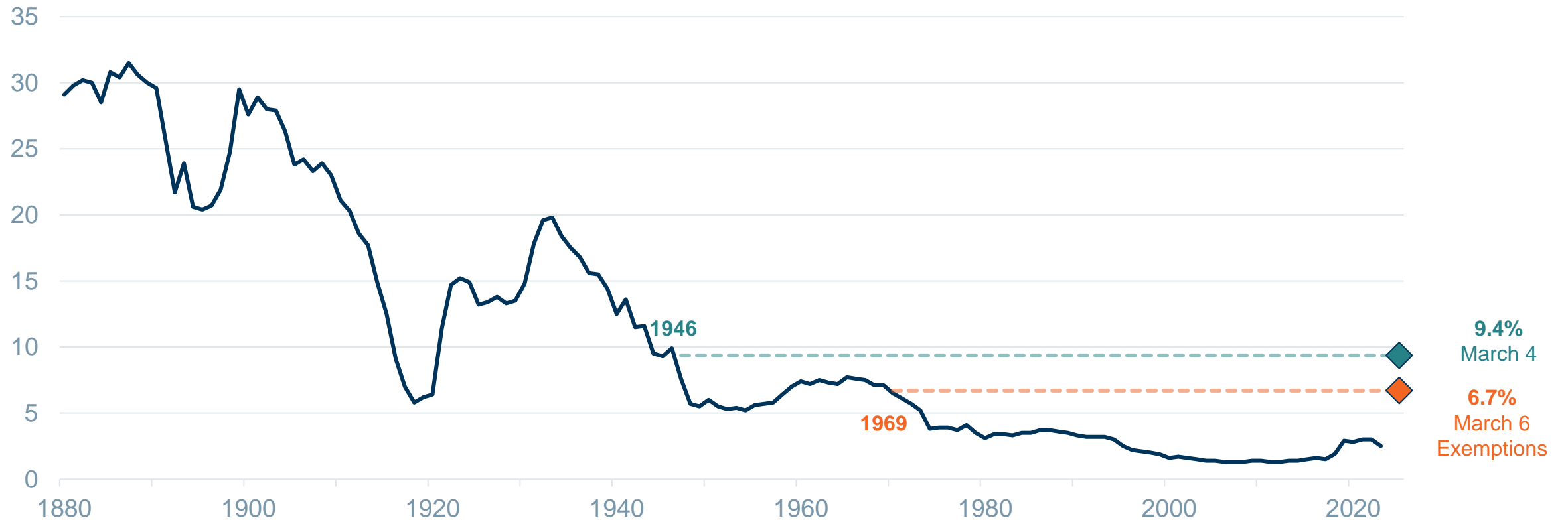
Tactical
Achieve quick wins
(border, fentanyl)

Strategic
Reciprocal

Revenue
Funding of fiscal priorities

Highest tariff rates in decades

U.S. Effective Tariff Rate (%)

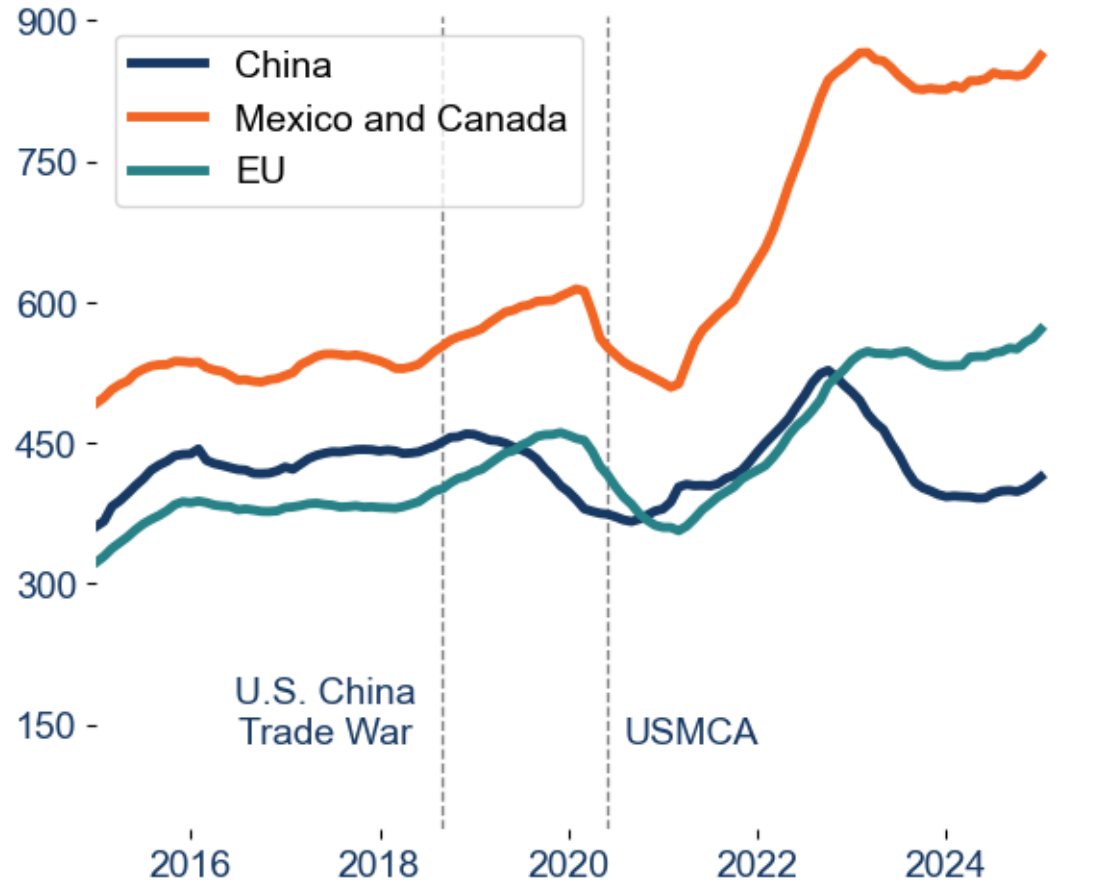


Data as of March 6, 2025. Sources: Yale Budget Lab, WTIA.

The rates based on fully implemented tariffs on Mexico, Canada, and China as of March 4, 2025 and subsequent exemptions until April 2.

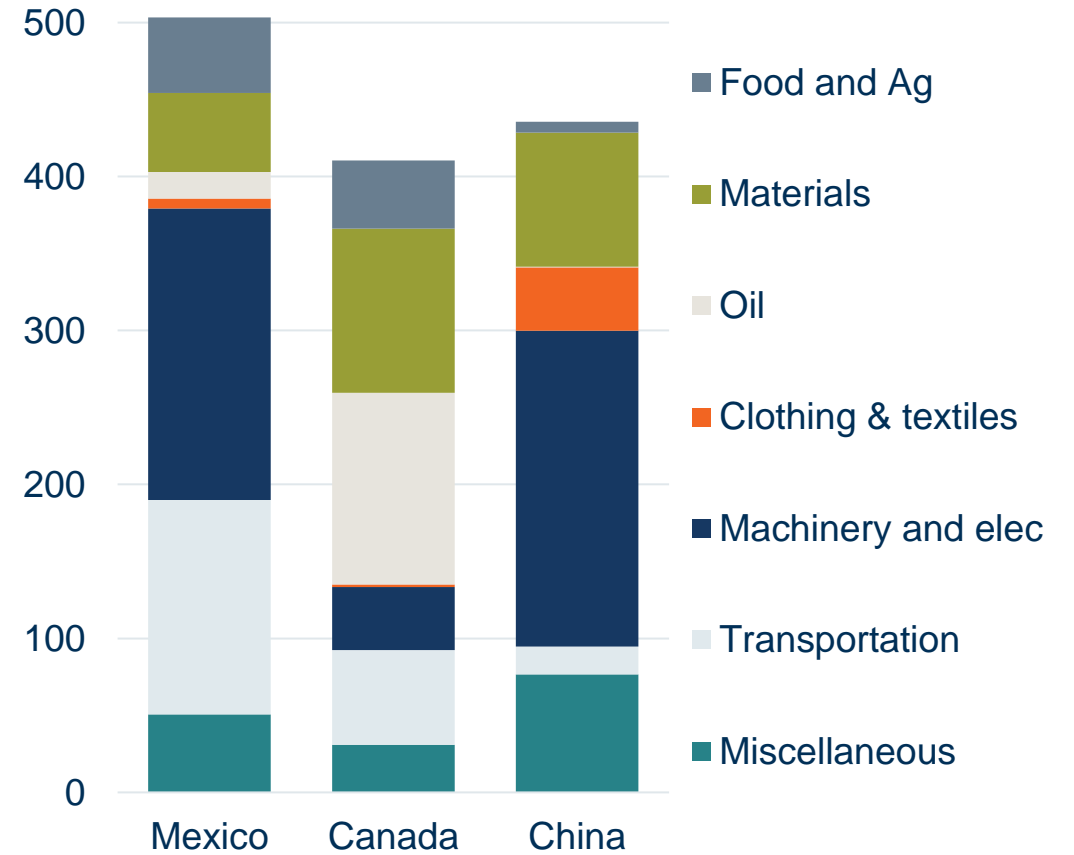
Substantial U.S. imports from the 3 countries

U.S. Imports by Trading Partner (\$bn, 12 mo. total)



Sources: U.S. Census Bureau, Wilmington Trust

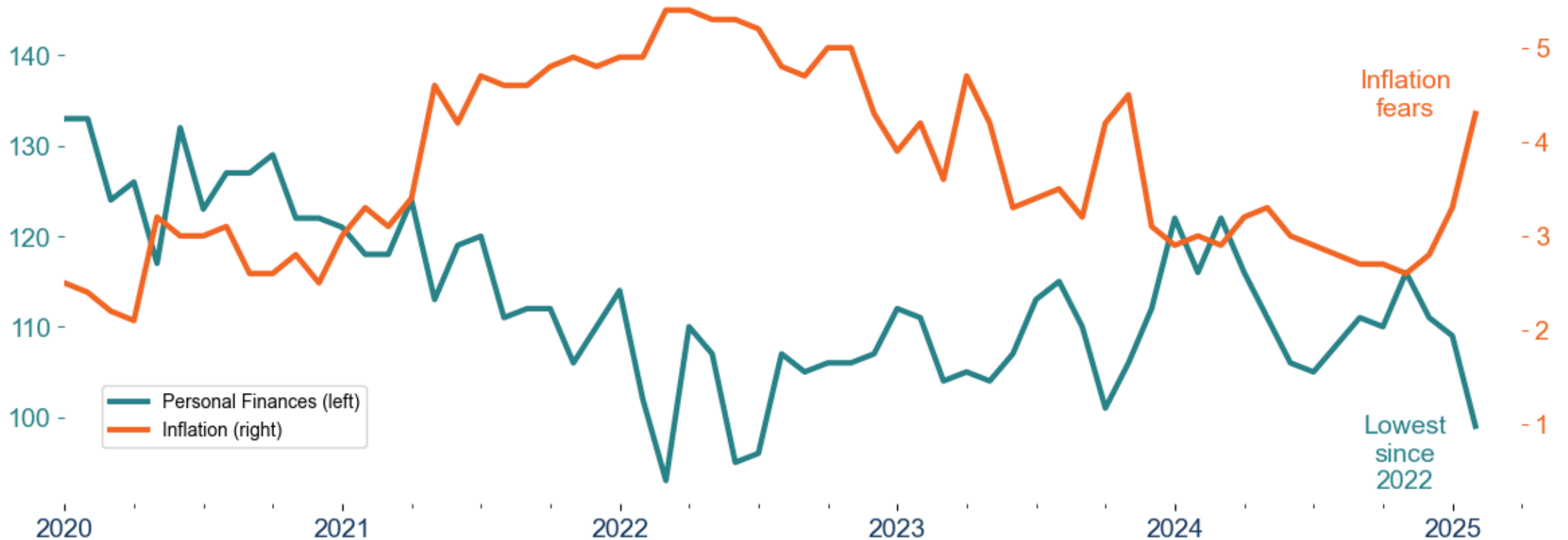
U.S. Imports by Trading Partner and Category (\$bn, 2024)



Sources: U.S. Census Bureau, Wilmington Trust

Tariffs driving inflation concerns and financial angst

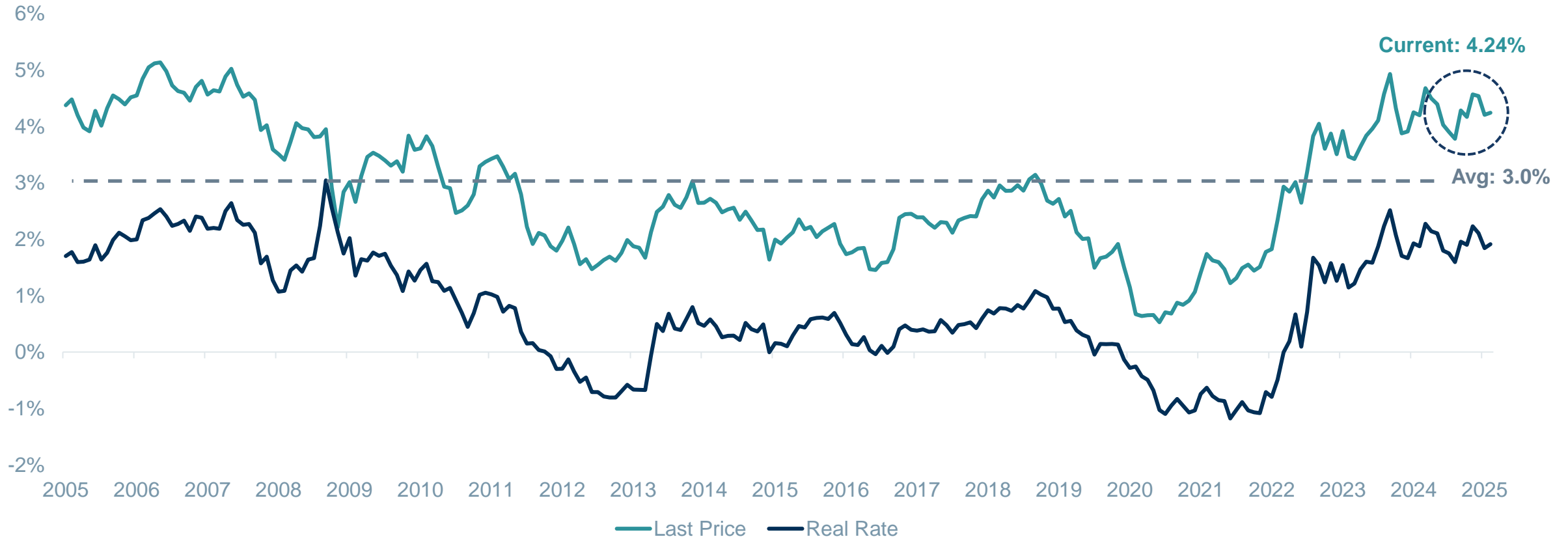
One-year ahead expectation for inflation (%) and personal financial situation (Index 1966=100)



Data as of March 6, 2025. Sources: University of Michigan Consumer Sentiment Survey, WTIA.

Interest rates a barometer for the market

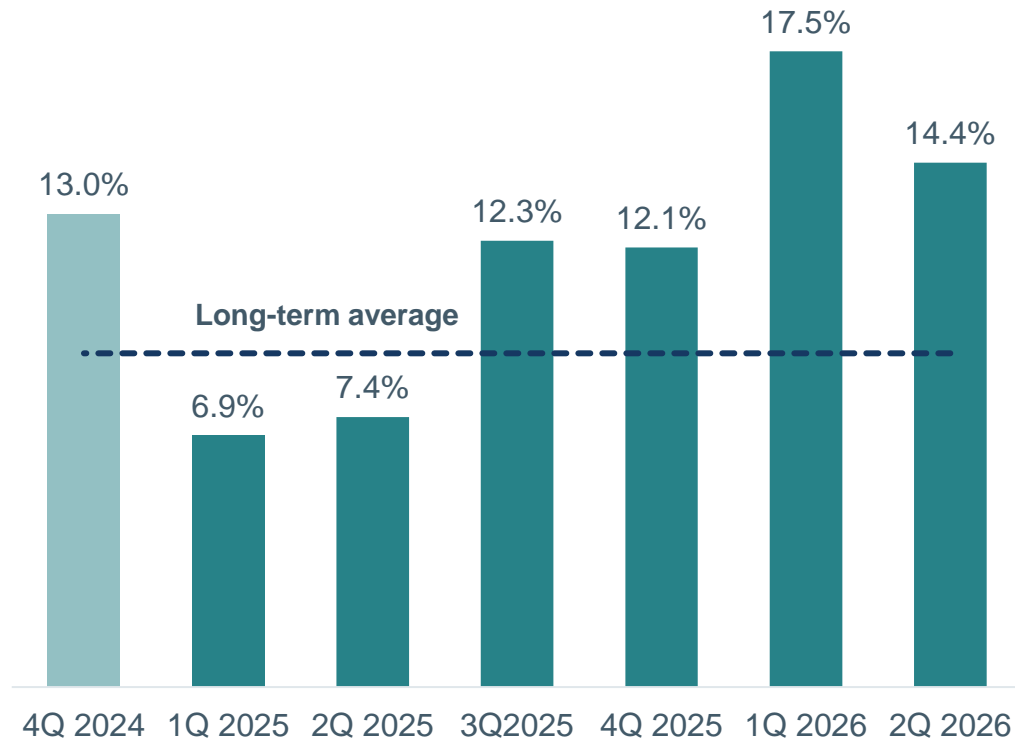
10-year nominal U.S. Treasury yield and real rates



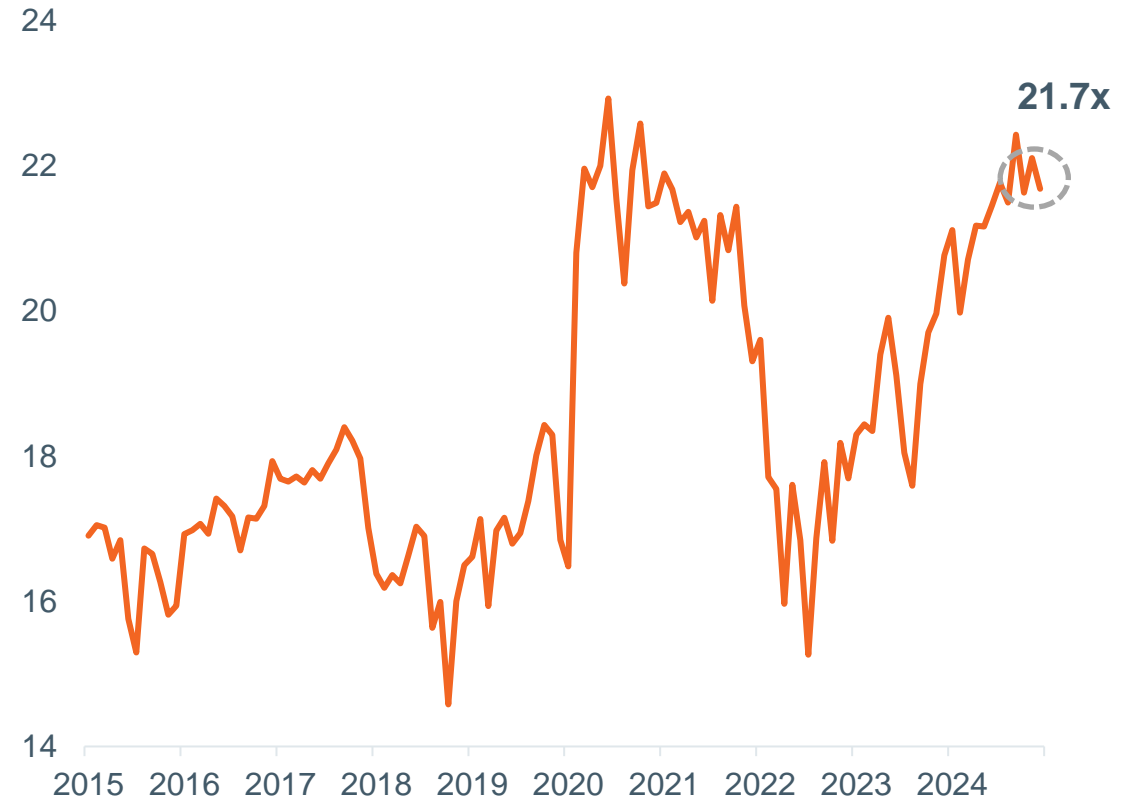
Data as of March 7, 2025. Sources: WTIA, Bloomberg. "Real rate" is the 10-year nominal Treasury yield less the 10-year Treasury Inflation-Protected Securities (TIPS) breakeven rate of inflation.

Priced for perfection—time for correction

S&P 500 adjusted earnings per share (EPS) growth (Y/Y)



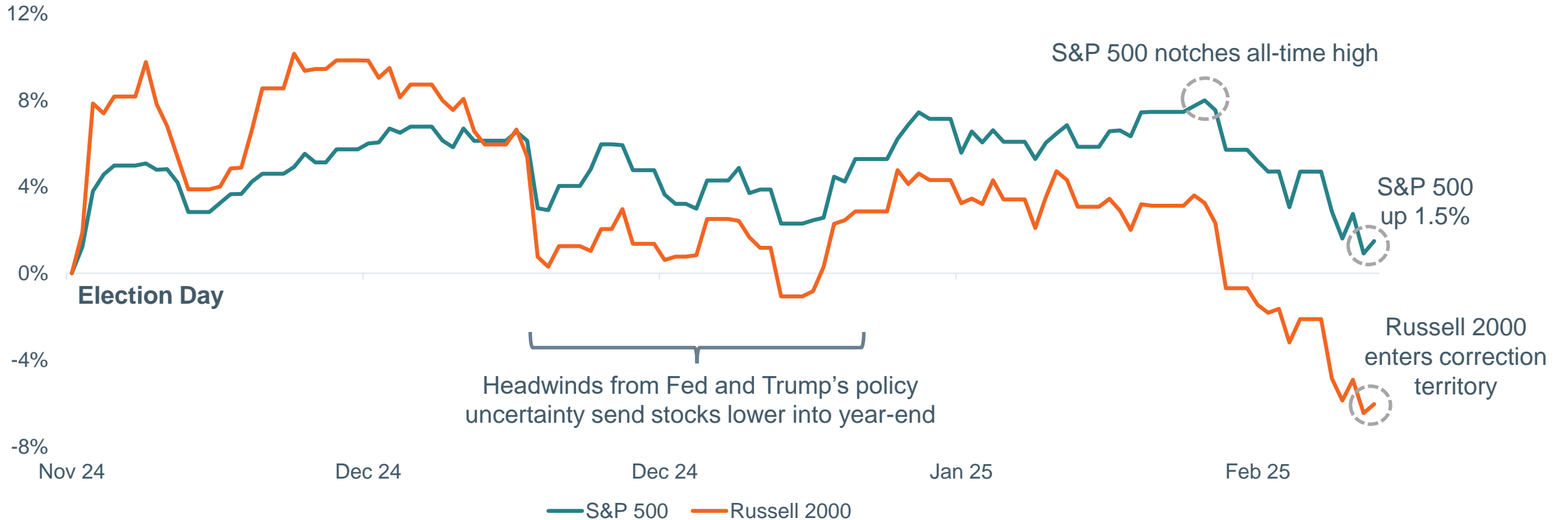
Forward P/E ratio



Data as of March 5, 2025. Sources: WTIA, Bloomberg. EPS growth represented by adjusted earnings from continuing operations. Dark bars represent projections for EPS growth. P/E ratio represented by 12m forward estimate.

Heightened volatility post-election

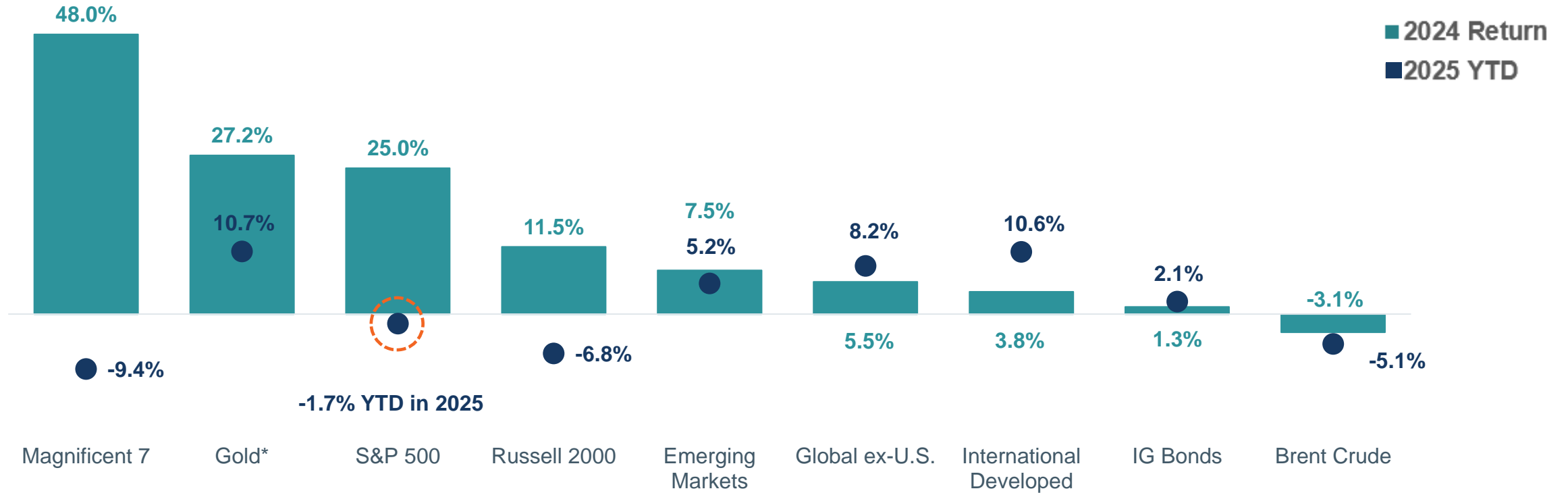
S&P 500 and Russell 2000 total return (since Election Day)



Data as of March 7, 2025. Sources: WTIA, Bloomberg.

U.S. dominant in 2024, lagging in 2025

Asset Class Returns (2024 and 2025 YTD)

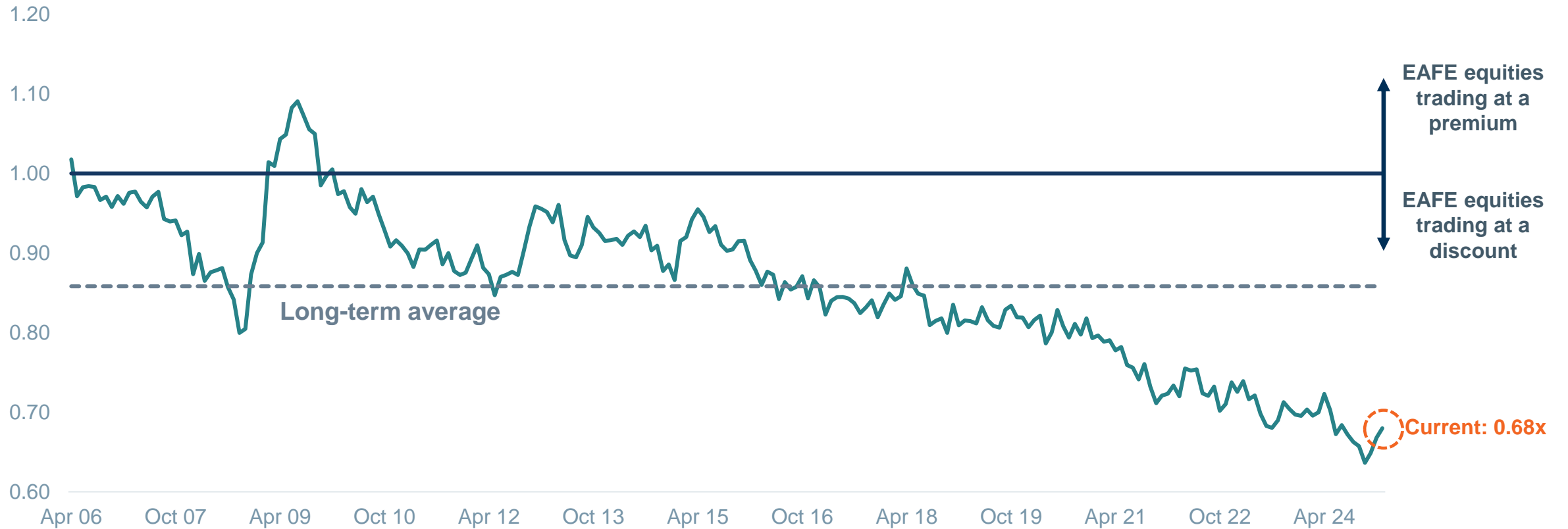


Data as of March 7, 2025. Sources: WTIA, Bloomberg. Magnificent 7 represented by the following: Nvidia, Apple, Microsoft, Alphabet, Amazon, Meta, Tesla. Global ex-U.S. is represented by the MSCI ACWI ex-U.S. index, international developed is represented by the MSCI EAFE index, emerging markets is represented by the MSCI EM index, IG bonds is represented by the U.S. aggregate bond index. *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.

Investing involves risks, and you may incur a profit or a loss. Past performance cannot guarantee future results.

International equities trade at steep discounts to U.S.

Next Twelve Months (NTM) Price/Earnings (P/E) premium/discount (MSCI EAFE to S&P 500)



Data as of March 6, 2025. Sources: WTIA, Bloomberg. Data is collected weekly.

Equity market rotation underway

S&P 500 sector returns

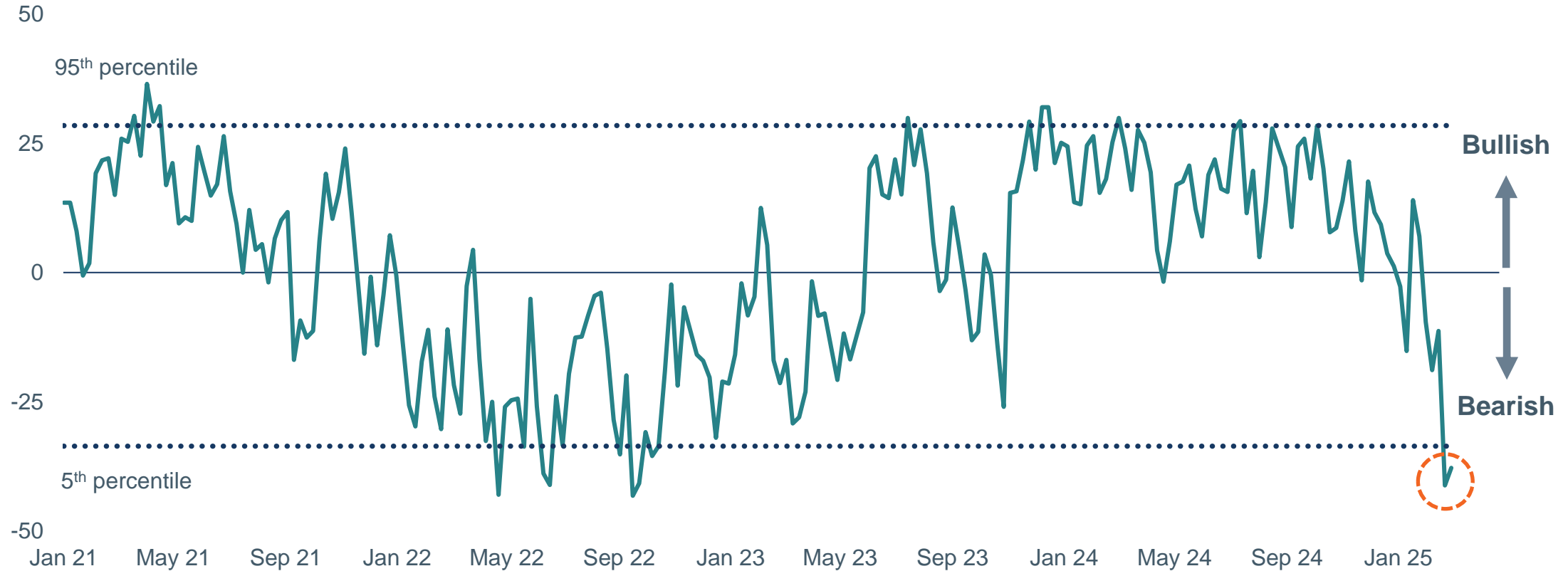
2024's top sectors have lagged to start the year as investors rotate out of cyclicals and into defensives

S&P 500 Sector Returns				
Sector	2024 (sorted)	2025 (YTD)	Jan-Feb 2025	Last Week
Comm. Services	40.2%	0.3%	2.3%	-2.0%
Technology	36.6%	-7.4%	-4.2%	-3.4%
Financials	30.5%	1.7%	8.0%	-5.9%
Discretionary	30.1%	-10.4%	-5.4%	-5.4%
Utilities	23.4%	2.2%	4.7%	-2.4%
Industrials	17.3%	1.9%	3.5%	-1.5%
Staples	14.9%	6.4%	7.9%	-1.4%
Energy	5.7%	2.2%	6.1%	-3.7%
Real Estate	5.2%	4.4%	6.1%	-1.6%
Health Care	2.6%	8.6%	8.4%	0.2%
Materials	0.0%	4.4%	5.6%	-1.1%

Data as of March 7, 2025. Sources: WTIA, Bloomberg.

Investor pessimism reaching extreme levels

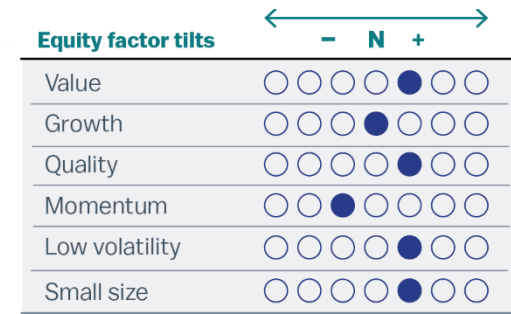
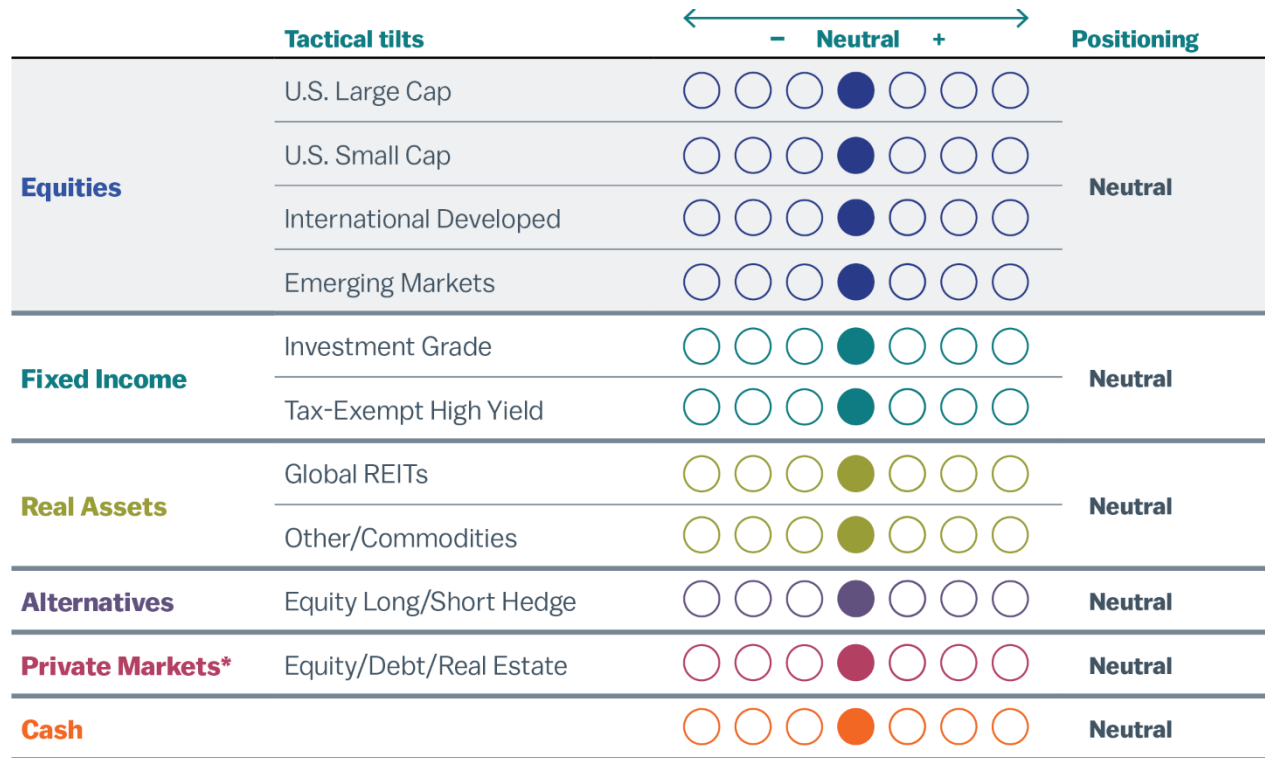
AAll bull-bear spread



Data as of March 5, 2025. Sources: WTIA, Bloomberg. Data is collected weekly.

Current positioning

High-net-worth portfolios with private markets*

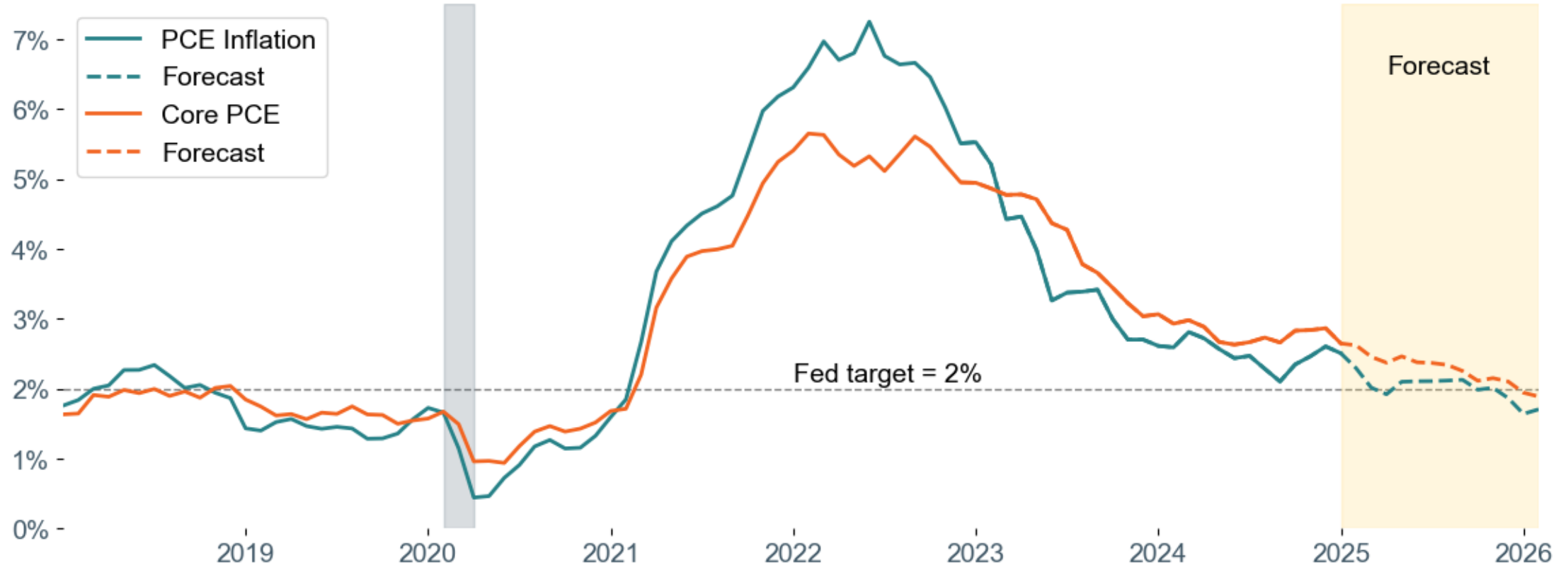


Data as of February 28, 2025. Positioning reflects our monthly tactical asset allocation (TAA) versus the long-term strategic asset allocation (SAA) benchmark. For an overview of our asset allocation strategies, please see the disclosures.

*Private markets are only available to investors that meet Securities and Exchange Commission standards and are qualified and accredited. We recommend a strategic allocation to private markets we do not tactically adjust this asset class.

Inflation expected to continue slowing

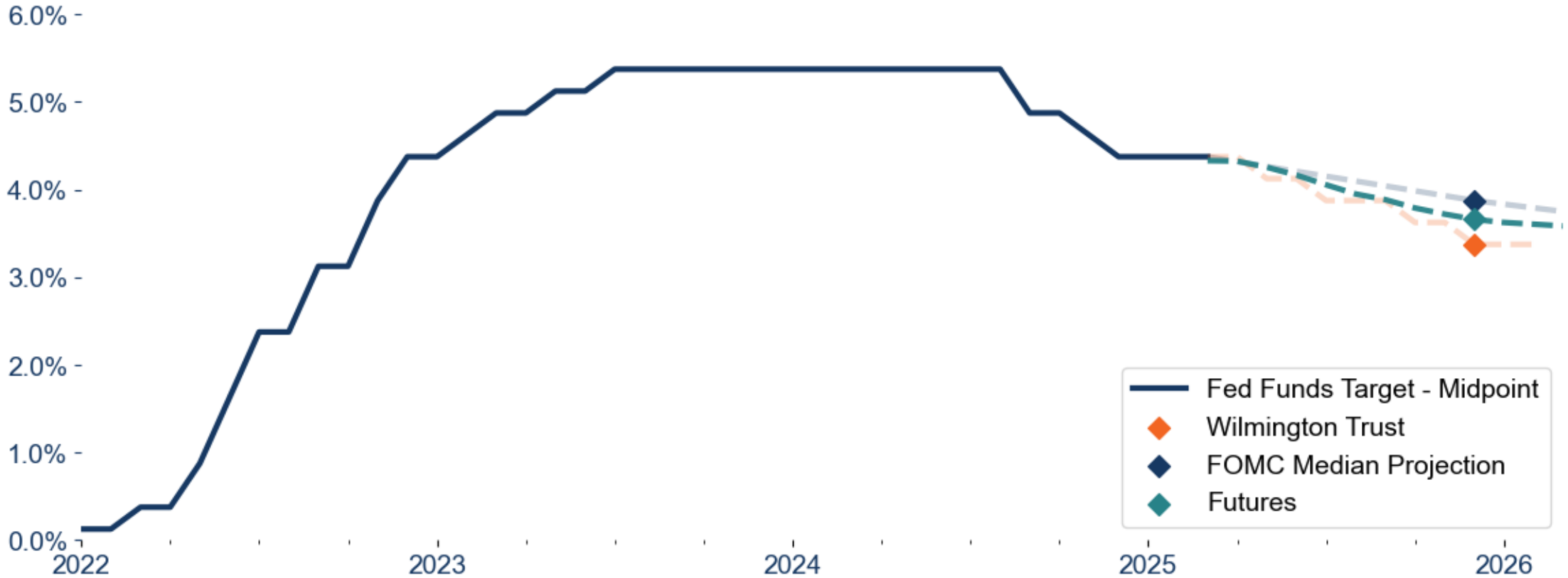
Personal consumption expenditures (PCE) price index (% year-over-year)



Data as of January 31, 2025. Sources: Bureau of Economic Analysis, WTIA. Grey bar represents recessionary period.

Rate cut expectations rising fast

Federal funds rate target midpoint and projections (%)



Data as of March 7, 2025. Sources: Federal Reserve, Bloomberg, WTIA. FOMC stands for Federal Open Market Committee or the branch of the Federal Reserve System that determines monetary policy.



Thank you for joining today's webinar
U.S. Tariffs and the Economy:
Evaluating the Impacts

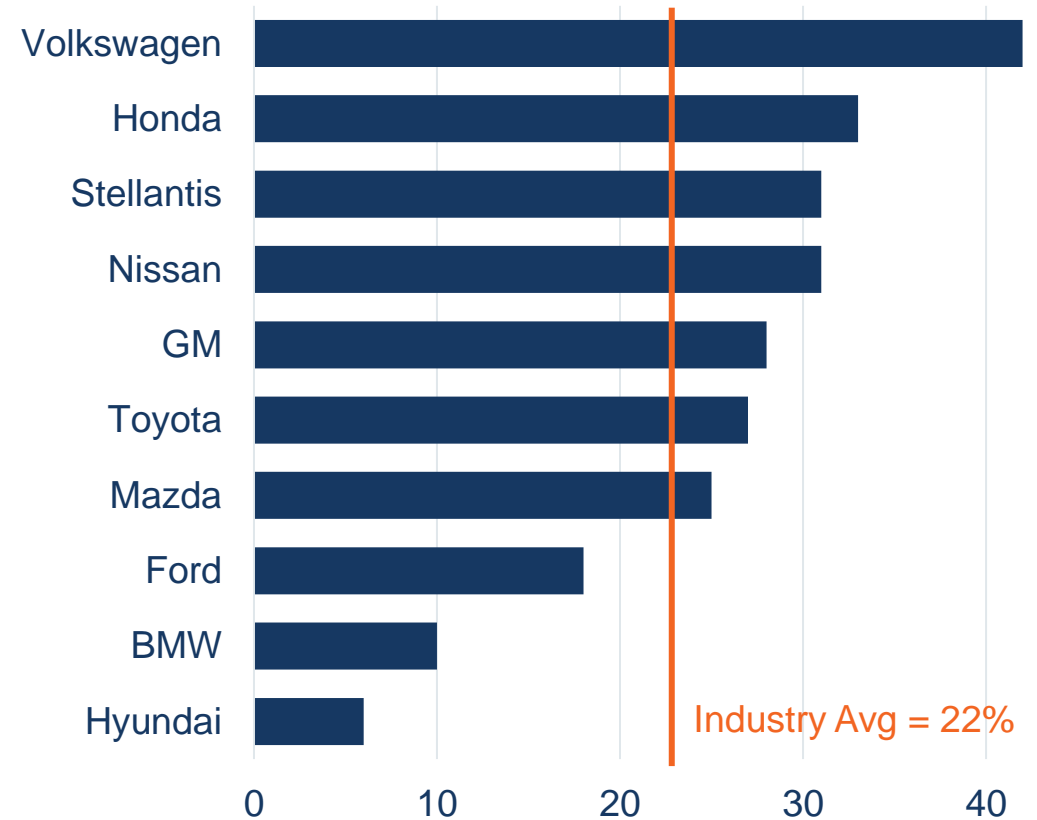
Auto industry very exposed to North America tariffs

U.S. Imports of Motor Vehicles and Parts (12 mo. total)

	Imports \$bn	Share %	Tariff \$bn
Total	477	100.0	
Mexico	137	29	34.2
Canada	51	11	12.8
China	17	4	1.7
Rest of World	272	57	

Data as of December 31, 2024. Sources: U.S. Census Bureau, Wilmington Trust.

Share of 2024 U.S. Sales originating from Canada or Mexico (%)



Sources: WSJ, Bernstein, IHS.

Disclosures

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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. Any offer will be made only in connection with the delivery of the appropriate offering documents, which are available to pre-qualified persons upon request.

An Overview of Our Asset Allocation Strategies

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

Model Strategies may include exposure to the following asset classes: U.S. large-capitalization stocks, U.S. small-cap stocks, developed international stocks, emerging market stocks, U.S. and international real asset securities (including inflation-linked bonds and commodity-related and real estate-related securities), U.S. and international investment-grade bonds (corporate for Institutional or Tax Advantaged, municipal for other HNW), U.S. and international speculative grade (high-yield) corporate bonds and floating-rate notes, emerging markets debt, and cash equivalents. Model Strategies employing nontraditional hedge and private market 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.**

Disclosures

ALLOCATIONS:

Each strategy group is constructed with target policy weights for each asset class. Wilmington Trust periodically adjusts the policy weights 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 US Treasury Inflation Notes TR Index Value Unhedged USD (took effect 8/1/22)
- International inflation-linked bonds: Bloomberg World ex US ILB (Hedged) Index
- Commodity-related securities: Bloomberg Commodity Index
- U.S. REITs: S&P US REIT Index
- International REITs: Dow Jones Global ex US Select RESI Index
- Private markets: S&P Listed Private Equity Index
- Hedge funds: HFRX Global Hedge Fund Index (took effect 8/1/22)
- U.S. taxable, investment-grade bonds: Bloomberg U.S. Aggregate Index
- U.S. high-yield corporate bonds: Bloomberg U.S. Corporate High Yield Index

- U.S. municipal, investment-grade bonds: S&P Municipal Bond Index

Risk Assumptions

All investments carry some degree of risk. The volatility, or uncertainty, of future returns is a key concept of investment risk. Standard deviation is a measure of volatility and represents the variability of individual returns around the mean, or average annual, return. A higher standard deviation indicates more return volatility. This measure serves as a collective, quantitative estimate of risks present in an asset class or investment (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.**

Diversification cannot ensure a profit or guarantee against a loss. There is no assurance that any investment strategy will be successful.

The names of actual companies and products mentioned herein may be the trademarks of their respective owners.

Reference to the company names mentioned in this presentation is merely for explaining the market view and should not be construed as investment advice or investment recommendations of those companies.

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.

Disclosures

Index Descriptions

The Bloomberg U.S. Aggregate Index measures the performance of the entire U.S. market of taxable, fixed-rate, investment-grade bonds. Each issue in the index has at least one year left until maturity and an outstanding par value of at least \$250 million.

The Bloomberg U.S. High Yield Corporate Index, formerly known as Lehman Brothers U.S. High Yield Corporate Index, measures the performance of taxable, fixed-rate bonds issued by industrial, utility, and financial companies and rated below investment grade. Each issue in the index has at least one year left until maturity and an outstanding par value of at least \$150 million.

The Bloomberg World Government Inflation-Linked Bond (WGILB) Index measures the performance of investment grade, government inflation-linked debt from 12 different developed market countries.

Bloomberg Commodity Index measures the performance of 19 futures contracts on physical commodities. As of the annual reweighting of the components, no related group of commodities (for example, energy, precious metals, livestock, and grains) may constitute more than 33% of the index and no single commodity may constitute less than 2% or more than 15% of the index.

The Dow Jones Global ex-U.S. Index is an equal-weighted stock index composed of the stocks of 150 top companies from around the world (excluding the U.S.) as selected by Dow Jones editors and based on the companies' long history of success and popularity among investors. The Global Dow is designed to reflect the global stock market and gives preferences to companies with global reach.

The HFRX Global Hedge Fund Index is designed to be representative of the overall composition of the hedge fund universe. It is composed of all eligible hedge fund strategies; including but not limited to convertible arbitrage, distressed securities, equity hedge, equity market neutral, event driven, macro, merger arbitrage, and relative value arbitrage. The strategies are asset weighted based on the distribution of assets in the hedge fund industry.

The MSCI All-Country World Index ex USA measures the performance of large- and mid-capitalization stocks in approximately 50 developed and emerging equity markets, excluding the United States.

The MSCI EAFE® (net) Index measures the performance of approximately 20 developed equity markets, excluding those of the United States and Canada. The total returns of the index are net of the maximum tax withholding rates that apply in many countries to dividends paid to nonresident investors.

The MSCI Emerging Markets Index captures large- and mid-cap representation across 26 emerging markets countries. With 1,198 constituents, the index covers approximately 85% of the free-float-adjusted market

capitalization in each country.

Russell 1000® Growth Index measures the performance of those Russell 1000 Index companies with higher price-to-book ratios and higher forecasted growth values.

Russell 1000® Value Index measures the performance of those Russell 1000 Index companies with lower price-to-book ratios and lower forecasted growth values.

The Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represents approximately 8% of the total market capitalization of the Russell 3000 Index. As of its latest reconstitution, the index had a total market capitalization range of approximately \$128 million to \$1.3 billion.

The Russell 3000® Index measures the performance of the 3,000 largest U.S. companies based on total market capitalization, which represents approximately 98% of the investable U.S. equity market. As of its latest reconstitution, the index had a total market capitalization range of approximately \$128 million to \$309 billion.

The S&P 500 Index measures the performance of approximately 500 widely held common stocks listed on U.S. exchanges. Most of the stocks in the index are large-capitalization U.S. issues. The index accounts for roughly 75% of the total market capitalization of all U.S. equities.

The S&P Developed Property defines and measures the investable universe of publicly traded **property** companies domiciled in developed markets.

The S&P 500® Equal Weight Index (EWI) is the equal-weight version of the widely-used S&P 500. The index includes the same constituents as the capitalization weighted S&P 500, but each company in the S&P 500 EWI is allocated a fixed weight - or 0.2% of the index total at each quarterly rebalance.

The S&P Municipal Bond High-Yield Index consists of bonds in the S&P Municipal Bond Index that are not rated or are rated below investment grade.

The S&P Municipal Bond Index is a broad, market value-weighted index that seeks to measure the performance of the U.S. municipal bond market.

The S&P United States REIT Index measures the investable U.S. real estate investment trust market and maintains a constituency that reflects the market's overall composition.

Disclosures

Definitions

Core PCE, or the core Personal Consumption Expenditures price index, is a measure of inflation that excludes food and energy prices. It's the Federal Reserve's preferred way to gauge inflation.

Personal consumption expenditures (PCE) is a measure of how much money US households spend on goods and services

The price-to-earnings (P/E) ratio is a valuation metric that compares a company's share price to its earnings per share (EPS).

Summary of Tariffs

Mexico	<ul style="list-style-type: none"> ▪ 25% on most imports from Mexico (~\$370B in imports ex-autos) ▪ Reached an agreement to delay on autos for an additional month ▪ Mexico has increased security at the border (10,000 National Guard) ▪ Has indicated potential retaliatory action but appears cautious to be too provocative
Canada	<ul style="list-style-type: none"> ▪ 25% tariffs on nearly all goods and 10% on imported petroleum (~\$36B in imports ex-autos) ▪ Will increase border security and appoint a “fentanyl czar” ▪ Has announced retaliatory tariffs and in general has talked tough in response
China	<ul style="list-style-type: none"> ▪ 10% increased tariff (to existing) on all goods (~\$440B in imports) ▪ China has retaliated to tariffs, but actions not viewed as escalatory <ul style="list-style-type: none"> ▪ Actions affect U.S. coal, LNG, oil, agricultural machinery, vehicles ▪ Export controls on minerals used in semiconductors, solar cells, and missile systems ▪ Antitrust probe opened into Google, Added PVH (Tommy Hilfiger, Calvin Klein) to list of “unreliable entities”
Steel & Aluminum	<ul style="list-style-type: none"> ▪ 25% tariff on all imports of steel (\$43bn*), raises aluminum (\$27bn*) tariff from 10% to 25%, (\$15bn in tariffs) ▪ Signed on February 10, 2025 and scheduled to go into effect this month ▪ Section 232 Trade Expansion Act of 1962

*Subject to update when details of executive order are released.

Store Type	\$bn	% share
Total	8,515	100.0
Online and mail-order	1,349	15.8
New car dealers	1,224	14.4
Food Services and Drinking Places	1,145	13.4
Food and beverage	999	11.7
Warehouse clubs and supercenters	777	9.1
Gasoline stations	632	7.4
Building material and garden equipment	491	5.8
Health & personal care	447	5.2
Clothing and accessories	314	3.7
Office Supplies, Gift, and Used Merch	182	2.1
Used car dealers	158	1.9
Automotive parts	138	1.6
Furniture and home furnishings	135	1.6
Discount stores	101	1.2
Sporting goods, hobby, book, and music	99	1.2
Electronics and appliance stores	92	1.1
Fuel dealers	37	0.4
Department stores	30	0.4

to Tariffs

- Total retail sales of about \$8.5t over 12 months.
- Total tariffs on all three countries would be \$253b, about 3% of retail sales.
- It's challenging to pinpoint which sectors would be most affected, but all businesses and customers are exposed.
- Service providers use imported goods. Bankers use computers and hair stylists use hair dryers.
- Even if a business or consumer does not buy directly from any of the three countries, prices can be pushed higher in a global market.