WILMINGTON
FUNDS

Quarterly Market Review

Wilmington International Fund

2Q

as of 6/30/2022

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Key takeaways

- Global markets continue to adapt to the impacts of the Ukraine war, efforts to combat soaring inflation, and the ongoing battle against COVID-19
- The unpredictable evolution of events and the interplay of impacts have placed macro considerations firmly in the driver's seat of performance
- The Wilmington International Fund recorded negative absolute returns in the second quarter but outperformed the drop in its MSCI ACWI ex USA (Net) benchmark in the period
- Positioning in the financials sector and an above-average cash position helped the fund, while industrials, health care, and energy positions penalized relative performance in the quarter

Fund structure

The fund is structured as a multi-regional, multi-strategy, all-cap, blend-style portfolio. Stock selection is primarily 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 regional, style, capitalization, and factor considerations. One change of note to end the quarter is that the Allianz strategies have exited the portfolio and were replaced by a single strategy managed by Parametric Portfolio Associates. We will expand on this change in the Positioning and Outlook segment at the conclusion of this commentary.

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
Average annual total returns and fund expenses (%) as of June 30, 2022

	Without sales charge				With maximum sales charge				Expenses[1]		
	1Y	3Y	5Y	10Y	1Y	3Y	5Y	10Y	Gross	Net	Inception date
Class A	–22.21	–0.06	1.34	4.18	–26.52	–1.94	0.21	3.59	1.50	1.12	12/19/2005
Class I	–21.98	0.12	1.51	4.34	–21.98	0.12	1.51	4.34	1.00	0.87	6/29/1998
MSCI All Country World ex-U.S. Index	–19.42	1.35	2.50	4.83	–19.42	1.35	2.50	4.83	—	—	—

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.

[1] 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 non-U.S. equity securities, including common stocks and equity-linked instruments of all capitalizations, emerging markets securities, and exchange-traded funds. The assets are allocated among a number of subadvisors with experience in managing international investment strategies.

AUM: $562.34 million
Benchmark: MSCI All Country World ex-U.S. Index
Inception date: Class A: 12/19/2005; Class I: 6/29/1998

Market review

The Ukraine war, inflation, and COVID impacts continue to drive market volatility and shape returns across asset classes.

The war in Ukraine has severely disrupted global economies at a time when inflation is already overheating. Sanctions imposed on Russia have exacerbated this situation as have the tit-for-tat retaliatory responses enacted by Russia. The escalation of sanctions and Russia's responses are ongoing and unpredictable. Among the most impactful retort, which is yet-to-be imposed, is Russia's potential shut-off of natural gas to Europe. If enacted, this move would almost certainly throw European economies into recession, not to mention set the stage for a tough winter season.

The U.S. has initiated its battle against inflation, with a hawkish Fed taking the lead in monetary tightening. The rising rate environment in the U.S. coupled with the dollar's traditional role as a safe haven in war time has propelled the dollar to extreme highs against major currencies. Year-to-date spot currency returns through the end of 2Q 2022, captured from Bloomberg, illustrate these extremes with the Japanese yen (–15.2%), euro (–7.8%), and the British pound (–10%) all trading lower against the dollar.

The European Central Bank (ECB) is set to join the battle against inflation, with expectations of a rate hike of 25 basis points, or bps (0.25%), or possibly higher expected shortly. Obviously, the ECB is on a tightrope, attempting to rein in inflation while avoiding recession in this unpredictable environment. Not an easy task.

The Bank of Japan, by contrast, has displayed little appetite to address rising inflation and the depreciating yen, instead choosing to steadfastly maintain its easy monetary policy. The sustainability of this approach is a topic of debate both within Japan and outside of the country.

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Top 10 countries (as of 6/30/2022)

	Allocation
Japan	19.1%
United States	12.4%
Great Britain (UK)	9.3%
China	8.5%
France	7.2%
Switzerland	5.5%
Germany	5.0%
Sweden	3.8%
Netherlands	3.8%
Australia	3.4%

Top 10 holdings (as of 6/30/2022)

	Allocation
Taiwan Semiconductor Manufacturing	2.2%
MSCI India Future SEP22	2.0%
Samsung Electronics Co Ltd	1.4%
ASML Holding NV	1.2%
Novo Nordisk A/S	1.1%
AIA Group Ltd	1.1%
Tencent Holdings Ltd	1.0%
HDFC Bank Ltd	0.8%
DSV A/S	0.8%
Toyota Motor Corp	0.7%

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 (6/30/22) 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.

COVID also continues to impact global trade as the virus mutates into more contagious variants. The centroid of its impact remains China. The Chinese government's continued enforcement of a zero-COVID policy has created an ongoing red-light, green-light environment with a revolving door of regional openings and closings based on localized outbreaks. The impacts to global trade depend on the location du jour of each outbreak.

If you feel this combination of extreme currency levels, unpredictable sanctions and virus impacts, and varied policy responses sounds like a recipe for volatility, we believe you would be right. Elevated market volatility remains our base case.

Portfolio performance

The fund recorded negative absolute returns in the second quarter but outperformed the drop in its MSCI ACWI ex USA (Net) benchmark in the period. Positioning in the financials sector helped, as did an above-average cash position. Meanwhile, positions in the industrials, health care, and energy sectors penalized relative performance in the quarter.

The market favored more defensive sectors in the quarter including utilities, health care, and consumer staples, which is not surprising given the market volatility. More cyclical sectors such as technology, industrials, and materials were the weakest performers in the benchmark. Energy continued to be an exception, a cyclical sector that outperformed as a direct result of Ukraine war impacts.

Positioning

As described in our market commentary, multiple macro-driven forces are working to shape the trajectory of returns in global markets. The level of uncertainty surrounding these forces is currently quite large, making for a difficult environment in which to handicap individual outcomes. We believe that maintaining a diversified portfolio while minimizing exposures that represent outsized bets on the likely outcome of these varied macro-driven events is a prudent approach. This holds true for both potential positive and negative outcomes.

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In the final week of the second quarter, we transitioned away from our relationship with Allianz Global Investors and introduced Parametric Portfolio Advisors (PPA) to the portfolio. Allianz managed two strategies within our fund, the Allianz Europe Equity Growth Select strategy and the Allianz Systematic Equity Europe High Dividend strategy, basically one growth-oriented strategy and one that is value-oriented.

The combined assets of the Allianz strategies have been invested into a Parametric Custom Core strategy that will closely track the MSCI Europe Index, while implementing a process of dynamic tax-loss harvesting. The Parametric approach has historically been most effective in volatile and lower return environments, periods that provide a fertile field for loss harvesting. Risk is tightly controlled, consistent with our goal of minimizing outsized bets in the current environment. Gaining an advantage in after-tax returns represents one area of relatively high certainty that can be exploited in the current environment of low conviction.

Our other Pan-European active strategies continue in place and serve to complement the Parametric strategy. AXA manages the Pan-European Small-Mid Cap strategy, while Berenberg manages a large-cap Pan-European strategy. The AXA strategy can be expected to be more responsive to positive economic news, while Berenberg's strategy maintains a more defensive posture. These strategies complement each other and meld well with the Parametric strategy to round out our overall European exposure.

APPENDIX

DISCLOSURES

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.

Diversification cannot guarantee a profit or protect against a loss.

GLOSSARY 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% and is used to denote the percentage change in a financial instrument.

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.

MSCI Europe Index captures large- and mid-cap representation across 15 developed markets (DM) countries in Europe. The index covers approximately 85% of the free float-adjusted market capitalization across the European DM equity universe.

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.

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