EQUITY STRATEGY REVIEW
JULY 2022

Value Creators - U.S. Large and Mid Cap

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In the second quarter of 2022 equity prices declined sharply, driven by continued geopolitical uncertainty and rising interest rates as the U.S. Federal Reserve began to raise interest rates in an effort to combat rising inflation. Rising rates and high inflation have historically been difficult for equities as many companies have difficulties passing along inflationary costs, causing a higher probability of a slowdown in earnings growth.

Going forward, we expect market volatility to continue as the fight against inflation heats up and current geopolitical uncertainties lack any clear path to resolution. However, we welcome periods of volatile equity prices as it often results in price dislocations with sufficient amplitude that allow us to take advantage of the difference between price and long-term value.

LARGE CAP PORTFOLIO

The Value Creators - U.S. Large Cap portfolio slightly trailed its benchmark during the quarter.

During the period, the portfolio benefited from an underweight position in semiconductors, real estate, and utilities, all of which were hurt by rising interest rates and concerns over slower growth. Offsetting these tailwinds, the portfolio was negatively impacted by its holdings in financial-related information services companies, including MSCI, S&P Global Inc., and Moody's, which significantly underperformed during the quarter on the prospect of slowing capital markets activity. We believe these high-quality, asset-light franchises, along with several other high-quality businesses, also suffered disproportionately from the continued negative valuation adjustment experienced by the overall market.

Portfolio activity was limited to modest adjustments to positioning. We added to our positions in Adobe, Amazon, Dollar Tree, Dollar General, TJX Corp, Home Depot, and Tractor Supply, each of which came under pressure due to short-term concerns and now offer an increasingly attractive long-term risk-reward profile. We reduced positions in Lockheed Martin and Becton Dickinson, which have significantly outperformed the market year-to-date and we believe offer limited upside at this point.

MID CAP PORTFOLIO

The Value Creators - U.S. Mid Cap portfolio held up better than its benchmark during the quarter.

The relative outperformance was driven by an underweight position in real estate, materials, and energy, which were all negatively impacted by rising interest rates and growth concerns. At the security level, Ollie's Bargain Outlet was a notable outperformer after rallying from depressed levels on stabilizing demand trends. Negative offsets were concentrated within the portfolio's Industrials holdings, as well as those with underlying drivers linked to U.S. housing and overall economic activity. The positions include Fidelity National Financial (title

Exhibit 1: Value Creators Portfolio Characteristics (as of 6/30/2022)

	Value Creators-U.S. Mid Cap	S&P 400	Value Creators-U.S. Large Cap	S&P 500
Debt Level				
Debt/Capital	64.1	38.3	45.8	46.0
Debt/EBITDA	2.4	3.3	3.2	3.4
Growth				
Dividend Growth 5 year	15.2	6.9	12.3	10.2
EPS Growth 3 year	15.1	18.7	25.7	22.5
EPS Est Growth 3-5 Year	16.0	17.3	17.2	12.4
Profitability				
Return on Equity	18.8	17.5	26.6	26.0
Return on Assets	13.0	7.9	13.5	12.1
Valuation				
Price/Earnings using FY2 Est (ex Negatives)	15.6	11.5	18.9	15.5
Price/Cash Flow	15.5	8.7	17.9	13.0
Price/Book	4.3	2.1	4.6	3.5
Dividend Yield	0.7	1.6	0.8	1.7

As of June 30, 2022
Source: DuPont Capital, FactSet

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search and insurance), Lennox (residential HVAC), truckers SAIA Inc & Old Dominion (consumer and industrial freight), and Trinet (outsourced small-business benefits manager). We believe these high-quality franchises are being negatively impacted by slowing near-term fundamentals, which is likely to continue as the overall economy slows.

Again, portfolio adjustments were modest during the quarter. We added to positions in retailers Ross Stores, Dollar Tree, and Tractor Supply. We believe these names have come under pressure due to short-term concerns and offer an increasingly attractive long-term risk-reward. This cohort of retailers has an enviable long-term record of modest sales pressures during times of economic stress, and we expect to see a similar pattern with any further economic weakness. We also added to O'Reilly Auto Parts and reduced our positions in CarMax, Thor Industries, Sleep Number, and Ollie's Bargain Outlet. This shifted our consumer holdings into less discretionary and more stable-demand areas with similar risk reward profiles.

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: