

Quarterly Market Review

Wilmington Large-Cap Strategy Fund

3Q | 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 took a breather in the third quarter as the rebound was delayed by back-to-school worries about the COVID-19 variant, the impact of supply chain disruptions, and a lack of job candidates
- Growth outperformed value in the quarter and large caps outperformed small caps
- The best-performing sectors included financials, communication services, utilities, health care, and technology while industrials, basic materials, energy, and consumer staples underperformed
- The fund slightly underperformed its benchmark, the Russell 1000 Index

Market recap

Third-quarter 2021 was mixed with flat performance as the market corrected in September. The interest rate curve steepened a bit exiting the quarter as the Fed intimated it would reduce bond purchases, while many highly cyclical names reasserted themselves driving momentum for the quarter.

Valuations remain full by historical standards particularly as the prospect for rising rates has increased. Higher interest rates and a moderating growth expectation would typically pressure pricing earnings multiples for the market.

Markets continue to watch COVID-19 developments and the impact they are having as we approach flu season. While most companies are planning to get back to some degree of normalcy, the return to the office is taking a bit longer than previously forecasted. Employee demand remains very high, which may result in higher costs going forward as the pool of available qualified employees so far has been tight.

Continued

Figure 1

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

					Expenses ¹		Inception date
	1Y	3Y	5Y	10Y	Gross	Net	
Class I	31.98	18.22	18.20	16.29	0.62	0.25	7/01/2003
Russell 1000 Index	30.96	16.42	17.12	16.76	-	-	-

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 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.

Investment approach

The fund invests primarily in a portfolio of equity securities of U.S. large-cap companies. The fund's investment advisor determines the tactical allocation of the fund's assets based on forecasts of asset risk and return profiles derived from a combination of fundamental, quantitative, and macroeconomic inputs.

Ticker: WMLIX

AUM: \$627.29 million

Benchmark: Russell 1000® Index

Inception date: July 1, 2003

In the third quarter, the S&P 500 index rose 0.58%, the Russell 2000 Index declined 4.36%, and large-cap growth rose 1.16% while large-cap value declined 0.85%.

Financials, health care, utilities, and technology rose strongly in the quarter while industrials, basic materials, energy, and consumer staples underperformed the Russell 1000.

Performance overview

The Large-Cap Strategy Fund slightly underperformed its Russell 1000 Index benchmark for the quarter by 3 basis points, or bps (0.03%) net of fees. On a gross-of-fee basis, the fund outperformed the benchmark by 3bps.

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 to 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. Overweight sectors included financials, industrials, energy, and basic materials while underweight sectors included consumer staples, utilities, and real estate. The underweight position in consumer staples and overweight to financials added to performance in the quarter while the overweight to energy and basic materials detracted.

Conclusion

In a positive quarter for markets, the fund slightly outperformed the benchmark (gross of fees) as the market churned somewhat from purely cyclical exposure to other sectors.

All exposures are well within predetermined risk constraints.

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Investment products are not insured by the FDIC or any other governmental agency, are not deposits of or other obligations of or guaranteed by Wilmington Trust, M&T, or any other bank or entity, and are subject to risks, including a possible loss of the principal amount invested.

Alpha is a measure of performance, indicating when a strategy, trader, or portfolio manager has managed to beat the market return over a specified period. It may be positive or negative and is the result of active investing.

Definitions and Benchmark Descriptions

Basis points refers to a common unit of measure for interest rates and other percentages in finance. One basis point is equal to 1/100th of 1%, or 0.01%, or 0.0001, and is used to denote the percentage change in a financial instrument.

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 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.

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.

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