

# QUARTERLY INVESTMENT REVIEW

## Global All Country Equity Allocation Strategy

### Performance returns (USD)

ANNUALIZED RETURNS (QUARTER-END)	Quarter-End	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
Global All Country Equity Allocation Strategy (net)	7.07	14.64	26.64	6.68	10.16	7.14	8.51
Global All Country Equity Allocation Strategy (gross)	7.23	15.16	27.41	7.33	10.86	7.84	9.21
MSCI ACWI ++	6.61	18.66	31.76	8.09	12.18	9.38	8.12
Value Add vs. MSCI ACWI ++	+0.45	-4.02	-5.11	-1.40	-2.02	-2.25	+0.39
MSCI ACWI	6.61	18.66	31.76	8.09	12.18	9.38	7.78
Value Add vs. MSCI ACWI	+0.45	-4.02	-5.11	-1.40	-2.02	-2.25	+0.73

### MAJOR PERFORMANCE DRIVERS

– Top-down asset allocation added to relative performance for the quarter as within Developed Markets, the portfolio is biased away from the U.S. market, which lagged. It was also a good quarter for Emerging Markets – although this was driven largely by a spectacular 23.5% return in China, while the rest of Emerging Markets did not fare so well.

– Security selection was modestly positive from a purely country perspective, although it is also worth noting that the Emerging Market exposure was not directly dialed into the China resurgence, and the U.S. Value positions did not keep pace with the Value rally in the U.S.

Emerging Market equities, with an emphasis on undervalued stocks within attractively valued countries/sectors, represented 13.3% of the total portfolio weight on average during the quarter. Our overweight position in Emerging Market equities added to relative performance as the MSCI Emerging Market index returned 8.7%, well ahead of the MSCI ACWI return of 6.6%, although the MSCI Emerging Market ex-China index returned a less stellar 4.0%. Security selection was mixed, as the broad Emerging Market exposure underperformed with a return of 5.9% but the Emerging Market ex-China portfolio outperformed with a return of 5.1%. No Emerging Market names featured in the top five biggest individual contributors to, or detractors from, relative performance at the total portfolio level.

U.S. equities accounted for 40.1% of the total portfolio on average through the quarter, comprising 3.1% in U.S. Small Cap Value equity, 5.1% in U.S. Small Cap Quality equity, 5.1% in broad U.S. equity, 13.3% in U.S. Opportunistic Value equity, and the remainder in the Quality, Quality Cyclical, and Resources strategies. This leaves the portfolio 24.4% underweight U.S. equities in total, and this had a positive impact on relative performance for the quarter as the MSCI USA index returned 5.8%, trailing MSCI ACWI. Security selection in the U.S. was flat as, in aggregate, our U.S. portfolio also returned 5.8%. Underweight positions in NVIDIA (Information Technology), Microsoft (Information Technology), Amazon (Consumer Discretionary), and Alphabet (Communication Services) featured in the top five biggest individual contributors to relative performance for the quarter. On the flipside, underweight positions in Tesla (Consumer Discretionary) and Apple (Information Technology) along with an overweight position in Lam Research (Information Technology) featured in the top five biggest individual detractors from relative performance at the total portfolio level.

Composite Inception Date: 31-Dec-93

**Risks:** Risks associated with investing in the Strategy may include: (1) Market Risk - Equities: The market price of equities may decline due to factors affecting the issuer, its industries, or the economy and equity markets generally. Declines in stock market prices generally are likely to reduce the net asset value of the Fund's shares. (2) Management and Operational Risk: The risk that GMO's investment techniques will fail to produce desired results, including annualized returns and annualized volatility. (3) Non-U.S. Investment Risk: The market prices of many non-U.S. securities (particularly of companies tied economically to emerging countries) fluctuate more than those of U.S. securities. Many non-U.S. markets (particularly emerging markets) are less stable, smaller, less liquid, and less regulated than U.S. markets, and the cost of trading in those markets often is higher than it is in U.S. markets. For a more complete discussion of these risks and others, please consult the Fund's offering documents. This is not a complete list of risks associated with investing in the Strategy. Please contact GMO for more information. **Performance Returns:** Performance for the year of inception is less than a full calendar year. 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 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. Gross returns are presented gross of management fees and any incentive fees if applicable. These returns include transaction costs, commissions, withholding taxes on foreign income and capital gains and include the reinvestment of dividends and other income, as applicable. If management and incentive fees were deducted performance would be lower. For example, if, before fees, the strategy were to achieve a 10% annual rate of return above its hurdle rate each year for ten years, and an annual advisory fee of 1% and incentive fee of 20% of net returns above the hurdle rate were charged during that period, the resulting average annual net return (after the deduction of management and incentive fees) would be approximately 7.20%. **GMO LLC claims compliance with the Global Investment Performance Standards (GIPS®).** A Global Investment Performance Standards (GIPS®) Composite Report is available on [GMO.com](http://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.

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## MAJOR PERFORMANCE DRIVERS CONT.

Developed ex-U.S. equities accounted for an average weight of 45.4% of the portfolio for the quarter, including the dedicated Japan Value position and some exposure from the Quality, Resources, and Quality Cyclical strategies. This overweight position in Developed ex-U.S. had a positive impact on relative performance as the MSCI World ex-U.S. index returned 7.8%, nicely ahead of MSCI ACWI. Security selection within Developed Markets was decently positive for the quarter and the portfolio returned 9.5% in aggregate. An overweight position in Sumitomo Forestry (Japan Consumer Discretionary) featured in the top five biggest individual contributors, while an overweight position in STMicroelectronics (France Information Technology) and Stellantis (Italy Consumer Discretionary) featured in the top five biggest individual detractors from relative performance for the quarter.

Portfolio weights, as a percent of equity, for the positions mentioned were: Sumitomo Forestry (0.4%), Lam Research (0.5%), Alphabet (1.5%), Tesla (0.0%), Apple (1.0%), Stellantis (0.4%), NVIDIA (0.2%), Microsoft (1.0%), Amazon (0.5%), and STMicroelectronics (0.4%).

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## PRODUCT OVERVIEW

The Strategy seeks to generate total return greater than that of the MSCI All Country World Index.

The philosophy that underlies all of GMO's Asset Allocation investment strategies is the belief that, at times and in the short term, the pricing of asset classes can deviate from true intrinsic value, but mean reverts to appropriate valuation levels over the long term. Using GMO's 7-Year Asset Class Forecasts, the Strategy seeks to allocate to areas of the global equity markets we believe are most attractively valued. Our approach combines the best of GMO's top-down Asset Allocation views and bottom-up equity research to identify mispricings at both the asset class and individual security levels. The Strategy allocates to equity strategies that are actively managed by other GMO investment teams with expertise and experience in security selection within their respective markets.

## IMPORTANT INFORMATION

**Benchmark(s):** The MSCI ACWI ++ Index is an internally maintained benchmark computed by GMO, comprised of (i) GMO blended benchmark of Global All Country Equity Allocation Composite through 06/30/2014 and (ii) MSCI ACWI (All Country World) Index (MSCI Standard Index Series, net of withholding tax) thereafter. The GMO blended benchmark of Global All Country Equity Allocation Composite is comprised of a weighted average of account benchmarks; many of the account benchmarks consist of MSCI ACWI (All Country World Index) (MSCI Standard Index Series, net of withholding tax) or some like proxy for each market exposure they have. For each underlying account benchmark, the weighting of each market index will vary slightly. The index is internally blended by GMO and maintained on a monthly basis. The MSCI ACWI (All Country World) Index (MSCI Standard Index Series, net of withholding tax) is an independently maintained and widely published index comprised of global developed and emerging markets. MSCI data may not be reproduced or used for any other purpose. MSCI provides no warranties, has not prepared or approved this report, and has no liability hereunder. The MSCI ACWI (All Country World) Index (MSCI Standard Index Series, net of withholding tax) is an independently maintained and widely published index comprised of global developed and emerging markets. MSCI data may not be reproduced or used for any other purpose. MSCI provides no warranties, has not prepared or approved this report, and has no liability hereunder. Please visit <https://www.gmo.com/americas/benchmark-disclaimers/> to review the complete benchmark disclaimer notice.

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.

## 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.

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\*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

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