

**DuPont Capital Management Corporation**

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Form ADV Part 2A/Brochure

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This Brochure provides information about the qualifications and business practices of DuPont Capital Management Corporation (“DuPont Capital”). If you have any questions about the contents of this Brochure, please contact us at 302-477-6000. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

DuPont Capital is a registered investment adviser under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Registration of an investment adviser with the SEC does not imply any level of skill or training.

Additional information about DuPont Capital also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Item 2. Material Changes.**

There have been no material changes in DuPont Capital's Brochure since it was last updated on March 29, 2014.

DuPont Capital will provide prospective and current clients with a copy of the most recent Brochure upon request at any time and without charge. To request a copy, contact Kimberly Fetterman, Manager of Client Services, at 302-477-6167 or by e-mail at *Kimberly.A.Fetterman@dupont.com*. The Brochure and additional information are available in the "About Us" page at [www.dupontcapital.com](http://www.dupontcapital.com).

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## **Item 4. Advisory Business.**

### ***History and Ownership***

DuPont Capital has a long history of institutional asset management. E. I. du Pont de Nemours and Company (“DuPont”), which owns 100% of DuPont Capital through DuPont’s 100% ownership of DuPont Chemical & Energy Operations, Inc., established a retirement pension plan trust for employees in 1942. In 1975, DuPont created a separate pension management division, which was the precursor to DuPont Capital. In August 1993, DuPont Capital was established and became an SEC registered investment adviser. Registration does not imply a certain level of skill or training.

DuPont Capital offers investment management services primarily to institutional investors. We apply value-based global investment capabilities combining valuation and risk control disciplines within and across asset classes and international boundaries, which we believe can produce risk-efficient excess returns (i.e., returns that exceed the assigned benchmark).

### ***Types of Advisory Services Offered***

DuPont Capital’s investment products span a broad range of asset classes:

#### Global Equities

Emerging Markets Equity  
Small Cap Equity  
Mid Cap Equity  
Large Cap Structured Equity  
Large Cap Equity  
Global Equity Fundamental  
EAFE Equity Fundamental  
Structured US Market Neutral

#### Fixed Income

Emerging Markets Debt  
Core Fixed Income  
Core Plus Fixed Income  
High Yield  
Stable Value

#### Other

Private Equity

DuPont Capital’s primary investment strategies are value-based. Equity products include both fundamental and quantitative (or “structured”) strategies. Product vehicles include separate accounts and, for certain strategies, commingled funds. Within private equity, both separate accounts and fund-of-funds products are available. DuPont Capital’s investment management services include selecting investments and executing trades for its clients.

DuPont Capital may serve in a non-discretionary advisory or sub-advisory capacity to certain clients, where services include investment recommendations that are subject to approval by the client. Such services may or may not include execution of trades, depending upon the needs of the client.

### ***Tailoring Services to the Individual Needs of Clients***

DuPont Capital makes investments for clients in accordance with mutually agreed upon written investment guidelines and provides continuous supervision of client portfolios. Investment services can be tailored to each client's needs and objectives, and clients may impose restrictions on investing in certain securities or types of securities. DuPont Capital has established procedures and controls to help ensure compliance with each client's investment guidelines and any client-imposed restrictions. These procedures and controls include daily portfolio compliance monitoring supplemented by guideline monitoring software and regular review meetings designed to ensure that portfolio managers are complying with each client's investment guidelines.

DuPont Capital tailors its separate account products to the individual needs of each client by:

- Allowing its clients to provide specific investment guidelines that DuPont Capital must follow in managing a client's account. See item 16 for more information on client-specific investment guidelines. As discussed in Item 16, clients may impose restrictions on investing in certain securities or types or categories of securities.
- Allowing its clients to select a custom benchmark.
- Providing its clients with access to portfolio managers by phone and/or client visits.
- Implementing its clients' custom proxy voting policies upon request.
- Providing hedging of currency exposures, if desired.
- Supporting directed trading preferences of its clients, contingent upon DuPont Capital's ability to achieve best execution.
- Providing supplemental client reporting as set forth in client investment management agreements.

DuPont Capital does not tailor its investment advice to the investors in its commingled funds.

### ***Wrap Fee Programs***

DuPont Capital does not sponsor any "wrap fee" accounts.

## ***Discretionary and Non-Discretionary Assets Under Management***

As of December 31, 2014, DuPont Capital's assets under management ("AUM") were:

Discretionary	\$ 31,541,768,000
Non-Discretionary	<u>80,567,000</u>
Total	\$ 31,622,335,000

## **Item 5. Fees and Compensation.**

### ***How DuPont Capital is Compensated***

The management fees charged by DuPont Capital vary based on the services provided and any laws and regulations that apply to a particular client. The U.S. pension plans of DuPont and its subsidiaries are charged at cost as required under the Employee Retirement Income Security Act of 1974 ("ERISA"). Fees for other clients are generally calculated as a percentage of assets under management.

Some clients may request a fee based on investment performance. In these cases, DuPont Capital's fees are based, at least in part, on how well the investments perform in comparison to a benchmark. Typically, performance fee structures will have an upper and lower limit expressed as percentages of the assets under management.

All fees are subject to the requirements of the Advisers Act.

When DuPont Capital serves as an adviser to a commingled fund, such as a mutual fund or collective trust, its fees may be calculated by the sponsor of the commingled fund based on daily, monthly, or average asset values and remitted to DuPont Capital either monthly or quarterly, in arrears.

Management fees for private equity accounts are generally based on total committed capital for a number of years, after which management fees are based on the lower of market value or committed capital. In addition, there is generally a carried interest charge whereby DuPont Capital receives a percentage of profits once clients have received distributions equal to their capital contributions plus an agreed-upon internal rate of return.

Since fees are typically based on the value of assets under management, there is an inherent incentive for managers to over-value assets, particularly those that are more difficult to value, e.g., illiquid, thinly traded, and private markets assets. DuPont Capital uses external pricing sources, including the financial statements of general partners for valuation of private markets investments, and has a Fair Valuation Committee in place to ensure that securities are appropriately priced.

In some cases, a client may request to be invoiced in advance, in which case, if the client terminates DuPont Capital's services, a prorated portion of the fee will be refunded. DuPont Capital may, for its private equity fund of funds products, invoice clients quarterly in advance. (Note that the carried interest component of DuPont Capital's fee is not invoiced because it is generated within the funds in

the form of investment returns.) With private equity funds, clients are not able to redeem from the funds so the concept of refunds of advance payments due to termination by the client does not apply.

### ***Fee Schedules***

The fee schedules for currently marketed investment products are set forth below. The stated account minimums may be waived at DuPont Capital's discretion:

#### **DCM Large Cap Equity**

.60% - First \$25 million	Minimum Account Size: \$10 million
.50% - Next \$25 million	
.40% - Next \$25 million	
.38% - Balance Above \$75 million	

#### **DCM Large Cap Structured Equity**

.35% - First \$25 million	Minimum Account Size: \$10 million
.30% - Next \$25 million	
.25% - Balance above \$50 million	

#### **DCM Mid Cap Equity**

.75% - First \$25 million	Minimum Account Size: \$10 million
.65% - Next \$25 million	
.60% - Next \$25 million	
.55% - Next \$25 million	
.50% - Balance Above \$100 million	

#### **DCM Small Cap Equity**

.85% - First \$25 million	Minimum Account Size: \$10 million
.75% - Next \$25 million	
.70% - Next \$25 million	
.65% - Balance Above \$75 million	

#### DCM Global Equity Fundamental

.75% - First \$25 million  
.72% - Next \$25 million  
.70% - Next \$50 million  
.68% - Balance Above \$100 million

Minimum Account Size: \$10 million

#### DCM Emerging Markets Equity

1.20% - First \$20 million  
1.00% - Next \$30 million  
.90% - Next \$25 million  
.85% - Balance Above \$75 million

Minimum Account Size: \$10 million

#### DCM EAFE Equity Fundamental

.70% - First \$25 million  
.60% - Next \$25 million  
.55% - Next \$25 million  
.50% - Next \$25 million  
.45% - Balance Above \$75 million

Minimum Account Size: \$5 million

#### DCM Structured US Market Neutral

1.00% - On all Assets  
Plus a performance-based fee of 10%

Minimum Account Size: \$10 million

#### DCM Core Fixed Income

.32% - First \$25 million  
.28% - Next \$25 million  
.25% - Next \$25 million  
.22% - Next \$25 million  
.18% - Balance Above \$100 million

Minimum Account Size: \$25 million



### DCM Core Plus Fixed Income

.35% - First \$25 million  
.30% - Next \$25 million  
.25% - Next \$25 million  
.23% - Next \$25 million  
.21% - Balance Above \$100 million

Minimum Account Size: \$25 million

### DCM High Yield

.50% - First \$50 million  
.45% - Next \$25 million  
.40% - Next \$25 million  
.36% - Balance Above \$100 million

Minimum Account Size: \$25 million

### DCM Emerging Markets Debt

.60% - First \$50 million  
.55% - Next \$25 million  
.50% - Next \$25 million  
.46% - Balance Above \$100 million

Minimum Account Size: \$25 million

### DCM Stable Value

.20% - First \$50 million  
.18% - Next \$50 million  
.15% - Next \$100 million  
.10% - Next \$300 million  
.05% - Next \$500 million  
Above \$1 billion - Negotiable

Minimum Account Size: Negotiable

### DCM Private Equity

.75% - On committed capital during the Investment Period Minimum Commitment: \$50 million\*

.75% - On net asset value after the Investment Period

5% - Incentive ("carried interest") fee to DuPont Capital, after invested capital and an 8% hurdle rate are distributed to the investors.

\* Private Equity fund of funds products are offered by private placement memorandum only and a different fee structure may apply.

### ***Other Information on DuPont Capital's Fees***

At the discretion of DuPont Capital, fees may be negotiated.

Generally, DuPont Capital does not deduct its fees directly from client accounts. Two exceptions apply, both related to Private Equity:

- For administrative efficiency, when management fees are due to DuPont Capital for a specific Private Equity Fund at a time when that fund is making a distribution to investors, DuPont Capital may deduct its management fees from such distributions.
- Carried interest charges are deducted from Private Equity Fund assets rather than (i) being credited to investor accounts and then deducted from those accounts or (ii) being invoiced to each investor.

Other than an exception for some commingled funds and certain private equity funds as described above, DuPont Capital invoices its clients quarterly in arrears with payments generally due 15 or 30 days after delivery of an acceptable invoice.

### ***Other Costs Incurred by Clients***

In addition to DuPont Capital's fees, clients will incur other costs:

- Separate account clients incur custodial fees, brokerage commissions, and/or bid-ask spreads. Please refer to Item 12 for additional information on brokerage costs.
- A private equity fund-of-funds investor client pays, through a reduction of the investor's capital account balance in the fund-of-funds, carried interest to DuPont Capital. These investors also bear a proportionate share of the organizational costs of the fund-of-funds and certain other expenses as disclosed in each fund's private placement memorandum and operating agreement. Private equity fund-of-funds investors also bear a portion of (1) management fees and carried interest payable to the managers of the funds in which the fund-of-funds invests and (2) the expenses of the funds in which the fund-of-funds invests.
- Mutual fund clients incur additional costs as described in each fund's prospectus.
- Stable Value Fund clients bear the costs of insurers' wrap fees and the fees charged by underlying investment managers hired by DuPont Capital.
- Clients will also bear the costs of services for which they contract directly, with or without the knowledge of DuPont Capital. For example, a client may elect to pay for a stock screening service to identify securities that it requests DuPont Capital to exclude from its portfolio, custodial services for its separate accounts, or prime brokerage arrangements.

## ***Compensation Attributable to Sales of Securities or Investment Products***

Members of DuPont Capital's marketing team share in DuPont Capital's revenues from its separate account products. In addition, if members of DuPont Capital's marketing team are also registered representatives of DuPont Capital's broker-dealer subsidiary, DuPont Capital Management Marketing Corporation ("DCMM"), these members also share in revenues earned by DuPont Capital for managing investment products offered by DCMM, including mutual fund products. With the exception of mutual funds, these products offered by DCMM are not available from other brokers or dealers. Revenue sharing arrangements create an incentive for marketing personnel to sell investment products to current or potential clients, which presents a potential conflict of interest in evaluating the client's need or suitability for a particular product.

In addition to providing clients with full disclosure of its revenue sharing arrangements in this Brochure, the following circumstances mitigate the potential effects of the conflict of interest described above:

- DuPont Capital's clients are generally sophisticated institutional investors, many of whom employ consultants to assist them in identifying suitable products and investment managers. These clients and their consultants are in the best position to determine whether hiring DuPont Capital is in these clients' best interests. Investors in DuPont Capital's privately offered securities must qualify as accredited investors and/or qualified purchasers.
- During the Request for Proposal ("RFP") and contract negotiation stages with prospective clients, DuPont Capital develops an extensive understanding of each separate account client's needs and works to ensure that only products suitable for the client's needs are offered.

## **Item 6. Performance-Based Fees and Side-By-Side Management.**

Clients of DuPont Capital pay various types of fees for investment advisory and portfolio management services. DuPont Capital manages portfolios that are charged an incentive fee (applicable to private equity), a performance-based fee, and/or a fee based on a percentage of assets under management. As part of the initial client acceptance process, clients may work with DuPont Capital to determine the fee structure that best fits their specific needs. DuPont Capital's client fee structure is more fully described in Item 5.

As mentioned under Item 5 above, certain of DuPont Capital's separate account clients pay a performance-based fee. These arrangements may create an incentive for DuPont Capital to make riskier or more speculative investments than those that would be recommended under a different fee arrangement. Such fee arrangements also may create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. DuPont Capital has procedures designed to ensure that all clients are treated fairly, and to prevent this conflict from influencing the allocation of investment opportunities among clients. These procedures include:

- For both equity and fixed income accounts, securities with limited availability (including in

the case of initial public offerings or IPOs) are allocated to accounts in proportion to each portfolio manager's request. While this is generally in proportion to advised assets, adjustments may be made based on sector, duration, and other investment guidelines or considerations.

- Designing DuPont Capital's annual bonus plan so that employees have an incentive to generate excess returns over a rolling three-year time horizon. This plan is based on asset-weighted investment performance, not DuPont Capital's revenues or profits.
- Reinforcing in DuPont Capital's Code of Ethics the obligation to treat all clients fairly and requiring employees to indicate their understanding of and adherence to the Code of Ethics through annual certifications.
- Periodic review by compliance personnel of dispersion (differences) in investment returns across similar clients, with an emphasis on comparing those paying performance-based fees with those not paying such fees.
- Providing equity clients the option of specifying risk parameters as part of their investment guidelines.
- DuPont Capital may identify desirable private equity investments that are available only in limited quantities. In these cases, investments are allocated pro rata based on the amount of capital committed to each fund or separate account. Further details on the pro rata calculations are provided in each fund's offering memorandum.

DuPont Capital's portfolio managers may have responsibility for portfolios using different investment strategies (please refer to Item 8 below for an overview of DuPont Capital's various strategies) and may make different investment decisions across these strategies. These differences can be due to a variety of factors, including the respective strategies' risk levels, benchmarks, investment objectives, and method of analysis. Investment decisions may differ within a single strategy since client accounts may be subject to unique investment guidelines, cash flows, or liquidity needs. Since some of DuPont Capital's investment strategies include short sales and short positions, DuPont Capital may hold simultaneous long and short positions for different clients. Selling a security short for one client may affect the value of the account that has a long position in that security. Similarly, initiating a long position in a security for one client may cause an account with a short position in that security to lose value. DuPont Capital manages the conflicts associated with side-by-side investing through its account review process (see Item 13 below), with the overriding objective of ensuring that all clients are treated fairly and that one account is not favored over another.

#### **Item 7. Types of Clients.**

DuPont Capital generally provides portfolio management services to defined benefit and defined contribution retirement plans, charitable organizations, state and local government retirement plans, non-US governmental entities, registered investment companies, and pooled investment vehicles. DuPont Capital manages assets for a wide variety of investors within its pooled vehicles, including, but not limited to, trusts, foundations, and endowments.

Although account minimums may be waived at the discretion of DuPont Capital, clients are generally

required to meet the account minimums listed for each product on the fee schedule included in Item 5.

## **Item 8. Methods of Analysis, Investment Strategies and Risk of Loss.**

### ***Methods of analysis and investment strategies***

The primary methods of analysis used by DuPont Capital for the investment strategies it offers its clients are set forth below.

#### Global Equity Strategies:

DuPont Capital's overall investment philosophy for its equity strategies is that markets are inefficient because investors tend to overreact to short term events and cause stock prices to deviate from a company's underlying business fundamentals. We seek consistent risk-adjusted returns from these mispricings by systematically identifying companies that we believe are undervalued relative to their long term earnings power. Over time, we expect that stock prices will revert to valuations based on underlying business fundamentals.

- **Emerging Markets Equity**

The Emerging Markets investment process seeks to systematically identify companies that are undervalued relative to their normalized earnings and growth rates, as stock prices generally follow business fundamentals over the long term. DuPont Capital's Emerging Markets Equity strategy seeks to deliver consistent excess relative to the MSCI Emerging Markets index by integrating this company and stock analysis with risk management tools to construct the portfolios.

Within Emerging Markets, DuPont Capital also analyzes and evaluates top down country-specific risks relative to opportunities. This effort serves as an additional source of risk control.

- **EAFE Equity Fundamental**

The EAFE Equity Fundamental investment process seeks to systematically identify companies that are undervalued relative to their normalized earnings and growth rates, as stock prices generally follow business fundamentals over the long term. DuPont Capital's EAFE Equity Fundamental strategy seeks to deliver consistent excess returns relative to the MSCI EAFE index by integrating this company and stock analysis with risk management tools to construct the portfolios.

Within EAFE Equity Fundamental, DuPont Capital also analyzes and evaluates top down country-specific risks relative to opportunities. This effort serves as an additional source of risk control.

- **Small Cap Equity**

The Small Cap Equity investment process integrates proprietary quantitative techniques, fundamental research, and risk management tools to construct portfolios that, over a market cycle, seek to deliver excess returns relative to the Russell 2000 index.

- Mid Cap Equity

The Mid Cap Equity investment process integrates proprietary quantitative techniques, fundamental research and risk management tools to construct portfolios that, over a market cycle, seek to deliver excess returns relative to the S&P Midcap index.

- Large Cap Structured Equity

The Large Cap Structured Equity investment process integrates proprietary quantitative techniques and risk management tools to construct portfolios that, over a market cycle, seek to deliver excess returns relative to the S&P 500 index.

- Large Cap Equity

The Large Cap Equity investment process seeks to systematically identify companies that are undervalued relative to their normalized earnings and growth rates, as stock prices generally follow business fundamentals over the long term. DuPont Capital's Large Cap Equity strategy seeks to deliver consistent excess returns relative to the S&P 500 index by integrating this company and stock analysis with risk management tools to construct the portfolios.

- Global Equity Fundamental

The Global Equity Fundamental investment process seeks to systematically identify companies that are undervalued relative to their normalized earnings and growth rates, as stock prices generally follow business fundamentals over the long term. DuPont Capital's Global Equity Fundamental strategy seeks to deliver consistent excess returns relative to the MSCI ACWI index by integrating this company and stock analysis with risk management tools to construct the portfolios.

Within Global Equity Fundamental, DuPont Capital also analyzes and evaluates top down country-specific risks relative to opportunities. This effort serves as an additional source of risk control.

- Structured US Market Neutral

This strategy uses a market neutral approach whereby the long positions are offset by short positions, with the goal of eliminating equity market risk.

The positions are created using proprietary quantitative valuation models with risk management techniques. These risk controlled portfolios seek to add value, over a market cycle, relative to the 3-month Treasury Bill index.

#### Fixed Income Strategies:

DuPont Capital's approach to fixed income investing is predicated on the belief that pockets of

inefficiencies develop in the fixed income market on a regular basis due to the wide variety of investors. Those inefficiencies provide the opportunity to capture attractive risk adjusted excess returns over time.

- Emerging Markets Debt

The DuPont Capital Emerging Markets Debt team applies a disciplined, value-based investment process that integrates both top-down global analysis and bottom-up country research to systematically analyze emerging market securities. The steps in the research process are briefly described below:

Country Credit Research is conducted by first running a proprietary 7-factor country credit model. Based on the calculated country credit scores, each country is assigned to one of four credit categories. Country Credit Analysis consists of in-depth fundamental analysis of a country's credit.

Sovereign Bond Valuations are estimated using a proprietary country valuation model and applying its fair-value criteria to every Emerging Markets country in each of the four credit categories. The team's fair-value criteria are applied to assess if a country is over, under, or fairly valued.

Global Macro Economic Research focuses on three key areas that are important to Emerging Markets countries' economic growth and sovereign credit: Key sectors of the world economy, key developments in global financial markets, and key dynamics of international politics.

In addition, risk management is an important element of the process. DuPont Capital's risk principles include a quantitative and qualitative measurement of portfolio risk, active management of global macro risks, an appropriate level of diversification, and a risk-adjusted return focus.

The objective of the process is a well-diversified portfolio of emerging markets bonds of countries that have global competitive advantages with attractive valuations. The strategy's goal is to exceed the return of the JPMorgan EMBI Global Diversified Index by 250 basis points over a 3–5 year horizon.

- Core and Core Plus Fixed Income

The firm believes that fixed income markets tend to be largely efficient in aggregate given the large number of investors active across various segments. At the same time, the wide variety of those investors can create pockets of inefficiency, whether structural or at the security level, that provide relative value to investors able to find them. In order to remain focused on these inefficiencies, DuPont Capital has devoted considerable resources to building and constantly enhancing its own analytics in order to identify and analyze the most compelling opportunities.

The team structure is the foundation of the investment process. Specialized, integrated teams of experienced professionals focus on portfolio management, research, and trading within their market sectors. Vigorous interaction among teams helps ensure consistent total

portfolios. The senior portfolio management team provides strategic oversight and integration.

The teams use a framework of proprietary valuation models of primary market characteristics, and other information such as economic fundamentals, political information, demographics, and market flows to form an outlook on major strategic factors, including the level of interest rates, the yield curve, and sector valuations. In implementing the strategic outlook, the teams select securities mainly using internal research and analytics.

DuPont Capital Core and Core Plus Fixed Income employ multiple strategies to diversify risk. The firm controls risk with limits on duration, sector and quality weights, and security weights. Risk limits are derived from client guidelines and benchmark characteristics.

DuPont Capital Core Fixed Income strives to exceed the return of the Barclays US Aggregate Index by 60 basis points per year over a 3-5 year horizon, with a controlled risk profile. DuPont Capital Core Plus Fixed Income strives to exceed the return of the Barclays US Aggregate Index by 120 basis points per year over a 3-5 year horizon, with a controlled risk profile.

- High Yield

DuPont Capital applies a disciplined, analytical approach to identify and capture high yielding value opportunities across a variety of markets. To ensure that the firm is constantly seeking the best risk-adjusted value opportunities, the portfolio has the ability to participate in high yield and investment grade fixed income securities, including corporates, mortgages, governments, and emerging markets bonds. The strategy is based on a disciplined, analytical approach employing a top-down region and sector allocation, and bottom-up security selection process to identify and capture high yielding value opportunities. DuPont Capital High Yield seeks to out-perform the Barclays U.S. Corporate High Yield Index over a 3 to 5 year time horizon, with a controlled risk profile.

- Stable Value

DuPont Capital's strategy is based on a disciplined yet flexible structuring process that permits appropriate balance among the investment objectives, tailored to each client's needs and constraints. The firm employs proprietary and external research to select relatively high credit quality investments that are diversified through the use of multiple providers, products, and securities. The approach features preservation of principal and accrued interest through the use of Stable Value investment contracts. The objective is to outperform money market funds with similar capital preservation characteristics, and to generate longer-term returns comparable to or higher than fixed income portfolios with a similar duration. The Stable Value portfolio is structured and tiered to provide and optimize liquidity needs.

#### Private Equity Strategies:

- Private Equity

DuPont Capital's objective is to provide enhanced risk-adjusted returns by constructing a



diversified portfolio of private equity investments.

DuPont Capital seeks investment opportunities that demonstrate an advantageous combination of three key criteria: (1) clear value proposition; (2) strong manager qualifications; and (3) aligned interests between managers and investors.

DuPont Capital employs a proprietary due diligence process encompassing all the steps from sourcing investment opportunities to funding investments. The primary purpose of the due diligence process is to confirm that the opportunity demonstrates an advantageous combination of the three key criteria discussed above – value orientation, qualified managers, and alignment of interests.

### ***Significant or Material Risks***

DuPont Capital understands that investing entails risk, and it works to ensure its clients understand that as well. DuPont Capital focuses primarily on institutional clients. While these clients are sophisticated investors, DuPont Capital works to ensure that clients are aware of the risks associated with investing in the various types of products offered by DuPont Capital. Clients are urged to ask questions regarding risk factors applicable to a particular strategy or investment product, read all product-specific risk disclosures, and determine whether a particular investment strategy or type of security is suitable for their account in light of their circumstances, investment objectives, and financial situation.

Clients should understand that investments in securities and other assets involve a risk of loss. Past performance of any investment strategy is not a guarantee of future results. Clients should be prepared to bear the risk of investment losses. Please read this Item completely for additional information regarding investment risks, which include those set forth below.

**Risk of Loss** Investing in securities involves risk of loss, including loss of principal. The level of risk varies by asset class and product. Clients should be prepared to bear the losses that may result by investing in a particular strategy or product. Past performance of DuPont Capital's investment strategies is not indicative of how those strategies will perform in the future.

**Security/Concentration Risk** Generally, a portfolio with a lower number of holdings is riskier than a portfolio with a large number of holdings. Investments in high yield bonds are generally riskier than investments in investment-grade bonds.

**Counterparty Risk** Should a broker or other counterparty used by DuPont Capital be unwilling or unable to honor its obligations, including obligations under a swap agreement, a client may face risk of losses.

**Management Risk** Each actively managed account is subject to management risk. DuPont Capital will apply investment techniques and risk analyses in making investment decisions for actively managed accounts, but there can be no guarantee that these decisions will produce the desired results.

Key Person Risk Certain strategies may have certain key investment personnel employed in managing assets. Termination, disability, death, or departure of key personnel could adversely affect such strategies' performance.

Securities Lending DuPont Capital does not enter into securities lending arrangements with or on behalf of separately managed account clients. To the extent that a client chooses to enter into a securities lending agreement with a securities lending agent (which may be its custodian), the client should be aware that DuPont Capital is not a party to the agreement and that securities lending presents certain risks, including, but not limited to, delayed settlement, failed delivery, and the inability to vote proxies or respond to corporate actions in a timely manner, which may hinder DuPont Capital's ability to manage a client's portfolio effectively. DuPont Capital is not responsible for any losses or expenses caused directly or indirectly by a client's securities lending arrangements.

Tax Risk Tax laws and regulations applicable to an account are subject to change, and unanticipated tax liabilities could be incurred by investors as a result of such changes. Investors should consult their own tax advisors to determine potential tax-related consequences of investing.

Market Risk and Force Majeure Security values may fluctuate rapidly or unpredictably due to factors that affect market conditions or particular industries. Additionally, government actions, natural disasters, terrorism, acts of war, economic conditions, and countless other factors may have unforeseen effects on the results generated by DuPont Capital's investment strategies.

### ***Strategy Specific Risks***

Private Equity Risks Private equity investments carry certain additional risks. It is important to note that not all such risks are described below. Prospective investors should carefully read the section entitled "Certain Risk Factors" in the respective confidential private placement memorandum of each Private Equity Fund.

Risks associated with private equity include, but are not limited to:

- Illiquidity An investment in a fund provides limited liquidity since participating interests are not freely transferable and are subject to substantial restrictions. In addition, there is a long time horizon between commitment of capital and its return in the form of distributions.
- Valuation The majority of the private equity investments are in a form for which market quotations are not readily available. The valuations of the investments are generally based on a good faith assessment of the fair value of the assets as determined by the general partner of each fund. There is no single standard for determining fair value in good faith and, in many cases, fair value is best expressed as a range of fair values from which a single estimate may be derived. Clients should recognize that it is difficult to value illiquid investments and that valuation involves subjective judgment and consideration of complex factors.

- Third Party Fund Management The returns achieved by the investments will depend in large part on the efforts and performance results obtained by the managers of the underlying partnerships in which a fund invests. Furthermore, funds will not have an active role in the day-to-day management of the underlying partnerships nor the ability to approve the specific investment or management decisions made by the managers of the underlying partnerships. As a result, the investment returns of the funds will largely depend on the performance of unrelated investment managers and other management personnel. The failure of such investment managers to make profitable investments would have a negative effect on a fund's ability to achieve its investment goals.
- Investment Risk DuPont Capital performs extensive due diligence on potential investments by its funds, but cannot provide assurance that any such investment will be successful. Further, the scope of due diligence performed may be limited by restrictions imposed by the underlying investment manager or the operating company itself. Despite the rigorous diligence process employed by investment advisers and the ongoing monitoring of managers, the risk exists that the assumptions made in connection with a particular investment decision may be incorrect or a particular investment strategy will not be followed by such managers.
- Limited Regulatory Oversight The funds in which clients' assets are invested are unlikely to be registered as investment companies. Thus, in such cases clients will not be provided the protections associated with the Investment Company Act. Further, certain investment managers may not be registered under the Investment Advisers Act. As a result, clients will not be provided various protections (which, among other things, may include limitations on leverage or limitations on transactions between an investment company and its affiliates) offered to registered funds.
- Taxation The U.S. federal, state and local income taxation of partnerships is extremely complex, involving, among other things, significant issues as to the character, timing of realization, and sourcing of gains and losses. Investors may be allocated a portion of taxable income of a fund without regard to actual cash distributions. Accordingly, an investor's tax liability could exceed the cash distributions to it in any tax year. In addition, legal, tax, and regulatory changes could occur during the term of a fund that may adversely affect the fund, its portfolio investments, or its investors. Each investor in a fund should consult its own tax advisers with reference to its specific tax situations, including any applicable U.S. federal, state, local, and non-U.S. taxes.

Equity Markets Risks Equity investments are generally riskier than fixed income investments of the same issuer due to the priority of bond holders over equity holders.

- Value Investing Risk As a category, value stocks may underperform growth stocks (and the stock market as a whole) over any period of time. Value investing attempts to identify companies that a portfolio manager believes to be undervalued. Value stocks typically have prices that are low relative to factors such as earnings, cash flow or dividends. A value investing style may perform better or worse than equity portfolios that focus on

growth stocks or that have a broader investment style.

- Market Neutral Risks DuPont Capital's Market Neutral strategy engages in short selling, i.e., selling a security that the portfolio does not own. Short selling requires the purchase of the security at a later date, regardless of the price at which that security trades. If the price of the security or derivative has increased during this time, then the risk of loss from such a strategy is theoretically unlimited. Also, there is a risk that the third party to the short sale may fail to honor its contract terms, causing a loss to the account.
- Small-Cap and Mid-Cap Company Risks Investments in securities issued by small-capitalization and mid-capitalization companies involve greater risk than investments in large-capitalization companies. The value of securities issued by small- and mid-cap companies may go up or down, sometimes rapidly and unpredictably, due to narrower markets and more limited managerial and financial resources than large-cap companies and therefore may increase the volatility of the portfolio.
- Emerging Market Equity Investments in emerging markets carry risks that may be different from and greater than the risks of investing in developed countries. In addition, investing in the securities of issuers located in emerging market countries involves special considerations not typically associated with investing in the securities of other foreign or U.S. issuers, including heightened risks of expropriation and/or nationalization, armed conflict, confiscatory taxation, restrictions on transfer of assets, and potential difficulties in enforcing contractual obligations.
- Investments in Foreign Securities Foreign (non-U.S.) issuers are not generally subject to uniform accounting, auditing, and financial reporting standards and may have policies that are not comparable to those of U.S. issuers, including less publicly available financial information. Securities of some foreign issuers may be less liquid and more volatile than securities of comparable U.S. issuers. There is generally less government supervision and regulation of securities markets, brokers, and issuers in foreign countries than in the United States.
- Foreign Currency Risk DuPont Capital may invest client assets in securities that are not denominated in U.S. dollars. As a result, a client is subject to the risk that those currencies will decline in value relative to the value of the U.S. dollar. DuPont Capital may, from time to time, seek to protect the value of some portion or all of the portfolio holdings against currency risk by engaging in currency hedging transactions. Currency hedging involves special risks including possible default by the other party to the transaction and illiquidity.
- Market Disruption and Geopolitical Risk Wars, socio-economic/political instability, and world events, among other things, can result in market volatility and may have short-term and long-term effects on the U.S. and worldwide financial markets and may cause further economic uncertainties globally.

## Fixed Income Risks

- Interest Rate Risk Interest rate risk is the risk that fixed income securities will decline in value because of changes in interest rates. As nominal interest rates rise, the value of certain fixed income securities held by an account is likely to decrease. Fixed income securities with longer durations tend to be more sensitive to changes in interest rates, usually making them more volatile than securities with shorter durations.
- High Yield Risks Accounts that invest in high yield securities may be subject to greater levels of credit and liquidity risk than accounts that do not invest in such securities. These securities are considered speculative with respect to the issuer's continuing ability to make principal and interest payments. While offering a greater potential opportunity for capital appreciation and higher yields, such below investment grade securities entail greater potential price volatility and may be less liquid than higher-rated securities. An economic downturn, period of rising interest rates, and other factors could adversely affect the market for these securities and lead to liquidity risk. If the issuer of a security is in default with respect to interest or principal payments, such defaults will reduce the client's account value and income distributions. The prices of these lower quality securities are more sensitive to negative developments than higher rated securities.
- Emerging Market Debt Risks Investments in emerging markets carry risks that may be different from and greater than the risks of investing in developed countries. In addition, investing in the securities of issuers located in emerging market countries involves special considerations not typically associated with investing in the securities of other foreign or U.S. issuers, including heightened risks of expropriation and/or nationalization, armed conflict, confiscatory taxation, restrictions on transfer of assets, and potential difficulties in enforcing contractual obligations.
- Investments in Foreign Securities Foreign issuers are not generally subject to uniform accounting, auditing, and financial reporting standards and may have policies that are not comparable to those of domestic issuers, including less publicly available financial information. As a result, there may be less information available about foreign issuers than about domestic issuers. Securities of some foreign issuers maybe less liquid and more volatile than securities of comparable domestic issuers. Generally, there is less government supervision and regulation of securities markets, brokers, and issuers in foreign countries than in the United States.
- Foreign Currency Risk DuPont Capital may invest client assets in securities that are not denominated in U.S. dollars. As a result, a client is subject to the risk that those currencies will decline in value relative to the value of the U.S. dollar. DuPont Capital may, from time to time, seek to protect the value of some portion or all of the portfolio holdings against currency risk by engaging in currency hedging transactions. Currency hedging involves special risks including possible default by the other party to the transaction and illiquidity.
- Market Disruption and Geopolitical Risk Wars, socio-economic/political instability and world events, among other things, can result in market volatility and may have long-term

effects on the U.S. and worldwide financial markets and may cause further economic uncertainties globally.

- Sovereign Debt Obligation Risk Investments in emerging market countries' government debt obligations involve special risks. Certain emerging market countries have historically experienced, and may continue to experience, high rates of inflation, high interest rates, exchange rate fluctuations, large amounts of external debt, and balance of payments and trade difficulties. The issuer or governmental authority may not be able or willing to repay the principal and/or interest when due.

### ***Frequent Trading***

DuPont Capital's strategies do not involve frequent trading.

### **Item 9. Disciplinary Information.**

DuPont Capital has no material civil or criminal actions to report.

DuPont Capital has no material administrative proceedings before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority to report.

DuPont Capital has no material SRO disciplinary proceedings to report.

### **Item 10. Other Financial Industry Activities and Affiliations.**

DuPont Capital is committed to providing clients with service of the highest quality and is guided by the principle of acting in the best interests of its clients. Nevertheless, there are circumstances where client interests conflict with DuPont Capital's interest or interest of other clients. Some of these conflicts are inherent to the business. DuPont Capital has policies and procedures designed to ensure that it always acts in the best interest of its clients.

DuPont Capital has material relationships with the following related financial industry participants:

- Wilton Asset Management and the Wilton Private Equity Fund

DuPont Capital owns 50% of Wilton Asset Management, LLC ("WAM"), an investment adviser registered with the State of Delaware. State Street Global Advisors, Inc. ("SSGA") owns the other 50%. WAM de-registered from the SEC in 2014 as required due to assets under management dropping below the SEC's threshold for registration. WAM was formed to market pooled private investment funds to institutions and currently manages the Wilton Private Equity Fund, LLC, which is closed to new investors. This fund invests in a diverse portfolio of closed end private investment funds including, without limitation, private equity funds, special situation funds venture capital funds, and certain direct investments.

DuPont Capital provides investment management services to WAM and receives compensation

from WAM as a non-discretionary sub-adviser. This compensation is paid by WAM, not by the Wilton Private Equity Fund. SSGA provides marketing, accounting and client services to WAM.

A DuPont Capital employee, Kevin Campbell, serves as President of WAM. Other DuPont Capital employees and Mr. Campbell serve on the WAM Investment Committee.

DuPont Capital has invested in the Wilton Private Equity Fund in connection with a long-term incentive compensation plan for certain of its private equity employees in order to strengthen the alignment of interests among DuPont Capital, the fund investors, and its private market employees.

The Wilton Private Equity Fund's investment period has closed and WAM will not be sponsoring or marketing any additional funds. DuPont Capital has not identified any material conflicts of interest with respect to WAM or the Wilton Private Equity Fund.

- DuPont Capital Management Marketing Corporation

On June 25, 2007, DuPont Capital formed a wholly owned subsidiary, DuPont Capital Management Marketing Corporation ("DCMM"). DCMM is registered with the SEC as a broker-dealer and, as of December 2007, is a member of the Financial Industry Regulatory Authority, Inc. ("FINRA"). DCMM's services are limited to providing placement agent services with respect to DuPont Capital's privately offered funds and to mutual funds for which DuPont Capital acts as adviser. DuPont Capital provides compensation to DCMM in return for DCMM's placement agent services. DCMM will not hold an inventory of securities, hold securities or monies of customers, or engage in securities transactions on any recognized exchange.

Certain of DuPont Capital's employees, including members of its management and marketing teams, are registered representatives and officers of DCMM. DuPont Capital employees hold Series 7, 63, 24, 27, and 99 licenses in connection with their roles in support of DCMM.

Since DCMM's business is limited as described above, it is not in competition with broker-dealers that execute trades on exchanges. DCMM does not present any conflicts to DuPont Capital regarding allocations to brokers because DCMM does not execute trades. DuPont Capital has not identified any material conflicts of interest in connection with its formation, ownership, or operation of DCMM.

- DCM Private Equity Funds II, III, and IV

DuPont Capital formed and currently manages DCM Private Equity Fund II LLC ("Fund II"), DCM Private Equity Fund III LLC ("Fund III"), and DCM Private Equity Fund IV ("Fund IV"). Fund II and Fund III are closed to new investors; Fund IV is open to new investors. DuPont Capital's funds are offered only through Private Placement Memoranda to accredited investors and qualified purchasers. DuPont Capital acts as a Managing Member to these funds.

Certain employees within DuPont Capital's Private Markets Group and DuPont Capital's senior management are investors in one or more of these funds through limited partnerships formed by DuPont Capital. Please refer to item 11 for additional information on this investment.

During a Fund's investment period, DuPont Capital may identify desirable investments for its private equity clients that are available only in limited quantities. In these cases, investments

are allocated pro rata based on the amount of capital committed to each fund or separate account. Further details on the pro rata calculations are provided in each fund's offering memorandum and, where DuPont Capital has investment discretion, are communicated to each separate account client in its investment management agreement.

- DuPont Capital Emerging Markets (Equity) Mutual Fund

DuPont Capital is the investment adviser to the DuPont Capital Emerging Markets (Equity) Mutual Fund, which was formed in July 2010 as a series of FundVantage Trust. BNY Mellon serves as the sponsor of the fund. The FundVantage Trust was organized as a Delaware statutory trust on August 28, 2006. DuPont Capital is an investor in this fund.

Emerging Market investments can be subject to limited availability, requiring DuPont Capital to allocate a limited number of shares to each of its Emerging Markets clients. This can result in an incentive for DuPont Capital to allocate a disproportionate number of shares to a separate account client that may pay a higher fee than the mutual fund. DuPont Capital addresses this conflict by allocating such limited investment opportunities in proportion to the assets in each emerging market portfolio it manages.

- DuPont Capital Emerging Markets Debt Mutual Fund

DuPont Capital is the investment adviser to the DuPont Capital Emerging Markets Debt Mutual Fund, which was formed in September 2013 as a series of FundVantage Trust. BNY Mellon serves as the sponsor of the fund. The FundVantage Trust was organized as a Delaware statutory trust on August 28, 2006. DuPont Capital is not an investor in this fund.

Emerging Market investments can be subject to limited availability, requiring DuPont Capital to allocate a limited number of securities to each of its Emerging Markets clients. This can result in an incentive for DuPont Capital to allocate a disproportionate number of shares to a separate account client that may pay a higher fee than the mutual fund. DuPont Capital addresses this conflict by allocating such limited investment opportunities in proportion to the assets in each emerging market portfolio it manages.

The allocation of expenses to a private equity fund and/or mutual fund managed by DuPont Capital is governed by the fund documents. However, to the extent there is discretion, there may be an incentive to allocate expenses in a manner that is more favorable to DuPont Capital. Where there is discretion, DuPont Capital's practice is to allocate expenses in proportion to the assets or capital commitments of each fund insofar as possible and in a way that is fair to all the funds and their investors.

#### Recommending Other Investment Advisers:

DuPont Capital selects other investment advisers for its stable value product and for the 401(k) plans of DuPont, its ultimate parent company. DuPont Capital does not receive compensation from these advisers or have any other material relationship with them. DuPont Capital also selects managers, in the form of general partners offering limited partnership interests, for its private equity fund of funds products.



## **Item 11. Code of Ethics. Participation or Interest in Client Transactions and Personal Trading.**

DuPont Capital has policies and procedures in place relating to, among other things, portfolio management and trading practices, personal investment transactions, and insider trading that are designed to prevent conflicts of interest.

### ***Code of Ethics***

All DuPont Capital employees must comply with its Code of Ethics. Each employee must avoid any activity or relationship that may reflect unfavorably on DuPont Capital as a result of a possible conflict of interest, the appearance of such a conflict, the improper use of inside information or the appearance of any impropriety. Employees must place the interests of DuPont Capital's clients ahead of their personal interests and must treat all clients in a fair and equitable manner.

DuPont Capital's employees are permitted to invest for their own account, provided that such investment activity must always comply with applicable laws and regulations and must be carried out in a manner consistent with DuPont Capital's policies. In addition to incorporating the requirements of Rule 204A-1, DuPont Capital's Code of Ethics requires prior clearance of most personal securities transactions, and duplicates of brokerage statements to be sent to its Chief Compliance Officer by each employee's broker(s) (when such information is not provided electronically); prohibits investments in IPOs; and, in addition to strongly discouraging short term trading, requires any short term profits (transactions within 60 days) in reportable securities to be donated to a recognized charitable organization. Clients and prospective clients may obtain a copy of DuPont Capital's Code of Ethics upon request.

Employees may personally buy or sell securities bought, sold or held for client accounts. Investment personnel must disclose when trading in securities that are or can be held in any account for which that employee participates in the investment decision making process.

Pre-clearance for personal securities trades is only granted if an order for a client was not processed or pending within 7 days of the preclearance request. This practice is intended to prevent even the appearance of front running a client's trade.

DuPont Capital's policies and procedures, and the related compliance testing that is carried out, are reasonably designed to prevent and detect personal trading taking precedence over trades for clients' accounts.

DuPont Capital's Code of Ethics includes guidelines and restrictions on the receipt and giving of gifts and entertainment and requires quarterly reporting to DuPont Capital's Compliance team of any such activity.

DuPont Capital's employees are required to disclose all outside business and investment-related activities so they can be reviewed for conflicts and other concerns. As a result of the review, outside business and investment-related activities may be subject to conditions, supplemental disclosures, or other actions. Certain activities may be prohibited.

DuPont Capital does not make political contributions and prohibits all contributions made to obtain or retain business with governmental entities. Employees may make political contributions to support state or local candidates or elected officials subject to advance approval. DuPont Capital requires its

employees to report such political contributions quarterly.

Any employee who violates the Code of Ethics may be subject to sanctions. Employees are required to promptly report any violation of the Code of Ethics of which they become aware. Employees are required to annually certify compliance with the Code of Ethics.

***Transactions for clients in securities in which DuPont Capital or a related person has a material interest or invests***

DuPont or other wholly-owned subsidiaries of DuPont may at times have various levels of financial or other interests in companies whose securities may be held or purchased or sold in DuPont Capital's client accounts. In addition, as a result of DuPont Capital's relationship to DuPont, DuPont Capital may be subject to certain laws and regulations that may limit the amount of such securities that DuPont Capital may purchase or sell for its client accounts, and the timing of such transactions. As a general practice, DuPont Capital does not include the stock or fixed income securities of DuPont in the portfolios of its unrelated clients.

DuPont Capital has formed limited liability partnerships in which certain DuPont Capital employees are partners. These employees are investors in DCM Private Equity Fund II, III, and/or DCM Private Equity Fund IV through these limited liability partnerships' investments in these Funds. These investments provide for alignment of interests between the participating DuPont Capital employees and the other members of DCM's Private Equity Funds. Investment opportunities are allocated to appropriate portfolios by use of objective, written procedures and are based on committed capital ratios for fund of funds products and specific targeted investment amounts for separate accounts.

As discussed in Item 10 above, DuPont Capital invests in the Wilton Private Equity Fund. Additionally, employees of DuPont Capital, or its related persons, may hold the same or similar securities as client portfolios, and from time to time may recommend such securities for purchase or sale in clients' portfolios in the normal course of business. Similarly, employees of DuPont Capital and its related persons who maintain private equity interests may hold the same or similar interest as client portfolios. DuPont Capital has established informational barriers and has adopted various policies and safeguards in order to address conflicts of interest that may arise from such activities.

**Item 12. Brokerage Practices.**

***Research and Other Soft Dollar Benefits***

DuPont Capital's primary objective in broker-dealer selection is to be consistent with its duty of best execution of orders for its clients. DuPont Capital selects brokers that it believes will provide quality execution of transactions at competitive commission rates. DuPont Capital also considers the availability and quality of research in its selection of a broker. Under Section 28(e) (the "safe harbor") of the Securities and Exchange Act of 1934, investment managers are permitted to cause a client to pay higher commissions than another broker might have charged in return for research and/or

brokerage services. DuPont Capital's policy is to use client commissions or "soft dollars" only for goods and services that meet all the conditions of the safe harbor.

The research provided can be either "proprietary" (created and provided by the broker-dealer, including tangible research products as well as access to analysts and traders) or "third-party" (created by a third party but provided by the broker-dealer). Commission dollars pay for the entire bundle of services (including research and execution of transactions) provided by the broker-dealer. With respect to fixed income transactions, DuPont Capital does not have any soft dollar arrangements with third parties and DuPont Capital does not direct client transactions to particular broker-dealers in return for third party soft dollar credits or services.

Both the proprietary and third party research services acquired through discretionary brokerage are typically used to service all client portfolios. DuPont Capital does not attempt to allocate soft dollar benefits to client accounts in proportion to soft dollar credits created by the accounts. DuPont Capital receives a benefit by using brokerage commissions to pay for research or trade execution related products or services because DuPont Capital does not have to pay for receiving such products or services.

If a broker-dealer provides mixed-use (research and non-research) products or services, only the research portion is paid for with commission allocations. DuPont Capital determines the research portion of mixed-use products or services based on the expected usage of such product or service (e.g., by identifying each user as either a research user or non-research user). DuPont Capital benefits by using commissions to pay for the portion of mixed-use products or services that is deemed to qualify as research or trade-execution-related products or services under the safe harbor. The balance of the cost of such mixed-use products or services is paid for by DuPont Capital directly. Mixed-use allocations are reviewed and adjusted annually if usage has changed.

The soft dollar benefits to DuPont Capital described above create an incentive for DuPont Capital to direct trades to brokers who provide these benefits. DuPont Capital's practice is to use brokers for soft dollar arrangements who would otherwise fully meet DuPont Capital's requirements for execution without regard to the soft dollar arrangements. DuPont Capital's objective is to enhance returns to its clients by effectively utilizing this research in its investment processes.

For proprietary research, commission allocations are made to broker-dealers based on an internal allocation approach using input from DuPont Capital's research analysts, portfolio managers and traders. The brokerage and proprietary research services that are a factor in the selection of brokers include a wide variety of reports, charts, other research publications; and meetings with analysts, specialists and management representatives of issuers.

For third party research, transactions are directed to DuPont Capital's "soft dollar" broker based on DuPont Capital's assessment that the broker can execute the transactions in a manner comparable to brokers that provide proprietary research. Factors considered include the markets and conditions of particular transactions and the DuPont Capital traders' experiences with the broker. Third-party research services that DuPont Capital acquires in this manner include electronic delivery of news, fundamental data, real-time prices, and analysis tools; portfolio optimizer software and models; and exchange fees related to electronic delivery of price data.

Certain of DuPont Capital's third party research arrangements are Client Commission Arrangements

(“CCAs”). CCAs typically involve an executing broker and a broker that provides research; though, in some cases, the research provider may not be a broker. These arrangements do not generate soft dollar purchasing power, but do provide benefits to DuPont Capital and its clients by providing access to research from a large pool of providers while allowing DuPont Capital to deal with a limited number of executing brokers for operational efficiency.

### ***Selection of Brokers for Equity Trades***

DuPont Capital has defined best execution as “execution of client trades at the best net price under the circumstances.” The obligation to seek to obtain best execution does not require DuPont Capital to effect a transaction at the lowest possible commission cost. Rather, the issue is whether the transaction represents the best qualitative execution for the account considering the full range and quality of the services offered by a broker or dealer. In evaluating the circumstances, unquantifiable factors may arise. As such, DuPont Capital sees the measurement of best execution as a subjective and judgmental process. The factors to be considered in evaluating best execution typically include, but are not limited to:

- Confidentiality provided by broker-dealer
- Competitiveness of commission rates and spreads
- Past history of execution of orders
- Ability to prospect for and provide liquidity
- Broker-dealer’s financial strength
- Broker-dealer’s reputation and integrity
- Difficulty of trade and security’s trading characteristics
- Size of the order
- Availability of accurate information regarding the market for the security in question
- Liquidity of the market for the security in question
- Broker-dealer’s access to markets
- Trading style and strategy
- Block trading capabilities
- Sophistication of broker’s trading facilities and systems
- Specialized expertise
- Access to new issues of securities for client accounts
- Number of errors/ability and willingness to correct
- Overall responsiveness to manager’s needs/willingness to work with manager
- Broker-dealer’s distribution network

DuPont Capital uses a semi-annual voting process, in which portfolio managers and traders participate, to develop an annual commission budget allocation among equity brokers. The most

significant considerations used by DuPont Capital's investment professionals in the voting process are:

- Fair commissions
- Quality of execution
- Level and quality of service
- Breadth and quality of research
- Customized research

Equity traders, specifically, vote for brokers based on service, handling of order flow, program trading capabilities, algorithmic trading capabilities, market access, and other factors. Traders document their rationale within the commission budgeting software used by DuPont Capital.

A third party service provider sends DuPont Capital quarterly reports that analyze trade costs. DuPont Capital reviews commissions and execution costs to examine historical trends of the firm's overall costs. Costs are both in absolute terms and compared to DuPont Capital's peers. The head equity trader summarizes these reports semi-annually and provides them to senior management. Annually, the head equity trader delivers a presentation to DuPont Capital's Investment Committee on trade costs, historical trends, broker performance, and other factors relevant to best execution.

Orders for initial public offerings ("IPOs") are submitted for client accounts when the responsible Portfolio Manager determines that the security is an appropriate holding for one or more clients, based on the DuPont Capital strategy used for each client and each client's investment guidelines. DuPont Capital aims to achieve similar performance across client accounts that use the same strategy and benchmark, and its policy is to allocate IPO shares to client accounts in proportion to the quantity requested for each account by the respective portfolio managers. Clients with directed brokerage are not treated any differently than clients without directed brokerage and it is DuPont Capital's policy to neither advantage nor disadvantage one client over another within the same strategy. While there is an inherent conflict of interest in the allocation of IPOs such that advisors have an incentive to favor poorly performing and/or performance-based fee accounts, DuPont Capital believes its policies and procedures adequately guard against such practices, including review of dispersion among accounts and segregation of equity portfolio management from equity trading.

### ***Brokerage for Client Referrals***

DuPont Capital does not select or recommend broker-dealers in return for client referrals.

### ***Trade Errors***

DCM seeks to identify and resolve trade errors promptly. Consistent with its fiduciary duty to its clients, DCM's policy is to put the client in the same position that it would have been in if the error had not occurred. Any gains resulting from trade errors discovered after settlement remain in the client's account. DCM also investigates underlying causes of trade errors and identifies improvements to processes to help prevent a recurrence.

## ***Directed Brokerage***

Generally, DuPont Capital receives full discretion from its clients to choose broker-dealers through whom transactions may be executed. Some clients may, however, (i) direct DuPont Capital to only use a designated broker-dealer or (ii) direct DuPont Capital to use a designated broker-dealer for a portion of their trades subject to DuPont Capital's ability to obtain best execution with that broker.

When a client instructs DuPont Capital to direct all of the transactions for its account to a designated broker-dealer:

The client has made a decision to retain control over broker-dealer selection. In such cases, the directing client, not DuPont Capital, has negotiated the selection of the designated broker-dealer(s), execution quality, and services or other benefits to be received, and it is solely the client's responsibility to satisfy itself concerning the adequacy of all of those arrangements.

DuPont Capital will treat the direction as a decision by the client to retain, to the extent of the direction, the discretion that otherwise would be given by the client to DuPont Capital to select broker-dealers. DuPont Capital will follow the client's direction to use the designated broker-dealer even when it might be able to obtain a more favorable price and execution from another broker-dealer for a transaction on behalf of such client's account.

Clients who direct brokerage in this manner will be notified that:

- DuPont Capital will not always be able to negotiate brokerage commissions with respect to transactions executed by the designated broker-dealer for the client's account.
- Orders may be placed separately from and after the completion of orders for non-directed accounts. To the extent that orders for such client accounts are placed after the orders for other investment management clients, the price of the securities purchased or sold for such client accounts may be adversely affected.
- A client that directs brokerage may forego any benefit from savings on execution costs that DuPont Capital could obtain for its clients through negotiating volume commission discounts on aggregated transactions.
- As a result of the foregoing, a client that directs brokerage may not receive best execution on transactions effected through the designated broker-dealer.
- As a result of these considerations, directed brokerage accounts may not generate returns equal to those of non-directed accounts.

When a client instructs DuPont Capital to direct a portion of its trades to a designated broker-dealer subject to DuPont Capital's ability to obtain best execution with that broker:

DuPont Capital may accept such preference or direction provided the client provides written assurances that, in directing that DuPont Capital use a particular broker or dealer, the client is

complying with its fiduciary obligations.

DuPont Capital recognizes that it is not fully absolved from its best execution obligations as a result of a client's directed brokerage arrangement for a portion of its account. As such, brokers providing this type of directed brokerage are subject to DuPont Capital's periodic review procedures relative to best execution. If DuPont Capital has concerns relative to a broker's ability to provide best execution under this type of directed brokerage arrangement, DuPont Capital will notify the client and express its concerns. If the concerns are such that DuPont Capital believes continuing the directed brokerage arrangement may not be consistent with its duty to obtain best execution, DuPont Capital will take action on a case-by-case basis, which may include terminating the directed brokerage agreement.

Clients who direct brokerage in this manner will be notified that:

- DuPont Capital will not always be able to negotiate brokerage commissions with respect to transactions executed by the designated broker-dealer for the client's account.
- Orders may be placed separately from and after the completion of orders for non-directed accounts.
- To the extent that orders for such client accounts are placed after the orders for other investment management clients, the price of the securities purchased or sold for such client accounts may be adversely affected.
- As a result of these considerations, directed brokerage accounts may not generate returns equal to those of non-directed accounts.

DuPont Capital requires clients to notify DuPont Capital in writing if the client wants to change its designated broker-dealer.

In agreeing to follow a client's directed brokerage instruction, DuPont Capital understands and is relying on the fact that it is the client's responsibility to ensure that (i) all services provided by the designated broker-dealer will solely benefit the client's account and using the designated broker-dealer is in the best interest of the account taking into consideration the services provided and (ii) the brokerage direction will not conflict with any fiduciary obligations of the persons acting for the client's account and, if the account is subject to the provisions of ERISA, such direction will not cause the plan to engage in a prohibited transaction under ERISA.

### ***Selection of Brokers for Fixed Income Trades***

The most significant factors in DuPont Capital's fixed income dealer relationships are execution and research. DuPont Capital allocates trades to balance these factors and to achieve DuPont Capital's clients' investment objectives in accordance with legal, regulatory, and ethical standards.

DuPont Capital's active fixed income dealers fall into two broad categories:

1. Strategic dealers. Each of these dealer relationships encompasses as many asset subclasses/products (Corporates, Mortgages, Government Bonds, Futures, etc.) as

possible because of long-term benefits in execution and research.

2. Product-specific dealers. These dealer relationships combine well-developed product niches (for one or more asset subclasses) with strong execution.

The number of active dealers generally varies inversely with the liquidity of each asset subclass; no specific targets are set for the number of dealers in each asset subclass.

Occasionally, traders may transact with a dealer not included in the active list when, in the trader's judgment, a dealer not included in the active list can provide best execution for a specific trade. Absent a reason to exclude them, these dealers are added to the active list at the next periodic review.

Trade execution depends on the type of trade. Trades are classified into three categories as follows:

1. Transparent Markets: This category includes futures, TBA mortgages, and U.S. treasuries. These instruments trade in transparent markets with two-sided market prices available real-time through pricing services to which the Fixed Income group has access. Because of the complete transparency of these markets, price discovery is not required. In most cases, quotes are obtained from a single dealer. Trades are allocated based on factors related to dealers' strategic importance and position management.
2. Normal Markets: Trades are executed by exposing an appropriate number of active dealers to the trade. The selection and the number of dealers exposed to a particular trade depend on the specific conditions of the trade such as liquidity, information on dealer inventory, and market conditions. One dealer is chosen to execute the trade strictly based on price competitiveness.
3. Illiquid Markets: Due to either market conditions or the nature of the security, best execution is obtained by involving only one dealer. In these cases, the dealer's price is compared to a fair value benchmark.

### ***Aggregation of Trades - Equities***

Same-day orders that are not completely filled are aggregated with additional orders unless significant price movements give later orders the appearance of unfairly "gaming the system." Orders received after a previous order is completely filled are placed immediately and are not aggregated with the earlier order; therefore, prices are not averaged with the day's earlier order. Only merged orders receive the same average price.

Orders for the same security from clients of the same strategy given to the Trading Desk at the same time are aggregated. Volume discounts may result from large trades with the same broker.

An exception to normally merging orders occurs with pure U.S. or International Index Program Trades when such pure index accounts exist. Such Index Program Trades cannot practically be bundled with any other orders. Also, the price is not negotiated.

### ***Aggregation of Trades – Fixed Income***



The DuPont Capital fixed income team is structured by asset class, with sub-teams. Orders for the same security from clients of the same strategy are aggregated.

### **Item 13. Review of Accounts.**

#### ***Review Process for Separate Account Clients***

Each separate account is reviewed by the portfolio manager responsible for that account and by investment accounting professionals as described below.

For fixed income accounts, daily activities include portfolio manager reviews of:

- trading activity,
- overall and sub-portfolio risk versus indices and sub-indices, and
- monitoring of the largest positions.

In addition, the Managing Director of Fixed Income conducts weekly reviews of client positioning and exposure versus benchmarks on sectors, industries, and issuers.

For equity accounts, daily activities include portfolio manager reviews of:

- trading activity,
- investment performance, and
- positions relative to the applicable investment guidelines.

Investment accounting professionals review and reconcile holdings and cash balances daily, and prepare formal market value reconciliations monthly.

DuPont Capital strives to respond to client requests promptly and comprehensively. As appropriate, client requests are responded to by a member of the appropriate investment team or a member of DuPont Capital's relationship management staff. Face-to-face meetings are typically held once or twice each year, as agreed upon by DuPont Capital and each client. As part of the client's due diligence review process, annual meetings in Wilmington at DuPont Capital's office are welcomed. DuPont Capital welcomes suggestions from its clients on the content of such reviews. Telephone conference calls can be arranged with the client on a mutually acceptable schedule and the relationship management team will coordinate timely responses to client inquiries and requests. The portfolio manager and members of the appropriate investment team, as well as representatives of DuPont Capital's senior management team, can be made available to participate in client meetings and conference calls, when appropriate.

#### ***Review Process for DuPont Capital-Sponsored Private Equity Funds***

DuPont Capital monitors the underlying holdings and commitments in its Private Equity funds on a regular basis through a combination of:

- advisory board seats on many of its partnership investments;
- frequent discussions with general partners of the funds in which the Private Equity Funds invest;
- receipt and review of quarterly financial statements for each investment; and
- population of and reporting from a proprietary database containing both fund-level and underlying investment-level information, such as industry codes and key company metrics.

DuPont Capital confirms that the values on financial statements are consistent with conversations held with the general partners and with comparable market data. The DuPont Capital reviews are conducted by the Managing Director of Private Markets and the group's portfolio managers.

In addition, the DuPont Capital Management Investment Committee oversees all strategies to ensure appropriate risk, review strategic allocation and consider trends.

### ***Reporting to Clients***

In addition to the face-to-face meetings mentioned above, written communication is provided in quarterly client reports. These reports provide DuPont Capital's market perspective, performance updates including attribution comments, and strategy discussions specific to client mandates. DuPont Capital also provides industry insights and educational materials specific to client requests as required. In addition, DuPont Capital accommodates clients' reporting needs as specified in each client's investment management agreement.

### **Item 14. Client Referrals and Other Compensation.**

Other than the soft dollar arrangements discussed in Item 12, DuPont Capital is only compensated by clients for providing investment advice or other advisory services to DuPont Capital's clients.

DuPont Capital pays its broker-dealer subsidiary, DCMM, compensation from its general revenues in return for placement agent services. The services include solicitation of investors for mutual funds advised by DuPont Capital and for DuPont Capital's private offerings in accordance with rules and regulations governing such activities, including application of anti-money laundering and suitability requirements.

### **Item 15. Custody.**

Generally, DuPont Capital does not have custody of client assets. There are two exceptions:

- DuPont Capital is deemed to have custody of clients' assets invested in commingled vehicles sponsored and/or managed by DuPont Capital due to DuPont Capital's broad role with respect to these investment vehicles, and
- DuPont Capital is deemed to have custody of certain clients' assets because of DuPont

Capital's ability to pay its fees and the fees of certain third parties or to open custodial accounts on behalf of the clients.

Clients investing in DuPont Capital's commingled vehicles will receive quarterly statements directly from the custodian of the commingled vehicle. DuPont Capital's separate account clients generally select their own custodian and, when DuPont Capital is deemed to have custody of a separate account, DuPont Capital seeks to confirm annually with the appropriate custodians that clients are receiving custodial statements directly from those custodians.

DuPont Capital encourages all its clients to obtain statements from their custodians at least quarterly, to review them carefully, and to compare them to the quarterly reports they receive from DuPont Capital.

With respect to certain of its clients, DuPont Capital may be required to undergo surprise examinations under which an independent public accountant verifies client assets through security counts. This requirement generally applies when a pooled investment vehicle cannot provide clients with audited financial statements within 120 days of its year-end (180 days for funds of funds) or when DuPont Capital is deemed to have custody of a separate account client's assets.

#### **Item 16. Investment Discretion.**

DuPont Capital's clients generally grant it full discretion to manage securities accounts on their behalf, including the selection of brokers and/or dealers for execution of transactions.

For separate accounts, clients generally provide investment guidelines to which DuPont Capital must adhere. These may, among other things:

- Prohibit purchases of securities of companies within a specific industry and/or country.
- Prohibit or limit purchases of fixed income investments below a certain investment grade.
- Prohibit or limit investments of a particular type, such as futures, options, non-US securities, or commodities.
- Prohibit or limit use of leverage, short selling, and/or soft dollars.
- Limit a holding to a certain percent of the total value of the portfolio or of the value of the company that issued the security.
- Specifying risk or tracking error levels.
- Requesting that DuPont Capital comply with directed brokerage arrangements, subject to DuPont Capital's ability to obtain best execution.

Whether or not discretionary authority is accepted, DuPont Capital executes a written investment management agreement with its separate account clients. For commingled vehicles sponsored by DuPont Capital, a subscription agreement is generally executed.

If DuPont Capital manages multiple portfolios across different asset classes and/or account vehicles (i.e., separately managed account and/or mutual fund) for a client and has the discretionary authority to adjust the asset allocation among those portfolios, there is an inherent incentive to allocate more assets to asset classes and/or account vehicles that command higher fees and/or generate a higher level of profits. DuPont Capital's policies and procedures, and applicable regulations, require employees to put the interests of its clients first, before those of the firm or its employees.

#### **Item 17. Voting Client Securities.**

DuPont Capital's clients generally grant it discretionary authority to vote client proxies, but have the option to retain this responsibility if they prefer. Clients also have the option to provide their own "custom" voting policies in lieu of using DuPont Capital's proxy voting policy. For both separate account and commingled fund clients, proxy voting responsibilities are generally described in the investment management agreement ("IMA") governing the relationship between DuPont Capital and its client (for this purpose, DuPont Capital's client is the commingled fund when the account structure takes this form). If a client wants to retain the right to direct DuPont Capital's vote in a particular solicitation, this right should be specified within the IMA.

DuPont Capital has engaged Institutional Shareholder Services ("ISS") to provide proxy voting recommendations and voting services. These services include implementation of custom voting policies; timely submittals of votes in accordance with the appropriate policy; delivery, upon request, of proxy statements and/or reports on votes cast; and ensuring that corporate action notices, as applicable, are appropriately addressed. ISS's ability to vote proxies depends upon each client's custodian delivering the proxies in proper form and in a timely manner and may also be affected in certain markets by: requirements to vote in person, "shareblocking" (prohibiting voters from disposing of their shares for a period near the shareholder meeting), or requirements to provide local agents with unrestricted powers of attorney to facilitate voting instructions. Where DuPont Capital has discretion on proxy voting decisions, it votes in a manner it determines is in the best interest of (1) the plan participants where DuPont Capital is managing ERISA or similar benefit plan assets or (2) the client for all other assets. This is achieved through a custom voting policy that DuPont Capital has established with ISS. In the vast majority of cases, DuPont Capital's custom policy is identical to ISS's "Benchmark Voting Policy." There are some scenarios, however, where DuPont Capital votes with management rather than with ISS's Benchmark policy, e.g., separation of Chairman and CEO, cumulative voting, rotation of audit firms, Director and Officer liability protection (except when willful misconduct is indemnified or there is pending litigation against directors), social and environmental issues, cash balance plans, linking compensation to non-financial factors, and, in certain cases as described below, ownership thresholds required to call special meetings. The following outlines DuPont Capital's reasons for deviating from the ISS Benchmark Policy:

- Separation of Chairman and CEO, director independence – DuPont Capital believes that the board of directors is in the best position to make these decisions. Many well-run companies are led by a Chairman/CEO. Disruption of an existing board and/or removal of a well-qualified director solely on the basis of independence do not appear to be in the best interests of shareholders.

- Cumulative voting - Cumulative voting violates the principle of one person-one vote and favors minority special interest groups.
- Rotation of audit firms - It is expensive and time consuming to rotate audit firms.
- Director and Officer liability protection - Broader indemnification is useful in attracting and retaining qualified directors.
- Social and environment issues - Proposals of shareholders generally carry a cost in dollars and resources. The management of the company is in the best position to determine appropriate allocation of resources.
- Cash balance plans – DuPont Capital believes that management's position on these issues is consistent with maximizing shareholder value.
- Linking compensation to non-financial factors - The appropriateness of linking non-financial factors and compensation is best left to the discretion of compensation committees.
- Ownership thresholds for calling special meetings - DuPont Capital's view is that a 25% ownership threshold appropriately balances the rights of shareholders against the expense, disruption, and time requirements associated with holding special shareholder meetings. Accordingly, DuPont Capital will vote FOR (a) proposals that establish rights to call special meetings when such proposals specify an ownership level of 25% or more and (b) proposals that reduce requirements for calling special meetings from an ownership level above 25% to a level of no less than 25%. DuPont Capital will vote AGAINST any proposal to establish or reduce these thresholds below 25%. The standard ISS voting policy votes FOR these proposals without regard to the ownership level specified in the proposal.

DuPont Capital's custom policy does not direct ISS to withhold from voting on any matters, although DuPont Capital reserves the right to withhold votes if this is deemed to be in the best interest of the plan, client, or account, whichever is appropriate.

Detailed and summary versions of ISS's voting policies are available at [www.issproxy.com](http://www.issproxy.com).

Each DuPont Capital client is entitled to a copy of DuPont Capital's proxy voting guidelines and to information on how DuPont Capital has voted proxies for shares held in its account(s). This information can be requested through each client's relationship manager.

At times, proxy voting options that are in the best interests of DuPont Capital's client may not be in the best interest of DuPont Capital. This conflict is addressed by DuPont Capital in the following ways:

- DuPont Capital relies on ISS's independent research and voting recommendations in the vast majority of proxy voting decisions. ISS is an industry leader that specializes in voting proxies in the best interests of plan participants.
- In the cases where DuPont Capital's custom policy varies from the ISS Benchmark policy, DuPont Capital has documented its reasoning and obtained the approval of its Chief Compliance Officer for each case where such differences exist. Some examples are included

above.

- While the DuPont Capital custom policy's recommended voting position is generally accepted by DuPont Capital, there may be matters that have a potentially significant impact on the company (e.g., mergers) where a DuPont Capital analyst or portfolio manager believes that overriding the recommended vote is in the best interest of plan participants or clients. An equity analyst, equity portfolio manager, or DuPont Capital's Chief Compliance Officer must provide a written, objective rationale explaining why an override is in the best interests of plan participants or clients. Two equity portfolio managers and/or senior DuPont Capital officers must sign the override recommendation.
- Disclosure to clients, upon request, of proxy voting decisions provides transparency and an incentive for DuPont Capital to fulfill its obligation to put the interests of its clients before its own interests.

While DuPont Capital has outsourced the proxy voting activity, it retains an important responsibility to monitor and oversee the services it receives from ISS. In addition to obtaining various policies and procedures from ISS, and its annual SSAE 16 report, DuPont Capital monitors voting activity through reporting tools provided on ISS's website and seeks to ensure that ISS maintains satisfactory segregation between its proxy voting business and its consulting business.

#### **Item 18. Financial Information.**

DuPont Capital does not bill clients six months or more in advance. Clients participating in a fund of funds product may be invoiced for the upcoming quarter shortly before that quarter begins. Note that carried interest fees on private equity accounts are not billed to clients. Rather, carried interest is distributed to DuPont Capital directly from the applicable private equity account.

DuPont Capital does not have any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients and has never been the subject of a bankruptcy petition.