

EMERGING MARKETS EQUITY

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Global central banks continued to tighten monetary policy during the third quarter to combat inflation that reached levels not seen in decades. These actions have pushed interest rates higher and equity markets lower. The US Federal Reserve has been particularly hawkish in its actions and guidance, forcing the US Dollar to multi-year highs against nearly every emerging market currency. After holding up better relative to developed markets in the first half of the year, emerging markets sharply underperformed in US Dollar terms.

The bulk of emerging market underperformance can be attributed to an increase in investor risk aversion and the weakness of emerging market currencies relative to the US Dollar. Economic activity within emerging markets has generally been solid. Chinese economic activity has been buffeted by a weak housing market and Covid-19 related shutdowns, but growth expectations have not changed materially over the past few months. Economic activity outside of China has been relatively strong, with consumption rebounding from Covid-19, investment progressing at a healthy rate, and robust trade volumes.

We have taken advantage of the recent equity market volatility to purchase high-quality companies with good growth prospects at very attractive valuations. Among the purchases were a hospital system in Thailand, the largest insurance company in Poland, an airline in Mexico, and a bank in India. Except for the Polish insurer, these companies are very well positioned in fast growing market segments that are currently witnessing short-term headwinds. The end of Covid-19 related services will temporarily depress the Thai hospital's revenue growth. However, the positive long-term demand outlook for the country's health services sector is unchanged. Growth in Mexican air travel experienced a setback during the pandemic but is now recovering well and profitability for the airline should improve with stabilizing oil prices. Financial services in India remains a secular growth opportunity, particularly for private banks that are taking market share from state owned banks. The Polish insurer, while not in a sector with secular growth, has significant cyclical drivers, in our view, that will cause profitability to improve materially over the next few years.

EXHIBIT 1: SUMMARY OF PORTFOLIO CHARACTERISTICS

	DuPont Capital Emerging Markets	MSCI Emerging Markets Index
# of Securities	93	1,385
Active Share	77.4	--
P/E using FY1 Est	7.3	9.4
P/E using FY2 Est	6.9	9.6
Price to Cash Flow	8.2	10.8
Dividend Yield	3.9	3.4
Est 3 Yr EPS Growth	16.0	23.1
Est 5 Yr EPS Growth	11.0	15.4
Price/Book	1.1	1.5
ROE	15.9	16.5
ROA	5.2	5.3
LT Debt to Capital	28.2	29.2
Market Capitalization	80,522	85,803

As of September 30, 2022
Source: DuPont Capital

The global financial market backdrop is clearly challenging given the simultaneous central bank tightening moves. However, we are finding many attractively valued companies with good long-term growth prospects during this volatile period. We remain committed to our process that identifies companies with strong profitability, strong free cash flow generation, solid financial positions, and trading at attractive valuations.

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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