

Quarterly Market Review

Wilmington International Fund

1Q | 2021



Matt Glaser
Head of Equities,
Nontraditional Investments,
and Manager Research



Clem Miller
Senior Portfolio Manager

The fund's investment objectives, risks, charges, and expenses must be considered carefully before investing. The statutory and summary prospectus contains this and other important information about the investment company, and may be obtained by visiting www.wilmingtonfunds.com or by calling 1.800.836.2211. Read the prospectus carefully before investing.

Key takeaways

- Fund performance was nearly in line with its benchmark the MSCI ACWI ex-U.S. Index, returning 3.33% versus 3.50%, respectively
- Global markets have favored lower-quality stocks since November's COVID-19 vaccine announcements; the fund's modest, though consistent, preference for higher-quality, higher-growth stocks detracted from performance
- Over longer trailing periods, fund positioning has contributed to performance with the trailing 1-year returning 50.84% versus 49.41% for its benchmark and the trailing 51 months (since restructuring) returning 58.01% versus 51.87% for the benchmark

Fund structure

The Wilmington International Fund is structured as a multi-regional, multi-strategy, all-cap, blend-style portfolio. Stock selection is conducted by locally based investment teams: Allianz Europe Equity Growth Select (Frankfurt), Allianz High Dividend Europe (Frankfurt), AXA Framlington Europe Small Cap (Paris), Berenberg European Equity Selection (Hamburg), Nikko Active Value (Tokyo), and Schroder Asian Opportunities (Hong Kong). Wilmington Trust's portfolio managers allocate assets among these teams according to regional, style, capitalization, and factor considerations.

Market review

As investors became increasingly optimistic about vaccines potentially bringing the pandemic to an end, the global equity market continued its year-long upward trajectory, increasingly favoring cyclical stocks, as well as low-quality stocks. Positive sentiment led to speculative behavior in some corners of the market.

Continued

Figure 1

Average annual total returns and fund expenses (%) as of March 31, 2021

	Without sales charge				With maximum sales charge				Expenses ¹		Inception date
	1Y	3Y	5Y	10Y	1Y	3Y	5Y	10Y	Gross	Net	
Class A	50.42	5.92	9.82	4.44	42.13	3.93	8.58	3.85	1.51	1.11	12/19/05
Class I	50.84	6.07	9.99	4.60	50.84	6.07	9.99	4.60	1.01	0.86	06/29/98
MSCI All Country World ex-U.S. Index	49.41	6.51	9.76	4.93	49.41	6.51	9.76	4.93	—	—	—

Performance shown represents past performance and cannot guarantee future results. You cannot invest directly in an index: Index performance does not reflect the expenses associated with the active management of an actual portfolio. Current performance may be lower or higher than that shown. Investment return and principal value will fluctuate. Shares, when redeemed, may be worth more or less than their original cost. Class A shares have a maximum front-end sales charge of 5.50%. Total returns assume the reinvestment of all distributions at net asset value and the deduction of all expenses. Performance would have been lower if fees had not been waived in various periods. Performance data current to the most recent month end are available at www.wilmingtonfunds.com.

¹The fund's advisor, distributor, and shareholder services providers have agreed to waive their fees and/or reimburse expenses so that the total annual fund operating expenses paid by the fund's Class A shares and Class I shares will not exceed 1.10% and 0.85%, respectively, not including the effects of acquired fund fees and expenses, taxes, or extraordinary expenses. This waiver may be amended or withdrawn after January 31, 2022, or with the agreement of the fund's Board of Trustees. Please see the prospectus for more information on fees, expenses, and expense limitation arrangements, if any.

Fund investment approach

The fund seeks to provide long-term capital appreciation, primarily through a diversified portfolio of foreign securities, including common stocks of large-cap and small-cap companies, emerging markets securities, and exchange-traded funds. The assets are allocated among a number of subadvisors with experience in managing international investment strategies.

AUM: \$690.73 million

Benchmark: MSCI All Country World ex-U.S. Index

Inception date: Class A: 12/19/2005; Class I: 6/29/1998

The optimism was most tangible in the United States.

The Biden administration accelerated COVID-19 vaccine deployment just as daily new infection rates began dropping from their pandemic peaks. Additionally, the administration secured the Congressional package of its fiscal stimulus bill and looked ahead toward a potential infrastructure bill.

Unlike the United States, neither Europe nor Japan contemplated a fresh 2021 round of fiscal or monetary stimulus. Furthermore, these countries encountered challenges in rolling out vaccines and suffered a surge of new infections, forcing yet another round of lockdowns. Still, many investors in European and Japanese stocks looked through these immediate problems to a late-2021 vaccine-led recovery.

Increased optimism about the U.S. economy, as well as concerns about potential inflation, drove U.S. 10-year Treasury yields higher, which in turn exerted an upward pull on UK, German, and Japanese yields. While the Fed saw higher yields as confirming recovery expectations, foreign central banks telegraphed concerns that they might choke off recovery. Toward the end of the quarter, European yields had stabilized, and Japanese yields had partially retreated.

Continued

Top 10 countries (as of 3/31/2021)

	Allocation
Japan	18.5%
China	9.9%
United States	8.4%
Germany	7.6%
France	7.3%
Great Britain (UK)	6.4%
Switzerland	5.6%
Sweden	5.4%
Hong Kong	4.6%
Taiwan	4.5%

Top 10 holdings (as of 3/31/2021)

	Allocation
Taiwan Semiconductor Manufacturing	2.9%
Samsung Electronics Co Ltd	2.1%
Tencent Holdings Ltd	2.0%
MSCI India Future JUN21	1.8%
iShares MSCI Canada ETF	1.4%
HDFC Bank Ltd	1.1%
Alibaba Group Holding Ltd	1.1%
AIA Group Ltd	1.0%
ASML Holding NV	1.0%
Techtronic Industries Co Ltd	0.9%

Holdings subject to change. Top company holdings of the fund exclude cash and money market instruments.

Country allocation and top holdings percentages are based on the total portfolio as of quarter end and are subject to change at any time. Data are shown for informational purposes only and are not to be considered a recommendation to purchase or sell any security.

Still, steeper yield curves rewarded those European and Japanese banks whose profits depend on net interest margins. Additionally, higher long-term yields penalized those technology-related stocks that currently pay low or no dividends. As a result, financials greatly outperformed technology-related stocks.

Energy stocks also generated high returns. Crude oil prices surged from \$50 per barrel at the beginning of the quarter, to \$70 in mid-March, before slipping back below \$65. Low inventories, the result of demand-supply imbalances, drove prices. Asian oil demand sharply recovered, while Saudi Arabia, working with Russia, managed to maintain OPEC supply discipline. Just as importantly, U.S. shale producers remained largely sidelined. The early-pandemic oil price collapse drove some shale producers into bankruptcy and made it uneconomical for others to operate. We expect to see revived shale output in the coming months, which will put downward pressure on prices.

Chinese equities began the quarter very strong, reflecting the country's powerful economic recovery. Then they sharply retreated, due mainly to Beijing's anti-trust actions with respect to Alibaba, Tencent, and other internet platforms, which comprise a large portion of China's market capitalization. Likely also contributing to the retreat was the prospect of continuing tensions with the Biden administration and its allies in Asia with Europe, with implications for technology, trade, and investment.

Portfolio performance

The fund's performance throughout the course of the quarter was broadly in line with its benchmark, the MSCI ACWI ex-US, closing the quarter with only -0.17% excess return.

The portfolio's industry weights helped performance. Modest underweights to financials and energy detracted from the fund's excess return. However, these negative contributions were more than offset by positive contributions from an overweight to industrials and underweights to more defensive sectors, especially consumer staples and utilities.

Continued

The portfolio's positioning in favor of higher-quality stocks did hurt performance. Underweights to the value, dividend yield, volatility, and leverage factors each detracted, as did overweights to the profitability and momentum factors. The portfolio's underweight to the size factor helped, but not as much as one might expect in a cyclical up-market.

Country/currency positioning also slightly hurt the portfolio. The U.S. dollar strengthened during the quarter. As a result, the portfolio's overweights to Europe and Japan detracted while an underweight to Canada hurt. However, the portfolio's underweight position to Brazil made a hefty contribution, as that country was overwhelmed by virus and political instability, hurting both the local equity market and the currency.

Positioning

A key question is whether it makes sense to move the portfolio toward a modest overweight position to lower-quality value stocks, including energy and financials. We base this on the expectation that we might see cyclical value stocks maintain their post-November leadership well into the post-pandemic era. While we would not foreclose this possibility, there is ample justification for "staying the course." The portfolio's modest-quality growth tilts have worked very well for the fund over longer trailing periods while not large enough to produce significant underperformance during 1Q 2021. In particular, the fund's overweight to the technology sector has been a consistent contributor through various markets. Furthermore, it's unclear how much staying power this value "rotation" has. Value's outperformance since November, while large, has been sporadic, and it has been 15 years since such a rotation lasted more than a couple of quarters.

Important Information and Risk Disclosure

All investments involve risk, including possible loss of principal. Equity securities are subject to price fluctuation and possible loss of principal. Small- and mid-cap stocks involve greater risks and volatility than large-cap stocks. International investments are subject to special risks, including currency fluctuations, social, economic, and political uncertainties, which could increase volatility. These risks are magnified in emerging markets.

Short-term performance may not be indicative of long-term results.

Definitions

Value rotation refers to the shift in the overall stock market to value-oriented stocks as they are outperforming growth-oriented stocks

Benchmark: The MSCI All Country World ex-U.S. Index (ACWI ex U.S.) measures large- and mid-cap equity performance across 22 developed and 23 emerging markets countries. It represents approximately 85% of the float-adjusted market capitalization in each country and serves as a broad barometer of international developed and emerging markets.

The holdings information provided does not include all securities that were purchased, sold, or held in the fund and may not be representative of current holdings.

This material does not constitute a recommendation of a particular security, nor is it an offer to sell, or solicitation of an offer to buy, fund shares. Information herein is not intended to be a forecast of future events, a guarantee of future results, or investment advice. Current market conditions may not continue. Information contained herein has been obtained from sources believed to be reliable, but have not been verified and cannot be guaranteed.

ALPS Distributors, Inc., which is not affiliated with M&T Bank Corporation, is the distributor of the Wilmington Funds.

Wilmington Funds Management Corporation and Wilmington Trust Investment Advisors, Inc., subsidiaries of M&T Bank Corporation, are the investment advisor and principal sub-advisor, respectively, of the Wilmington Funds.

NOT FDIC INSURED | NO BANK GUARANTEE | MAY LOSE VALUE