

Quarterly Market Review

Wilmington Large-Cap Strategy Fund

1Q | 2021



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You should consider a fund's investment objectives, risks, charges, and expenses carefully before you invest. Information about these and other considerations is contained in the fund's prospectus, which is available on our website, www.wilmingtonfunds.com. Please read the prospectus carefully before investing.

The equity team provides oversight to the quantitative model and may decide to hold an alternate sector positioning than the one recommended by the model based on considerations including, but not limited to: the size and timing of the trade recommendations; the desire to limit or "time" turnover for tax efficiency; and knowledge of additional market-based information not captured by the model.

Key takeaways

- Equity markets continued to move higher in the quarter as vaccination progress continued to benefit more cyclical stocks and confidence in economic activity strengthened
- As the quarter came to an end, employment in the travel and service industries showed signs of recovering strongly with rising interest rates accompanying stronger economic activity putting pressure on growth stocks
- Value outperformed growth in 1Q 2021 by 10.3 percentage points with small caps outperforming large caps by 6.8 percentage points as the cyclical trade favored value and smaller stocks
- The cyclical sectors including energy, financials, and industrials outperformed in the quarter while consumer staples, technology, consumer discretionary, and health care underperformed

Market recap

The first quarter of 2021 continued to exhibit strength and broadening participation in equity markets. The more cyclical parts of the market gathered strength as the previously strong technology and consumer discretionary names continued to underperform the overall market return. Improving earnings expectations and a steepening yield curve were key elements to the strong showing of cyclical companies. Valuations are high by historical standards but less so given the low level of interest rates and cash flow generation.

Markets are now focusing on the rollout of COVID-19 vaccinations and when the economy will get back to some degree of normalcy, although it will likely be an altered state where thanks to technology companies are able to allow some employees to work from anywhere in the post-COVID environment.

Continued

Figure 1

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

					Expenses ¹		Inception date
	1Y	3Y	5Y	10Y	Gross	Net	
Class I	60.04	17.07	16.70	13.87	0.61	0.25	07/01/03
Russell 1000 Index	60.59	17.31	16.66	13.97	-	-	-

Performance shown represents past performance and cannot guarantee future results.

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. 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 is available at www.wilmingtonfunds.com.

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 would reduce returns.

¹The fund's advisor, distributor, and shareholder services providers have contractually agreed to waive their fees and/or reimburse expenses so that the total annual fund operating expenses paid by the fund's Class I shares will not exceed 0.25%, not including the effects of taxes or other 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.

Investment approach

The fund invests primarily in a portfolio of equity securities of U.S. large-cap companies. The fund's investment managers allocate assets among individual stocks weighted to a target allocation across Global Industry Classification Standard (GICS) sectors and use quantitative models to construct the fund's portfolio.

Ticker: WMLIX

AUM: \$592.89 million

Benchmark: Russell 1000® Index

Inception date: July 1, 2003

In the first quarter, the S&P 500 index rose 6.17% and the Russell 2000 Index rose 12.69%. Large-cap growth, as measured by the Russell 1000 Growth Index, rose 0.94% while large-cap value, as measured by the Russell 1000 Value Index, rose 11.24%.

Cyclical sectors, including energy, financials, and industrials rose strongly in the quarter while consumer staples, technology, consumer discretionary, and health care underperformed the S&P 500.

Performance overview

The fund outperformed the Russell 1000 Index benchmark by 5 basis points (0.05%) for the quarter net of fees. On a gross-of-fee basis, the fund outperformed the benchmark by 11 basis points (0.11%).

The portfolio implements sector allocation advice provided by the Wilmington Trust Equity group. Inputs into the determination of sector positions are provided by the economics team, a quantitative model, and the equity team's fundamental view on sectors. The sector view from the equity team provides recommendations for sector positioning within the U.S. large-cap equity space as an alpha enhancement to a purely benchmark-passive holding for the U.S. large-cap asset class. We believe there is opportunity in exploiting the natural cyclical variation in sector returns. However, we recognize that there will be periods of underperformance for these types of strategies. Therefore, we adhere firmly to a risk management framework designed to limit the impact during these periods. The strategy attempts to add value over the Russell 1000 Index by over- and underweighting sector groups while maintaining a high level of diversification and low tracking error to the benchmark.

Continued

Performance detail

Our sector allocation decisions are driven by the macroeconomic forecast, a fundamental evaluation of each sector's relative attractiveness, and a quantitative sector attractiveness score.

For the quarter, sector positioning was overweight cyclical sectors and underweight more defensive sectors for the bulk of the quarter. Overweight sectors included financials, industrials, energy, and basic materials while underweight sectors included consumer staples, utilities, and real estate.

Conclusion

In a positive quarter for markets, the fund slightly outperformed the benchmark as we believe the market has started to position itself for a economic recovery in 2021-22.

All exposures are well within predetermined risk constraints.

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Suitability/no bank guarantee

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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 and 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 and Benchmark Descriptions

Russell 1000 Index: measures the performance of the largest 1,000 securities by market capitalization listed on U.S. exchanges. The Growth and Value indices divide the main (core) index by market cap, with Growth characterized by higher expected growth rates, higher price to earnings, and lower dividends while Value is characterized by lower expected growth, lower price to earnings, and higher dividends.

Russell 2000 Index: The Russell 2000 Index is an index measuring the performance of approximately 2,000 smallest-cap American companies in the Russell 3000 Index, which is made up of 3,000 of the largest U.S. stocks.

S&P 500 index: Serves as the strategy benchmark and measures the performance of 500 widely held, typically large cap, common stocks listed on U.S. exchanges.

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, which would reduce returns.

Alpha: Measures the difference between a fund's actual returns and its expected performance, given its level of market risk (as measured by beta). A positive alpha figure indicates the fund has performed better than its beta would predict.

Basis points: A unit of measure used to describe the percentage change in the value of financial instruments or the rate change in an index or other benchmark. One basis point is equivalent to 0.01% (1/100th of a percent) or 0.0001 in decimal form.

Beta: A component of Modern Portfolio Theory statistics that measures a fund's sensitivity to market movements. It measures the relationship between a fund's excess return over T-bills and the excess return of the benchmark index over T-bills.

Investing involves risks and you may incur a profit or a loss.

Diversification does not ensure a profit or guarantee against a loss.

There is no assurance that any investment strategy will be successful.

Past performance cannot guarantee future results.

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