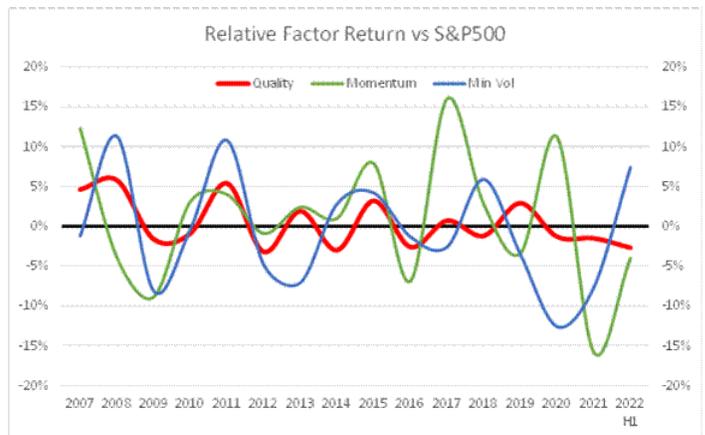
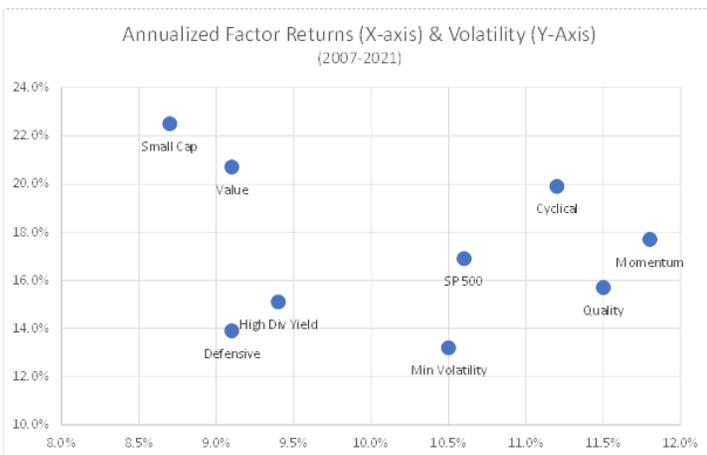


# STICK TO QUALITY

There is no lack of uncertainty and volatility in the current macro driven market environment. We think that the best way to navigate this environment is not to chase volatility or momentum or to pursue aggressive factor timing, but to stick to our guns and focus on sustainable quality characteristics.

characteristics, except Quality, is very volatile and largely depends on the overall market environment (e.g. risk-on / risk-off), therefore requiring an element of timing or rotation. Timing was important for the style characteristics with below average returns (defensive sectors and high dividend yield), but even more so for those with above average risk (value and small cap).

Factor and market timing is notoriously difficult, and we believe it requires a very different skill set and investment horizon compared to fundamental bottom-up stock selection. Regarding the latter, a focus on sustainable profitability, returns, and appropriate financial leverage (i.e. quality) seems to deliver a better and more consistent relative risk reward profile (as witnessed over the 2007-2021 period).



Source: JPMAM Guide to the Markets, 3Q2022

Source: JPMAM Guide to the Markets, 3Q2022

The scatter chart plots the annualized return (on the x-axis) and annualized volatility (on the y-axis) of different investment styles (or factors) in the US. The first thing to note is that the Quality factor (which focuses on profitability, Return on Equity, and financial leverage) is the only investment style that managed to outperform the S&P 500 with lower volatility between 2007 and 2021. Momentum and a focus on cyclical sectors (driven by Technology) also outperformed, but with higher volatility. Investment styles targeting lower volatility (risk) like minimum volatility, high dividend yield, and defensive sectors generally did so at the expense of lower returns.

Data: 2007 to 2021 for the first chart and 06/30/2022 for second chart

The chart to the right tries to compare the consistency and volatility of a quality focused approach over time to momentum and minimum volatility strategies (minimum volatility providing the lowest volatility, momentum providing the highest return over the 2007-2021 time frame). The time series shows that the relative performance of most style

## 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.

For additional information, please contact:

Mr. William Smith

Managing Director

Business Development and Client Service

(302) 477-6204

Bill.Smith@dupontcapital.com

## IMPORTANT DISCLOSURES:

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