WILMINGTON
FUNDS

Quarterly Market Review

Global Alpha Equities Fund

1Q | 2021

Global Long/Short Equity

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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

- In 1Q 2021, Global Alpha Equities returned 0.94%, trailing both the HFRX Equity Hedge Index, which returned 2.65%, and its Morningstar peer group, which returned 4.89%
- The fund's defensive nature and global footprint led to underperformance of its benchmark during the quarter, which saw strong returns and U.S. leadership

Wellington portfolio manager perspective

Global equities (+4.7%), as measured by MSCI All Country World Index (ACWI), rose for the fourth straight quarter. Markets continued to advance amid the accelerating global rollout of vaccines, a favorable outlook for global economic growth, and substantial support from governments and central banks. Massive stimulus measures combined with pent-up savings and significant supply chain disruptions throughout the global economy fueled expectations for higher inflation. These increased concerns that central banks may have to tighten monetary policy to an extent that could impair equity markets. Despite a broadening rollout of vaccines, global coronavirus trends remained volatile, with Europe experiencing a sharp rise in COVID-19 infections, extended lockdowns, and a slow vaccine rollout. In contrast, vaccinations in the UK accelerated sharply, and President Joe Biden announced that America is on track to have enough vaccines for every adult by the end of May. The European Parliament approved the Recovery and Resilience Facility, which will provide €672.5 billion in grants and loans to help European Union (EU) countries alleviate the social and economic effects of the pandemic, while President Biden signed into law a massive $1.9 trillion coronavirus relief bill.

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Figure 1

Performance and fund expenses (%) as of March 31, 2021

	1Q 2021	1-year return (annualized)	5-year return (annualized)	Since inception return (annualized)	Expenses[1] Gross	Net	Inception date
Wilmington Global Alpha Equities Class I	0.94	12.95	4.91	3.24	1.80	1.25	01/12/12
U.S. Fund Long-Short Equity[2]	4.89	26.67	5.75	4.80	—	—	—
HFRX Equity Hedge Index	2.65	23.88	4.08	3.33	—	—	—

Performance shown represents past performance and cannot guarantee future results. Short-term performance may not be indicative of long-term results.

Current performance may be lower or higher than shown. Investment return and principal value will fluctuate. Shares, when redeemed, may be worth more or less than the 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.

Class I data shown, not all investors will be able to invest in Class I shares. Other share classes available, performance and expenses may vary.

You cannot invest directly in an index: Index performance does not reflect the expenses associated with the active management of an actual portfolio.

[1]The fund's advisor, distributor, and shareholder services providers have agreed to waive their fees and/or reimburse expenses so that total annual fund operating expenses paid by the fund's Class I shares will not exceed 1.24%, not including the effects of dividends or interest on short positions, acquired fund fees and expenses, taxes, or other extraordinary expenses. This waiver may be 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.

[2]Morningstar Long-Short Equity Funds peer group average.

Fund investment approach

Objective

Long-term growth of capital with lower volatility than broader equity markets.

Approach

- Global defensive equity strategy
- Emphasis on downside mitigation
- Combination of high-active share, long-only equity strategies with a futures-based hedging program designed to reduce market exposure to typically 35%–45% net long

Subadvised by

Wellington Management

AUM: $204.65 million (Class A and Class I shares)

Benchmark: HFRX Equity Hedge Index

Inception date: January 12, 2012

Quarterly review

During the quarter, the fund posted positive total returns, but underperformed relative to its benchmark, the HFRX Equity Hedge Index due to the drag from its market risk hedging strategy as markets rallied during the quarter. The fundamental, long equity strategy posted positive returns and outperformed relative to the ACWI due to security selection as well as strong performance from managers who invest in value and contrarian names. The risk factor completion strategy posted positive absolute returns but underperformed the ACWI, due to the defensive nature of these factor exposures as markets rallied. The market risk hedging strategy detracted from absolute performance as equity markets rose during the quarter.

Security selection was the primary driver of the equity strategy's relative outperformance. Strong selection in the consumer discretionary, communication services, and consumer staples sectors was only partially offset by weaker selection in the industrials, materials, and energy sectors. Sector allocation, a residual of the underlying managers' bottom-up stock selection process, also contributed to results due to our overweight exposure to industrials and underweight exposure to information technology. This was

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Regions (as of 3/31/2021)

	Allocation
United States	47.8%
Europe ex-UK	16.7%
Japan	9.2%
UK	5.7%
Canada, Australia, NZ	5.1%
Emerging markets	7.0%
Asia ex Japan	1.3%
Cash & Collateral for hedging program	7.1%

Sectors (as of 3/31/2021)

	Allocation
Communication Services	7.2%
Consumer Discretionary	12.1%
Consumer Staples	6.4%
Energy	2.0%
Financials	15.5%
Health Care	10.5%
Industrials	18.1%
Information Technology	13.3%
Materials	2.6%
Real Estate	2.8%
Utilities	3.0%
Other	0.2%

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

	Allocation
Microsoft Corp	1.8%
Apple Inc	1.4%
Amazon.com Inc	1.3%
Canadian Natl Railway Co	1.1%
Alphabet Inc	1.1%
Novartis Ag-Reg	1.1%
Tencent Holdings Ltd	1.1%
Fortive Corp	1.1%
Aia Group Ltd	1.0%
Charles Schwab Corp	0.9%

Holdings percentages are based on the total portfolio as of quarter end and are subject to change at any time. These data are shown for informational purposes only and are not to be considered a recommendation to purchase or sell any security. The holdings information provided does not include all securities that were purchased, sold or held in client accounts and may not be representative of current holdings. It should not be assumed that the holdings described are or will be profitable or that securities purchased in the future will be profitable or will equal the performance of the securities in this list.

partially offset by an underweight exposure to energy. From a regional perspective, the fund's exposures to emerging markets, Japan, and Europe contributed to results, while exposure to North America detracted from performance.

The underweight position in Apple was the top relative contributor during the quarter. Shares of Apple moved lower during the quarter amid concerns around high equity market valuations and rising interest rates. In addition, the company continues to experience political headwinds as it faces lawsuits from the European Union, the United Kingdom, and now the United States related to its App Store. The manager trimmed our exposure to Apple during the quarter, increasing the underweight relative to the benchmark.

The fund's position in Copart was the top relative detractor during the quarter. Copart, Inc. is a provider of online vehicle auctions and remarketing services. The stock price declined during the quarter, although Copart posted strong fiscal 1Q 2021 results with sales and earnings above consensus expectations.

The manager believes that this is a price correction following the price spike at the end of 2020 and continues to hold the stock on the belief the company is an attractive secular grower that will benefit from industry trends including higher prices and electric vehicles gaining share.

During the quarter, fund positioning remained relatively intact and changes in exposure within each of the factors reflects market movements across underlying strategies during this period.

Environment and outlook

As COVID-19 vaccines begin rolling out, investors are expressing exuberance at the possibility of entering a post-pandemic period of economic recovery. Despite this positivity, equity markets have been choppy, and there is considerable macroeconomic uncertainty that persists as investors strive to balance long-term optimism with near-term challenges, including the logistical difficulties of vaccine distribution. To that end, market volatility is expected to continue, and the manager remains vigilant in managing risks in the portfolio to ensure that security selection drives results.

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Looking across equity markets, the team continues to monitor evolving areas of risk facing equity factors. The fund maintains exposure to cyclical segments of the market through mean-reverting stocks (e.g., value and contrarian) that are trading at attractive valuations and through trend-following stocks (e.g., growth and momentum) that have fundamental growth tailwinds. These exposures are balanced with more defensive exposures (e.g., low volatility and quality) that have stable fundamentals. Within these three areas of the equity market, the manager is mindful of distinct risks specific to each one. For instance, value stocks have rallied over the past several months as investors anticipate a return to normalcy following the COVID-19 vaccine rollout. However, value exposures can have higher correlations to macro risks, and they tend to lean into certain sectors and companies that exhibit a heightened risk of becoming insolvent if there were to be another economic shutdown. The fund therefore relies on the stock-picking expertise of its value managers to identify companies with solid fundamentals trading at attractive valuations, avoiding names that look attractive from a valuation standpoint, but may not have the same ability to mean-revert in the future. Within the growth market, the more speculative names that were bid up in 2020 have started to sell-off on stretched valuations as investors roll out of areas that benefited most during the pandemic. Like with value names, this reversal has reiterated to us the importance of bottom-up insight, as the fund's managers look to weed out speculative growth companies from companies with better fundamental growth prospects. Finally, the fund expects defensive exposures to provide ballast through market turbulence and in the case that equity market valuations become more stretched. These exposures are reflected in stocks with safety-like characteristics such as stable profitability and cash flows. With quality names trading at attractive valuations relative to history as well as to other areas of the market, the manager is positive on the current case for quality exposures. The fund seeks to balance these naturally diversifying exposures to provide a stable portfolio that is not likely to be whipsawed by the daily news cycle.

Important Information and Risk Disclosure

All investments involve risk, including possible loss of principal. Investments such as mutual funds which focus on alternative strategies are subject to increased risk and loss of principal and are not suitable for all investors. Diversification does not ensure a profit or guarantee against a loss. There is no assurance that any investment strategy will be successful. Any investment in the fund should be part of an overall investment program rather than, in itself, a complete program. Because the fund invests in underlying mutual funds or other managed strategies, an investor in the fund will bear the management fees and operating expenses of the "Underlying Strategies" in which the fund invests. The total expenses borne by an investor in the fund will be higher than if the investor invested directly in the Underlying Strategies, and the returns may therefore be lower.

The fund, the subadvisors, and the Underlying Strategies may use aggressive investment strategies, which are riskier than those used by typical mutual funds. If the fund and subadvisors are unsuccessful in applying these investment strategies, the fund and you may lose more money than if you had invested in another fund that did not invest aggressively. The fund is subject to risks associated with the subadvisors making trading decisions independently, investing in other investment companies, using a particular style or set of styles, basing investment decisions on historical relationships and correlations, trading frequently, using leverage, making short sales, being non-diversified and investing in securities with low correlation to the market. The use of leverage may magnify losses. The fund is also subject to risks associated with investments in foreign markets, emerging market securities, small cap companies, debt securities, derivatives, commodity-linked instruments, illiquid securities, asset-backed securities and CMOs. Please see the prospectus and summary prospectus for information on these as well as other risk considerations.

Benchmark Descriptions and Definitions

The **HFRX Equity Hedge Index** measures the performance of hedge fund strategies that primarily maintain long and short positions in equity and equity derivative securities. Equity Hedge managers typically maintain at least 50%, and in some cases may be entirely invested in equity-related securities, both long and short. Managers may employ a broad range of processes and strategies, including both quantitative and fundamental techniques, as well as net exposures, level of concentration, use of leverage, holding periods, and market capitalizations. The index is weighted by asset size among reporting funds, which must have at least $50 million in assets or have been active for at least 12 months.

The **MSCI ACWI** is a market capitalization weighted index designed to provide a broad measure of equity-market performance throughout the world. The MSCI ACWI is maintained by Morgan Stanley Capital International (MSCI) and is comprised of stocks from 23 developed countries and 24 emerging markets.

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.

Beta is a measure of a fund's sensitivity to market movements. It measures the relationship between a fund's return and a market benchmark.

A long position—also known as simply long—is the buying of a stock, commodity, or currency with the expectation that it will rise in value.

Short Futures Contracts are financial contracts obligating participants to engage in a transaction of a specific asset, such as a physical commodity or a financial instrument, at a predetermined future date and price. A long position obligates the participant to buy the asset, while a short position obligates to participant to sell the asset.

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