WILMINGTON FUNDS

Quarterly Market Review

Global Alpha Equities Fund

3Q | 2021

Global Long/Short Equity

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Key takeaways

- In 3Q 2021, the Global Alpha Equities Fund returned returned -0.16%, capturing 20% of the MSCI All Country World Index losses
- The fund's and global footprints led to underperformance of its benchmark in a period of U.S. leadership

Wellington portfolio manager perspective

Global Equities (-1.0%), as measured by the MSCI All Country World Index (ACWI), fell for the first time in six quarters. Markets contended with pandemic uncertainty, moderating economic growth, the imminent prospect of reduced quantitative easing and policy tightening, and persistent supply chain dislocations that amplified the risk of more sustained inflation. In Asia, the spread of the COVID-19 Delta variant shuttered factories and snarled traffic at several major ports, exacerbating supply chain disruptions and driving shipping costs and goods prices even higher. Mounting inflation forced many emerging markets countries to raise interest rates, while other central banks assessed plans for curbing their asset purchases. China's regulatory crackdown on private education businesses and companies that handle large quantities of data pummeled the shares of Chinese technology stocks, sparking fears of more regulations for private companies. Then, a debt crisis at one of China's largest property developers destabilized financial markets and fueled concerns about lasting damage to China's credit conditions and its economy. An energy supply crunch is looming in Europe and Asia, as soaring prices for natural gas and coal are driving inflation higher and posing risks to the global economic recovery.

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.

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Figure 1

Performance and fund expenses (%) as of September 30, 2021

	3Q 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	-0.16	6.26	5.03	3.36	1.81	1.25	1/12/2012
U.S. Fund Long-Short Equity[2]	-1.33	15.84	5.89	4.81	—	—	—
HFRX Equity Hedge Index	1.28	17.74	4.90	3.82	—	—	—

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 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.

[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: $209.09 million (Class A and Class I shares)

Benchmark: HFRX Equity Hedge Index

Inception date: January 12, 2012

Quarterly review

During the quarter, the fund had slightly negative total returns and performed ahead of expectations, capturing less than 20% of the ACWIs losses. However, the fund trailed its benchmark, the HFRX Equity Hedge, partially due to lower U.S. exposure, in a period where the U.S. outperformed by roughly 150 basis points, or bps (1.5%). With equity markets declining in 3Q 2021, the hedging strategy contributed to absolute returns. While the long book detracted from absolute returns, it outperformed its equity benchmark, the MSCI ACWI. Within the long book, the risk factor completion strategy posted positive absolute returns and outperformed the MSCI ACWI.

Sector allocation, a residual of the underlying managers' bottom-up stock selection process, was the primary driver of the long book's relative outperformance due to our overweight exposure to financials and underweight exposures to materials and consumer discretionary. This was partially offset by our underweight exposure to information technology and overweight to industrials. Security selection within the long book also contributed to results. Strong selection in the industrials, financials, and materials sectors was only partially offset by weaker selection in the utilities, health care, and

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Regions (as of 9/30/2021)

	Allocation
United States	46.6%
Europe ex-UK	15.4%
Japan	8.6%
UK	5.6%
Canada, Australia, NZ	4.9%
Emerging markets	5.0%
Asia ex Japan	1.1%
Cash & Collateral for hedging program	12.8%

Sectors (as of 9/30/2021)

	Allocation
Communication Services	7.2%
Consumer Discretionary	9.7%
Consumer Staples	5.5%
Energy	2.1%
Financials	16.0%
Health Care	10.8%
Industrials	15.5%
Information Technology	13.0%
Materials	2.3%
Real Estate	2.5%
Utilities	2.5%
Other	0.8%

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

	Allocation
Microsoft Corp.	1.8%
Apple Inc.	1.3%
Amazon.com Inc.	1.3%
Alphabet Inc.	1.1%
Canadian Natl Railway Co.	1.0%
Novartis Ag	0.9%
Charles Schwab Corp.	0.9%
Intact Financial Corp.	0.9%
Facebook Inc.	0.8%
Constellation Software Inc.	0.8%

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.

consumer discretionary sectors. From a regional perspective, the fund's exposures to Japan, Europe, and emerging markets contributed to results, while exposures to North America and Asia Pacific ex Japan detracted.

Our overweight position in Credit Acceptance was the top relative contributor during the quarter. Credit Acceptance engages in the provision of dealer financing programs that enable automobile dealers to sell vehicles to consumers, regardless of credit history. The stock price rose following 2Q 2021 results as lower general and administration expenses and better credit provisions contributed to the earnings beat. While finance charges were up and collection rates improved over the quarter, loan volume and active dealer partners missed expectations, driven by lower car inventories and inflated vehicle prices. Recently, Credit Acceptance's stock price further rose after the company reached a $27 million settlement agreement with Massachusetts over claims that it made deceptive loans, misled investors, and engaged in unfair collection practices. The fine was fairly small and had already been accounted for by the company, but the resolution removed a cloud of uncertainty, which should reduce headline risk around this name. We continue to hold the stock.

Our decision not to own Tesla was the top relative detractor during the quarter. Tesla engages in the design, development, manufacture, and sale of fully electric vehicles (EV), energy generation, and storage systems. Shares of Tesla ended the period higher as the EV manufacturer reported second-quarter earnings that exceeded expectations. While management noted that growth was negatively impacted by the global chip shortage, the company posted a record net income of $1.1 billion. We continue to not hold this name.

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

Environment and outlook

Volatility weighed on markets during the period as investor exuberance was moderated by increasing macro uncertainties. Company earnings have been improving relative to 2020, but risks continue to evolve. This includes the potential

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economic ramifications following the spread of the COVID-19 Delta variant, prospective broad market disruption from increased political uncertainty surrounding publicly listed equities in China and political gridlock in the U.S., and the likely impact to company fundamentals as central banks begin to roll back stimulus programs. Against this backdrop, we expect continued volatility as investors balance long-term opportunities and nearer-term risks. As ever, we remain vigilant in managing risks in the portfolio and seek to deliver performance that is driven by security selection.

We are mindful of the ever-evolving risks of different equity factors and seek to create a portfolio of differentiated investment styles and philosophies. We lean into defensive exposures to companies with stable businesses, as these characteristics can be beneficial to the portfolio in the event of an unexpected shock to the economy or markets. We also note that these stocks continue to trade at attractive valuations relative to history. We balance these risk-averse allocations with allocations to mean-reversion (e.g., value and contrarian) and trend-following (e.g., growth). Within mean-reversion, we seek to invest in undervalued companies with solid fundamentals. Within trend-following, we seek companies with favorable growth prospects. In aggregate, we expect the market backdrop to benefit fundamental portfolio managers looking to differentiate between companies that can succeed in the current climate from those that cannot.

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.

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.

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.

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