

3Q

as of 9/30/2022

Quarterly Market Review

Wilmington Large-Cap Strategy Fund



Andy Hopkins
Head of Equity Research



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

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 struggled in 3Q 2022 as the Fed remained aggressive by accepting economic pain including a likely recession by projecting rising rates and keeping them high for a longer period of time in order to fight inflation from energy, food, transportation, and labor costs.
- Growth outperformed value in the quarter and large caps underperformed small caps
- The best-performing sectors included consumer discretionary, energy, and financials while communication services, real estate, basic materials, and consumer staples underperformed

Market recap

The third quarter of 2022 continued to be volatile with an active Federal Reserve (Fed) laying the groundwork for a series of significant interest rate increases and moved to fight inflation in a more meaningful way leading to weakness in stocks. Projected rate increases based on Fed projections could lead to a recession, which pressured equity valuations. Short-term rates have risen significantly leading to a significant inversion of the 2- to 10-year Treasury curve with short rates above long rates—historically this has led to recessions.

Stock valuations have moderated significantly since the start of the year as uncertainty about near-term prospects have been muddled making the market look more attractive on a longer-term basis.

During the quarter, the S&P 500 index (large cap) fell 4.88% while the Russell 2000 Index (small cap) declined 2.19%. Large-cap growth represented by the Russell 1000 Growth Index fell by 3.60%, while the large-cap Russell 1000 Value Index fell by 5.62%.

Continued

Figure 1

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

Class I					Expenses ¹		Inception date
	1Y	3Y	5Y	10Y	Gross	Net	
Class I	-17.30	7.88	8.89	11.52	0.36	0.25	7/01/2003
Russell 1000 Index	-17.22	7.94	9.00	11.61	-	-	-

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, 2023, 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: \$501.61 million

Benchmark: Russell 1000® Index

Inception date: July 1, 2003

Only two sectors, consumer discretionary and energy, posted positive returns in the quarter—they typically move in opposite directions as higher gas prices tend to limit funds for discretionary spending. Both communications and real estate posted double-digit negative returns as concerns about more limited spending for advertising impacted many of the communication stocks and the effect of higher interest rates on funding costs for real estate swayed return expectations.

Performance overview

The fund outperformed the Russell 1000 Index benchmark for the quarter by 2 basis points, or bps (0.02%), net of fees. On a gross-of-fee basis, the fund outperformed the benchmark by 8bps (0.08%).

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 over the Russell 1000 Index by over- and under-weighting 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 energy while underweight real estate. The underweight position in real estate helped performance and the overweight allocations to energy added to performance in the quarter.

Conclusion

The fund outperformed the benchmark net of fees as the market rewarded our positions to energy and real estate, which also added to relative performance.

All exposures are well within predetermined risk constraints.

APPENDIX

DISCLOSURES

Advisory Service Providers

Wilmington Trust is a registered service mark used in connection with various fiduciary and non-fiduciary services offered by certain subsidiaries of M&T Bank Corporation including, but not limited to, Manufacturers & Traders Trust Company (M&T Bank), Wilmington Trust Company (WTC) operating in Delaware only, Wilmington Trust, N.A. (WTNA), Wilmington Trust Investment Advisors, Inc. (WTIA), Wilmington Funds Management Corporation (WFMC), and Wilmington Trust Investment Management, LLC (WTIM). Such services include trustee, custodial, agency, investment management, and other services. International corporate and institutional services are offered through M&T Bank Corporation's international subsidiaries. Loans, credit cards, retail and business deposits, and other business and personal banking services and products are offered by M&T Bank, Member FDIC.

Suitability / No Bank Guarantee

The information in this commentary has been obtained from sources believed to be reliable, but its accuracy and completeness are not guaranteed. The opinions, estimates and projections constitute the judgment of Wilmington Trust and are subject to change without notice. This commentary is for information purposes only and is not intended as an offer, recommendation or solicitation for the sale of any financial product or service or as a determination that any investment strategy is suitable for a specific investor. Investors should seek financial advice regarding the suitability of any investment strategy based on the investor's objectives, financial situation and particular needs.

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.

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. References to specific securities do not represent a recommendation to purchase or sell any particular security outside a managed account. Data is provided as of the date shown and is subject to change.

GLOSSARY AND BENCHMARK DESCRIPTIONS

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.

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 measures 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. 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 and social, economic, and political uncertainties, which could increase volatility. These risks are magnified in emerging markets.

Diversification does not ensure a profit or guarantee against a loss.

There is no assurance that any investment strategy will be successful.

Past performance is no guarantee of future results.

Third-party trademarks and brands are the property of their respective owners.

Wilmington Funds Management Corporation and Wilmington Trust Investment Advisors, Inc., subsidiaries of M&T Bank Corporation, are the investment advisor and primary sub-advisor, respectively, of the Wilmington Funds. ALPS Distributors, Inc., which is not affiliated with M&T Bank Corporation, is the distributor of the Wilmington Funds.