

## SMALL CAP QUALITY

## OVERVIEW

The GMO Small Cap Quality Strategy seeks to generate total return by investing primarily in equities of U.S. small cap companies that the Focused Equity team believes to be of high quality.

The team believes that companies with established track records of historical profitability and strong fundamentals – high quality companies – are able to outgrow the average company over time and are therefore worth a premium price. The Strategy's disciplined approach uses both quantitative and fundamental techniques to assess the relative quality and valuation of U.S. small cap companies and aims to exploit a long-term investment horizon while withstanding short-term volatility.

## CUMULATIVE TOTAL RETURNS (USD, NET OF FEES, %)

	<i>MTD</i>	<i>QTD</i>	<i>YTD</i>	<i>2023</i>	<i>2022</i>
Composite	1.10	6.08	6.08	32.87	4.01
Index	3.24	2.46	2.46	16.05	-1.60

## ANNUALIZED TOTAL RETURNS (USD, NET OF FEES, %)

	<i>1 Year</i>	<i>3 Years</i>	<i>5 Years</i>	<i>10 Years</i>	<i>ITD</i>
Composite	25.90	-	-	-	27.34
Index	15.93	-	-	-	10.44

## FACTS

Strategy Inception	3-Aug-22
Composite Inception	31-Aug-22
Total Assets	\$1,049mm USD
Index	S&P 600

## RISK PROFILE (SINCE INCEPTION 31-AUG-22)

Alpha (Jensen's)	17.92
Beta	0.82
R Squared	0.85
Sharpe Ratio	1.08
Standard Deviation	20.82

## PORTFOLIO MANAGEMENT



**Tom Hancock**  
Joined GMO in 1995  
MS, Rensselaer  
Polytechnic Institute;  
PhD, Harvard University



**Hassan Chowdhry**  
Joined GMO in 2007  
MBA, MIT; MPA, Harvard  
University



**James Mendelson**  
Joined GMO in 2019  
BA, Yale University

**Risks:** Risks associated with investing in the Strategy may include: Management and Operational Risk, Market Risk - Equities, Smaller Company Risk, Focused Investment Risk, and Illiquidity Risk. Returns shown for periods greater than one year are on an annualized basis. To obtain performance information to the most recent month-end, visit [www.gmo.com](http://www.gmo.com).

**Performance Returns:** Performance data quoted represents past performance and is not predictive of future performance. Net returns are presented after the deduction of a model advisory fee and incentive fee if applicable. These returns include transaction costs, commissions and withholding taxes on foreign income and capital gains and include the reinvestment of dividends and other income, as applicable. Fees paid by accounts within the composite may be higher or lower than the model fees used. **GMO LLC claims compliance with the Global Investment Performance Standards (GIPS®). A Global Investment Performance Standards (GIPS®) Composite Report is available on GMO.com by clicking the GIPS® Composite Report link in the documents section of the strategy page. GIPS® is a registered trademark owned by CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein. Actual fees are disclosed in Part 2 of GMO's Form ADV and are also available in each strategy's Composite Report.** The portfolio is not managed relative to a benchmark. References to an index are for informational purposes only. The local market in which some accounts in the composite are priced was closed for Good Friday on March 29, 2024. Therefore, the performance for the strategy and corresponding benchmark will utilize March 28 for purposes of the ending valuation for the March return and the starting valuation for the April return.

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## CHARACTERISTICS

	<i>Portfolio</i>	<i>Index</i>
Price/Earnings - Forecast 1 Yr Wtd Mdn	24.3x	16.3x
Return on Equity - Forecast 1 Yr Wtd Mdn	14.6%	11.6%
Sales/Share - Hist 5 Yr Wtd Mdn Growth Rate	7.7%	5.8%
Dividend Yield - Hist 1 Yr Wtd Avg	0.7%	1.8%
Free Cash Flow Yield - Hist 1 Yr Wtd Avg	3.8%	4.3%
Market Cap - Wtd Mdn Bil	6.2 USD	2.5 USD
Number of Equity Holdings	43	595
Net Debt/EBITDA - Hist 1 Yr Wtd Mdn	-0.3x	1.4x

## MARKET CAP BAND EXPOSURES (\$B)

	<i>Portfolio</i>	<i>Index</i>
Small (5.5 & Below)	46.0	93.2
Small - Medium (5.5 To 16.1)	54.0	6.8

## SECTORS (%)

<i>Sector</i>	<i>Portfolio</i>	<i>Index</i>
Communication Services	3.1	2.6
Consumer Discretionary	16.2	14.9
Consumer Staples	8.6	3.5
Energy	1.1	5.1
Financials	11.7	17.9
Health Care	8.9	10.0
Industrials	28.3	18.2
Information Technology	16.6	12.3
Materials	5.5	6.0
Real Estate	0.0	7.5
Utilities	0.0	2.1

## TOP HOLDINGS

<i>Company</i>	<i>Sector</i>	<i>%</i>
AAON Inc	Industrials	3.8
Lancaster Colony Corp	Consumer Staples	3.8
RBC Bearings Inc	Industrials	3.7
Essent Group Ltd	Financials	3.7
Landstar System Inc	Industrials	3.7
Acushnet Holdings Corp	Consumer Discretionary	3.6
Ollie's Bargain Outlet Holdings Inc	Consumer Discretionary	3.6
Globus Medical Inc	Health Care	3.4
Gentex Corp	Consumer Discretionary	3.4
Houlihan Lokey Inc	Financials	3.2
<b>Total</b>		<b>35.9</b>

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## IMPORTANT INFORMATION

**Index(es):** The S&P SmallCap 600® seeks to measure the small-cap segment of the U.S. equity market. The index is designed to track companies that meet specific inclusion criteria to ensure that they are liquid and financially viable. S&P does not guarantee the accuracy, adequacy, completeness or availability of any data or information and is not responsible for any errors or omissions from the use of such data or information. Reproduction of the data or information in any form is prohibited except with the prior written permission of S&P or its third party licensors.

**The above information is based on a representative account in the Strategy selected because it has the fewest restrictions and best represents the implementation of the Strategy.**

## GLOSSARY

**Risk Statistics:** Risk profile data is net of fees. Alpha is a measure of risk-adjusted return. Beta is a measure of a portfolio's sensitivity to the market. R-Squared is a measure of how well a portfolio tracks the market. Sharpe Ratio is the return over the risk free rate per unit of risk. Std Deviation is a measure of the volatility of a portfolio.

**Sector Exposures:** The Global Industry Classification Standard (GICS) is the exclusive intellectual property of MSCI Inc. (MSCI) and Standard & Poor's, a division of The McGraw-Hill Companies, Inc. (S&P). Neither MSCI, S&P, nor any third party makes any representations or warranties, express or implied, with respect to GICS or the results to be obtained by the use thereof, and expressly disclaim all warranties, including of merchantability and fitness for a particular purpose. Neither MSCI, S&P, nor any third party shall have any liability for any damages of any kind relating to the use of GICS.

**Top Holdings:** Portfolio holdings are percent of equity. Where applicable, the top holdings are derived by looking through to the underlying portfolios in which the asset allocation strategy invests and, where appropriate, individual security positions are aggregated. They are subject to change and should not be considered a recommendation to buy individual securities.

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## ABOUT GMO

Founded in 1977, GMO is a global asset manager committed to delivering superior performance and advice to our clients. We are privately owned, which allows us to singularly focus on our sole business – achieving outstanding long-term client investment outcomes. Offering multi-asset, equity, fixed income, and alternative strategies, we invest with a long-term, valuation-based philosophical approach.

AMSTERDAM

BOSTON

LONDON

SAN FRANCISCO\*

SINGAPORE

SYDNEY

TOKYO\*\*

\*GMO's West Coast Hub is comprised of members of Investment, Global Client Relations, and other teams located in and around the Greater San Francisco area

\*\*Representative Office