

## Quarterly Market Review

# Wilmington International Fund

3Q | 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](http://www.wilmingtonfunds.com) or by calling 1.800.836.2211. Read the prospectus carefully before investing.

### Key takeaways

- The Wilmington International Fund returned -2.11% versus -2.99% for the MSCI ACWI ex U.S. Index, producing a +0.88% excess return
- The fund produced a +1.64% excess return over ACWX, the iShares ETF that tracks the fund's benchmark
- Outperformance was due mainly to stock selection, primarily by the Allianz Europe Equity Growth Select and Axa Europe Framlington Small Cap strategies
- Contributing to outperformance were the fund's tilts toward smaller-cap and lower-volatility stocks and its slight overweight to Japan and slight underweight to China

### Fund structure

The 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 region as well as style, capitalization, and factor considerations.

### Market review

Global stocks produced a slightly negative return, with increased volatility. International stocks generated somewhat larger losses than U.S. stocks, mainly on account of the bear market in Chinese stocks.

Continued

Figure 1

**Average annual total returns and fund expenses (%) as of September 30, 2021**

	Without sales charge				With maximum sales charge				Expenses <sup>1</sup>		Inception date
	1Y	3Y	5Y	10Y	1Y	3Y	5Y	10Y	Gross	Net	
<b>Class A</b>	20.32	7.24	8.77	7.13	13.72	5.23	7.55	6.52	1.50	1.12	12/19/05
<b>Class I</b>	20.59	7.41	8.94	7.28	20.59	7.41	8.94	7.28	1.01	0.87	06/29/98
<b>MSCI All Country World ex-U.S. Index</b>	35.72	9.38	11.08	5.45	35.72	9.38	11.08	5.45	—	—	—

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](http://www.wilmingtonfunds.com).

<sup>1</sup>The 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 August 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:** \$697.38 million

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

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

China was the principal drag on international stock performance, as it also was in the first half of the year.

The Chinese Communist Party (CCP) has accelerated its campaign to remake the country's internet platforms into instruments for executing CCP's egalitarian social and economic agenda, which operates under the populist slogan "Common Prosperity." This campaign has employed business interventions that are more aggressive than in Western countries where private firms enjoy legal protections. As a result, investors have suffered significant stock losses. Additionally, investors are wary of the slow-motion collapse of a major property developer.

Until 2020, global growth investors found China's internet platforms appealing, as they married wide-moat monopolistic business models to middle-class consumer growth, supported by a laissez-faire regulatory environment. CCP's recent actions have broken this formulation. These stocks no longer offer such strong forward earnings growth trajectories. While some investors consider their original investment theses broken and are selling or trimming, others are looking at distressed valuations and seeing select opportunities that they believe CCP will favor. Not too long ago, investors saw China as offering a predictable policy environment and were wary of Europe because of unstable populist politics. Now, it is China's politics that are populist.

Continued

**Top 10 countries** (as of 9/30/2021)

	<b>Allocation</b>
Japan	19.0%
United States	9.2%
China	8.2%
France	7.6%
Great Britain (UK)	7.5%
Germany	7.2%
Switzerland	5.9%
Sweden	5.0%
Netherlands	4.2%
Taiwan	3.9%

**Top 10 holdings** (as of 9/30/2021)

	<b>Allocation</b>
iShares MSCI Canada ETF	3.3%
Taiwan Semiconductor Manufacturing	2.5%
MSCI India Future SEP21	1.8%
Samsung Electronics Co Ltd	1.7%
ASML Holding NV	1.4%
Tencent Holdings Ltd	1.2%
DSV A/S	1.1%
HDFC Bank Ltd	0.9%
Infineon Technologies AG	0.9%
AIA Group Ltd	0.8%

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.

European stocks continued to perform well in euro (EUR) and pound sterling (GBP) terms across a wide range of industries. Rising forward earnings projections drove such performance, reflecting the progress made by the European Union (EU) and UK policymakers in overcoming the pandemic's health and economic impacts. Returns in U.S. dollar (USD) terms were reduced somewhat by EUR and GBP depreciation against the USD. As Japan began making progress against the pandemic, its stocks recovered in both yen (JPY) and USD terms after a mediocre first half.

During most of the quarter, growth style slightly outperformed value style. However, in the last two weeks of September, two developments partly reversed this trend. First, bond yields rose on indications that the Federal Reserve might move more quickly toward monetary tightening and bank stocks rose as technology stocks tumbled. Second, oil, natural gas, and coal prices suddenly surged due to a confluence of supply chain and demand developments.

**Portfolio performance**

The portfolio returned -2.11% versus -2.99% for its benchmark, the MSCI ACWI ex U.S. Index, producing +0.88% outperformance. The fund produced a +1.64% excess return over the ACWX, the iShares ETF that tracks its benchmark.

The fund registered strong relative performance across July, August, and most of September. The outperformance was due mainly to stock selection, primarily from the growth-tilted Allianz Europe Equity Growth Select and Axa Europe Framlington Small Cap strategies.

Also contributing to outperformance were the fund's tilts toward smaller-cap and lower-volatility stocks and its slight overweight to Japan and slight underweight to China, especially to the internet platforms.

The fund's relative performance slipped during the last two weeks of September. Underweights to the bank and energy sectors detracted from excess returns as yields rose and energy prices rose. On September 30—the last day of the quarter—the U.S. market fell sharply; this triggered a large negative fair valuation adjustment to fund performance for that day, and thus for the trailing quarter.

Continued

---

## Positioning

With the pandemic's Delta wave receding, we expect European and Japanese stocks to continue producing strong, broad-based earnings growth. Further, we do not think European and Japanese stocks are particularly expensive on forward price-to-earnings ratios. We anticipate that emerging markets outside China will generate improved earnings growth as the Delta variant continues to recede, global cyclical recovery supports commodity prices, and semiconductor supply-chain issues are resolved. As for China, it seems likely that the internet platform stocks will increasingly acquiesce to CCP's demands. While we expect the internet platform stocks to remain in business, it seems likely they will generate lower returns, similar to those of companies owned or controlled by the Chinese government.

Currently, it still makes sense to remain slightly underweight in the Asia Pacific ex-Japan region, especially to China's internet platforms, with continuing slight overweight positions to Europe and Japan. It also seems prudent to stay slightly defensive, as markets have been demonstrating increased volatility. The duration of the sudden "energy crisis" in China and Europe may be short and may not merit an overweight in energy stocks.

## 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

**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.

**iShares MSCI ACWI ex U.S. ETF** seeks to track the investment results of an index composed of large- and mid-capitalization non-U.S. equities.

**MSCI ACWI ex USA Growth Index** captures large- and mid-cap securities exhibiting overall growth style characteristics across 22 developed markets (DM) countries and 26 emerging markets (EM) countries. Investment style characteristics are defined using: long-term forward EPS growth rate, short-term forward EPS growth rate, current internal growth rate, long-term historical EPS growth trend and long-term historical sales per share growth trend.

**MSCI ACWI ex USA Value Index** captures large- and mid-cap securities exhibiting overall value style characteristics across 22 developed and 27 emerging markets countries. Investment style characteristics are defined using: book value to price, 12-month forward earnings to price, and dividend yield.

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**