DuPont CAPITAL

US Small Cap, Structured Equities

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I have a 12-year-old son that has a very curious mind. He loves dissecting things, taking them apart to discover their inner workings. The problem arises when there are parts left over after he "put it back together". Despite his occasional failing over the years, he has gotten so proficient in his understanding of electronics that all electronic problems go to him now, not dad. And if he can't fix it, well, its time has come, and its destined for the landfill. Taking a page out of my son's book, we will attempt to dissect past bear markets in the hopes of finding clues into the workings of this one.

Because we have a quantitative focus, we are more concerned about the inner factor workings of prior bear markets. But before we can comb through our historical factor library, we need to define what a bear market is. To do this we used the standard definition, being a greater-than 20% decline from a prior high, all on a monthly basis, with one exception. Following the monthly high in August 2018, the Russell 2000 declined 23% but did not recover that prior monthly high before the Covid crash of March 2020 (this is also true using daily pricing). As such, the 2018 bear market for the Russell 2000 technically lasted until the bottom in March 2020. However, most other market indices did recover their high, thus triggering a new bear market during March 2020. So, for 2018, we considered it a separate bear market to the March 2020 bear market to be consistent with other broad market indices. We restricted our lookback window to 20 years.

Results are shown in Exhibit 1, with the current bear market shown at the bottom. At a high level, we are eight months into the current bear market and down 26% on a month end basis.

Prior bear markets seem to fall into two categories, short and sharp (3-5 months in duration and down -26% to -34%) or long and painful (i.e. 2008 Global Financial Crisis or GFC). To date, our current experience seems to be a mix. At eight months, we are past the "short and sharp" comparisons from a duration standpoint, but eight months into the GFC, the Russell 2000 was only down -16% vs our current situation of down -26%. In addition, our current drawdown, at -26%, is on the lower end of the historical range. While inconclusive, the comparisons don't lend themselves to the conclusion that we are done just yet.

Turning our attention to factor investing, we calculated the average monthly return spread for each factor during each bear market, with the condensed results shown in Exhibit 2. Factor spread returns for the Growth, Sentiment, and Quality factor families largely fall within performance ranges we have seen in prior bear markets. But Value is way outside past ranges. The best past monthly spread return Value produced was in the GFC bear market, which at 0.4%, pales in comparison to Value's

Exhibit 1: Russell 2000 Bear Market Statistics Over Last 20 Years

Start Date	End Date	Duration	Max Drawdown
5/31/2007	2/28/2009	21 mths	-54%
4/30/2011	9/30/2011	5 mths	-26%
8/31/2018	12/31/2018	4 mths	-23%
12/31/2019	3/31/2020	3 mths	-34%
	Average	8.25 mths	-34%
10/31/2021	TBD	8 mths	-26%

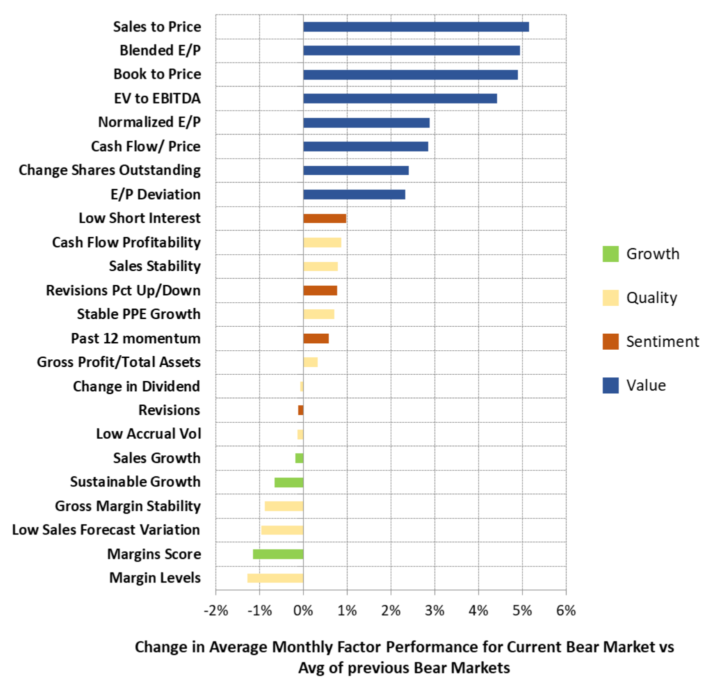
Source: DuPont Capital, Russell

Exhibit 2: Average Monthly Spread Returns

Start Date	End Date	Value	Growth	Sentiment	Quality
5/31/2007	2/28/2009	0.4%	0.2%	1.4%	1.4%
4/30/2011	9/30/2011	0.3%	2.7%	1.1%	1.3%
8/31/2018	12/31/2018	-0.1%	2.1%	0.4%	0.6%
12/31/2019	3/31/2020	-3.1%	1.9%	0.9%	0.8%
	Average	**-0.6%**	**1.7%**	**1.0%**	**1.0%**
10/31/2021	TBD	3.1%	1.0%	1.5%	1.0%
	Current - Average	**3.7%**	**-0.7%**	**0.6%**	**-0.1%**

Source: DuPont Capital, Barra

Exhibit 3: Difference Between the Average Monthly Spread Returns of Past Bear Markets vs the Current Bear Market



Source: DuPont Capital, Barra

performance in the current bear market of 3.1%. What is even more surprising is that it has been the cyclical value factors (made

up of sales-to-price and assets-to-price factors) that are leading the way this time. Historically, these factors are the worst performing value factors, averaging a -2.6% monthly spread return during past bear markets, easily the worst performing factors, underperforming the next worst factor by over 100bps. This time, they are up 2.5% on a monthly basis.

Exhibit 3 shows the change in monthly factor performance between the average of the past four bear markets and the current bear market. Each factor is color coded according to the factor family it belongs to. What is obviously striking is that the top eight largest differences in monthly spread returns are all Value factors. We believe this is strong evidence that we have witnessed a sea change in the investing landscape. The previous decade (2010s) was Growth's decade. Deflationary forces were strong, forcing rates lower and growth to be a prized commodity. Growth was the dominating factor, while Value showed only limited pockets of strength. However, it would seem that the investing winds have changed directions. Value is dominating while Growth factors are seemly weak. Last decade was the decade to own Growth and rent Value. We believe the evidence that this decade is the decade to own Value and rent Growth continues to grow stronger.

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: