EQUITY STRATEGY REVIEW
SEPTEMBER 2021

Emerging Markets Equity

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The MSCI Emerging Market Index gave back most of its year-to-date gains during the third quarter. A combination of moderating growth in China, strict regulatory actions, and tighter central bank monetary policy caused Chinese equity markets to fall. Most other emerging market country returns were positive but not enough to compensate for a weaker China.

We believe the interplay between favorable global economic growth and the inevitable tightening of monetary policy is driving volatility within emerging markets. China may be a preview of what is to come for other equity markets across the globe. China's growth rebounded sharply during the second half of 2020 after exiting Covid-19 restrictions, which was fueled by accommodative monetary policy. The Chinese central bank has been removing that accommodative monetary policy this year, while economic growth is moderating toward more normal levels. The combined effect has been increased volatility in Chinese credit and equity markets.

Moderating economic growth and less central bank liquidity should help restore rationality to equity markets, particularly in China. We believe companies with poor profitability, weak balance sheets, and unsustainable business models will face more scrutiny in this environment. We also believe the excessively high valuations applied to many new business models will be questioned.

Portfolio positioning was little changed during the quarter. We took advantage of equity market weakness to add a new company within the Chinese social media industry and incrementally added to a few existing positions. We also trimmed a few companies where we felt the market was beginning to price-in unsustainability high profitability expectations.

Overall, the portfolio remains relatively neutral from a country and sector perspective, while the underlying characteristics are higher profitability, stronger balance sheets and similar growth profiles at a lower valuation relative to the MSCI Emerging Market Index.

Exhibit 1: Summary of Portfolio Characteristics

	DuPont Capital Emerging Markets	MSCI Emerging Markets Index
# of Securities	72	1,418
Active Share	72.5	--
Price/Earnings	10.1	13.7
P/E using FY1 Est	9.7	12.4
P/E using FY2 Est	8.7	11.9
Price to Cash Flow	8.2	10.2
Dividend Yield	2.9	2.2
Est 3 Yr EPS Growth	13.5	15.5
Est 5 Yr EPS Growth	16.1	14.6
Price/Book	1.4	1.9
ROE	13.2	12.8
ROA	7.5	7.2
LT Debt to Capital	20.2	21.4
Market Capitalization	102,504	89,231

As of September 30, 2021
Source: DuPont Capital

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About our firm:

DuPont Capital Management is an SEC registered investment advisor based in Wilmington, Delaware. Since the firm's establishment in 1993, we've had a long history of developing global investment opportunities in both traditional and alternative strategies across equity, fixed income and alternative investments. Our investment team structure gives us the ability to be flexible and adapt to changing market conditions. DuPont Capital's focus is delivering consistent investment management results for our clients. Our history of institutional asset management is rooted back to 1942 when our former parent company, DuPont, established a pension plan for its employees. Corteva Inc. succeeded DuPont as sponsor of the DuPont Pension Plan in 2019. DuPont Capital is a wholly owned subsidiary of Corteva and continues to manage the legacy DuPont Pension Plan.

DuPont Capital's President and CEO, Valerie Sill believes in education and diversity of experience as represented in our investment teams which are comprised of PhDs, engineers, medical doctors, and scientists. We believe their global expertise creates a portfolio implementation edge that benefits our clients.

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Important Disclosures: