VALUE CREATORS - U.S. LARGE AND MID CAP

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US equities saw a volatile third quarter that ended with most major indices solidly in the red. Markets were up double digits on the hope of moderating rate increases, but declined sharply late in the quarter after the US Federal Reserve intensified their hawkish tone in an effort to combat rising inflation. Rising rates and high inflation have historically been difficult for equities as many companies have a difficult time passing along inflationary costs in the short run, causing a higher probability of a slowdown in earnings growth. In addition, the rise in US rates has led to a strengthening of the US dollar versus other currencies, which will create additional pressures for multinational companies with significant overseas businesses.

Going forward, we expect continued volatility as the fight against inflation continues and geopolitical uncertainties persist with no clear resolution in sight. We welcome periods of volatility as it often provides price dislocations of sufficient amplitude, such as to allow us to take advantage of the difference between short-term price movements and long-term values.

We are paying close attention to companies that have the franchise durability and capability to quickly adjust to changing demand conditions and competitive environments without hurting their long-term franchises. The portfolio holds companies with an above average level of free cash flow generating power, which we believe is an important value driver in uncertain economic conditions.

LARGE CAP PORTFOLIO

During the quarter, the portfolio benefited from an underweight in semiconductors and real estate, both of which were hurt by rising interest rates and the prospects of slower growth. The portfolio also was helped by select holdings in Industrials, including Idex and Ametek, which both outperformed after reporting relatively stable earnings and favorable capital allocation opportunities.

We made some modest adjustments to the portfolio in the period. We added to our positions in Bank of America, Trane, Alphabet, and Adobe, each of which has come under pressure due to short-term concerns, but offer increasingly attractive long-term risk-reward. We reduced our positions in Raytheon Technologies, whose shares have significantly outperformed and now offer limited upside. We also modestly trimmed several other positions to fund the above additions, principally because our estimate of risk-reward was greater in the companies we added to.

MID CAP PORTFOLIO

Over the past three months, the portfolio benefited from an underweight position in real estate and utilities, both of which were hurt by rising interest rates and the prospects of slower growth. Relative performance was also helped by an overweight position and outperformance in the industrials sector, which was a reversal from the second quarter. The Toro Com-

EXHIBIT 1: VALUE CREATORS PORTFOLIO CHARACTERISTICS (AS OF 9/30/2022)

	Value Creators- US Mid Cap	S&P 400	Value Creators- US Large Cap	S&P 500
Debt Level				
Debt/Capital	77.0	45.0	48.7	48.5
Debt/EBITDA	3.0	6.1	2.0	2.4
Growth				
Dividend Growth 5 year	16.3	7.5	13.8	10.9
EPS Growth 3 year	14.6	22.0	14.7	17.1
Profitability				
Return on Equity	23.1	15.3	26.1	23.6
Return on Assets	9.7	5.4	10.2	7.9
Valuation				
Price/Earnings using FY2 Est (ex Negatives)	15.7	11.1	18.6	14.9
Price/Cash Flow	21.5	11.2	27.0	18.4
Price/Book	3.3	2.0	4.3	3.4
Price/Sales	2.0	1.1	2.9	2.1
Dividend Yield	0.8	1.9	0.8	1.9

As of September 30, 2022
Source: DuPont Capital, Capital IQ

pany was amongst the top contributors after it rallied from depressed levels on stabilizing demand trends and supply chain constraints, especially in its Professional segment. Offsetting these tailwinds was relative underperformance in our communication services holdings, whose businesses tend to be tied to US media and economic activity. These include IAC (media & internet services holding company), Match Group (dating service provider), and Liberty Broadband (communication companies). We believe these high-quality franchises are being negatively impacted by slowing near-term fundamentals due to a weaker economy.

During the quarter, we made some modest adjustments to the portfolio. We added to our positions in retailers Dollar Tree and Tractor Supply as this cohort has an enviable long-term record of relative operating results during times of economic stress. We trimmed our position in Pool Corp and exited Mohawk Industries as the uncertainties around the US Residential real estate market continue to grow. Additionally, we added to industrial names Heico, Copart, and Transdigm Group while exiting IAA Inc. This shifted our holdings into higher quality names that we believe will retain their respective leading positions while contributing towards an improved risk reward profiles for the US Mid Cap fund.

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: