WILMINGTON FUNDS

Quarterly Market Review

Global Alpha Equities Fund

2Q

as of 6/30/2022

Global Long/Short Equity

Jordan Strauss
Senior Portfolio Manager

Matt Glaser
Head of Equities,
Nontraditional Investments,
and Manager Research

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

- Global Alpha Equities outperformed its benchmark, peers, and expectations during the quarter
- Security selection was the primary driver of outperformance

Wellington portfolio manager perspective

Global equities (–15.5%), as measured by MSCI All Country World Index (ACWI), fell sharply in the second quarter, ending June with a 20.0% loss year to date—the worst start to a year in decades. Risk sentiment plunged amid elevated volatility as investors grew increasingly concerned about the economic toll of persistent geopolitical instability, soaring inflation, rising interest rates, and constrained supply chains. Inflation remained elevated globally, with the U.S. Consumer Price Index (CPI) and eurozone CPI both rising 8.6% year over year. Energy prices continued to rise as the ongoing crisis in Ukraine severely pressured oil and natural gas supplies. Europe's energy crisis in particular intensified; natural gas supplies fell 60% from normal levels amid gas-flow disruptions in the Nord Stream 1 pipeline, forcing European governments to scramble to build natural gas inventories ahead of the winter. Later in the period, the G-7 summit in Berlin concluded with the group reaffirming its support for Ukraine; however, no additional measures were announced as economic pressures dampened the West's appetite for tougher sanctions against Moscow. Despite the risk of slowing economic growth, globally, most central banks continued to adopt tough policy measures to rein in inflation, with the Federal Reserve (Fed) and European Central Bank (ECB) reiterating their intentions to increase interest rates more aggressively and scale back pandemic-era stimuli. The Fed increased its target federal funds rate twice during the quarter, raising its target rate by 50 basis points, or bps, (0.50%) and 75bps in May and June, respectively. In sharp contrast, the Bank

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Figure 1

Performance and fund expenses (%) as of June 30, 2022

	2Q 2022 (ending 6/30/2022)	1-year return (annualized)	5-year return (annualized)	10-year return (annualized)	Expenses[1] Gross	Net	Inception date
Wilmington Global Alpha Equities Class I	–3.55	–3.60	2.79	2.84	1.81	1.25	1/12/2012
U.S. Fund Long-Short Equity[2]	–7.14	–6.58	3.52	4.07	—	—	—
HFRX Equity Hedge Index	–4.44	–0.94	3.51	3.47	—	—	—

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: $216.82 million (Class A and Class I shares)

Benchmark: HFRX Equity Hedge Index

Inception date: January 12, 2012

of Japan (BOJ) maintained its stimulus program in hope that it can achieve a sustainable 2% inflation rate. In China, lockdowns in Shanghai and restrictions in Beijing constrained supply chains as rising COVID-19 case counts disrupted production and kept workers at home. China's economy began to rebound in June after lockdowns eased, although the recovery has been muted.

Quarterly review

The fund had negative returns in 2Q 2022 but outperformed the HFRX Equity Hedge Index and peers as well as expectations, capturing only about 20% of the MSCI ACWI's return. Similarly, the equity strategy outperformed its equity benchmark, the MSCI ACWI, but also posted negative absolute returns. Within the equity strategy, the risk completion strategy, which includes the proprietary factor strategies and mega cap completion sleeve, posted negative absolute returns and outperformed the MSCI ACWI. With equity markets sharply declining during the quarter, the hedging strategy contributed positively to absolute returns.

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Regions (as of 6/30/2022)

	Allocation
United States	46.4%
Europe ex UK	13.6%
Japan	9.0%
UK	6.3%
Canada, Australia, NZ	5.9%
Emerging Markets	5.7%
Asia ex Japan	1.7%
Cash & Collateral for hedging program	11.5%

Sectors (as of 6/30/2022)

	Allocation
Communication Services	6.6%
Consumer Discretionary	8.6%
Consumer Staples	6.0%
Energy	3.2%
Financials	17.6%
Health care	11.9%
Industrials	14.8%
Information Technology	12.4%
Materials	2.6%
Real Estate	2.4%
Utilities	3.0%
Other	0.4%

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

	Allocation
Microsoft Corp	1.8%
Novartis Ag	1.4%
Aia Group Ltd	1.3%
Intact Financial Corp	1.3%
Charles Schwab Corp	1.1%
Bae Systems Plc	1.0%
Canadian Natl Railway Co	1.0%
Tencent Holdings Ltd	1.0%
Apple Inc	0.9%
Constellation Software Inc	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.

Security selection was the primary driver of the equity strategy's relative outperformance. Strong selection in the consumer discretionary, information technology, and financials sectors was marginally offset by weaker selection in the real estate sector. Sector allocation, a residual of the underlying managers' bottom-up stock selection process, also contributed to relative outperformance due to our underweight exposures to information technology and consumer discretionary. This was partially offset by a negative effect from our underweight exposure to energy. From a regional perspective, the fund's exposures to North America, Japan, and Europe contributed to results.

Our decision not to hold Tesla was the top relative contributor during the quarter. Tesla engages in the design, development, manufacture, and sale of fully electric vehicles, as well as energy generation and storage systems. Shares of Tesla fell during the period, as news about Tesla's CEO Elon Musk looking to buy Twitter raised investor concern. Additionally, the electric vehicle maker continues to grapple with supply-chain issues and COVID-related shutdowns in Shanghai. We continue not to own the stock.

Our overweight exposure to Charles Schwab was the top relative detractor during the quarter. Charles Schwab is a savings and loan holding company, which engages in the provision of wealth management, securities brokerage, banking, asset management, custody, and financial advisory services. Shares of Charles Schwab declined during the period after the brokerage company announced lower-than-expected first-quarter results, including lower trading revenue and higher expenses. We continue to hold the stock at an overweight.

During the quarter, we slightly reduced our exposure within the completion strategy while increasing our positioning to dividend focused strategies. The remaining positioning remained relatively intact, and changes in exposure within each of the factors reflects market movements across underlying strategies during this period.

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Environment and outlook

Risk is is top of mind for investors as geopolitical instability, rising inflation, and interest rate hikes create uncertainty that we expect to persist as the year goes on. As allocators, we invest strategically with value, growth, and quality fundamental managers, and we aim to balance risk across these exposures. We are keenly focused on the evolving risks to each manager's style given the current environment.

We allocate to risk-averse (e.g., quality) managers to provide exposure to companies with stable businesses. While we believe a structural allocation to these companies is important throughout the market cycle, it can be particularly beneficial when equity markets are falling. However, we are cautious that the impact from inflation could be more strenuous for less profitable areas of defensiveness, and we rely on fundamental managers to distinguish quality companies with strong profitability. We balance our risk-averse exposures with mean-reversion (e.g., value, contrarian) and trend-following (e.g., growth) allocations. We are cognizant of risks to mean-reversion such as the influence of macro signals—like the direction of interest rates or oil prices—on deeper value names, and we continue to see structural impediments to mean-reversion more generally when compared to high quality growth names. However, we believe current tightening conditions could give value some relief moving forward and provide an attractive opportunity for fundamental managers who seek out undervalued companies with solid fundamentals. Within the growth universe, we had previously noted a backdrop of excessive speculation in recent history, leading to outsized downside risk for these companies should they fail to deliver on the high growth expectations baked into prices. We have seen this risk start to play out over recent months; however, we believe there could be more room to fall. We look to our fundamental growth managers' security selection processes to differentiate companies with better long-term growth fundamentals from these more speculative names. As ever, we are focused on managing risks in the portfolio such that security selection drives results.

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APPENDIX

DISCLOSURES

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.

GLOSSARY AND BENCHMARK DESCRIPTIONS

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.

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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