

# QUARTERLY INVESTMENT REVIEW

## Global Real Return (UCITS) Fund USD Class A

### Performance returns (USD)

ANNUALIZED RETURNS (QUARTER-END)	Quarter-End	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
Global Real Return (UCITS) Fund USD Class A (net)	3.77	8.21	14.30	5.31	4.66	3.16	3.71
Global Real Return (UCITS) Fund USD Class A (gross)	4.01	8.95	15.34	6.27	5.62	4.09	4.64
OECD CPI G7	0.33	2.38	2.19	4.59	3.74	2.50	2.35
Value Add	+3.44	+5.84	+12.11	+0.72	+0.92	+0.66	+1.36

### MAJOR PERFORMANCE DRIVERS

- Top-down asset allocation was positive, as equities and fixed income had a strong quarter.
- Security selection was negative, as the performance of the alternative strategies allocation hampered returns, while equities and fixed income both lagged a little.

Long-only equities represented 56.0% of the portfolio on average through the quarter, with 5.3% in Emerging Markets and 5.0% in Emerging Markets ex-China, both with a distinct Value bias, 6.4% in Japan Fundamental Value, 5.2% in developed ex-U.S. Small Value, 6.3% in Developed ex-U.S., 4.9% in Resource Equity, 4.0% in Quality Cyclical, 6.3% in U.S. Opportunistic Value, 9.5% in International Opportunistic Value, and 3.1% in Japan Small Value.

The equity portfolio returned 7.4% for the quarter, ahead of the MSCI ACWI return of 6.6%. Top-down regional exposures had a positive impact for the quarter as the U.S. lagged Developed ex-U.S., and 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 slightly negative for the quarter as good results in Japan mostly offset some underperformance in U.S. Value and Emerging Markets. Our Emerging Markets portfolio returned 6.2%, behind the MSCI Emerging Market index return of 8.7%, while the Emerging Markets ex-China portfolio posted 5.3%. The Japan Fundamental Value portfolio posted 11.4%, ahead of the TOPIX return of 6.8%, while the Japan Small Value exposure also posted 11.4%, and the developed ex-U.S. Small Cap portfolio delivered 8.3%. The Developed ex-U.S. exposure posted 8.7%, which beat the MSCI World ex-USA index by 90 bps but lagged the MSCI World ex-USA Value index by 100 bps. Quality Cyclical returned 5.8%, 80 bps behind its benchmark, while Resource Equity posted 2.0%. The U.S. Opportunistic Value exposure returned 6.3%, 340 bps behind the MSCI USA Value index return of 9.7%, and International Opportunistic Value posted 9.6%, broadly in line with the MSCI World ex-USA Value return of 9.7%.

Alternative strategies averaged 31.8% through the quarter, including 6.9% in Systematic Global Macro, 4.3% in Event-Driven, and 20.6% in Equity Dislocation. Alternative strategies returned -0.3% for the quarter. Equity Dislocation returned -2.5%, an unfortunate result given that MSCI ACWI Value beat MSCI ACWI Growth, although the strategy remains well ahead of the naïve approach for the year-to-date and longer time periods. Systematic Global Macro was down -0.8%, while Event-Driven was up 3.3% and the collateral gave a nice boost to the alternative sleeve with a 2.2% return for the quarter.

Fixed income represented 12.2% of the portfolio on average through the quarter, including 4.3% in asset-backed securities, 3.3% in Emerging Country Debt, and 4.6% in U.S. Treasuries. Our fixed income strategies returned 3.8% for the quarter, behind the Bloomberg U.S. Aggregate return of 5.2%. Emerging Country Debt, as measured by the J.P. Morgan EMBIG-D index, had a 6.2% return, and the portfolio beat that with a 7.0% return. The asset-backed securities posted 3.2%, trailing the Bloomberg U.S. Securitized index return of 5.4%. It was also a solid quarter for traditional duration and the U.S. Treasury exposure rose 2.5%.

Inception Date: 20-Aug-12

This is a marketing communication. This is not a contractually binding document. Please refer to the prospectus and to the KIID/PRIIPS KID and do not base any final investment decision on this communication alone. **Risks:** Risks associated with investing in the Fund may include: (1) Management and Operational Risk: The risk that GMO's investment techniques will fail to produce desired results, including annualized returns and annualized volatility. (2) 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. (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 Prospectus. **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 indicative of future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance data may be lower or higher than the performance data provided herein.** Net of all fees and expenses after reimbursement by the Manager, but not transaction costs, if any. If certain expenses were not reimbursed, performance would be lower. Gross of fees, expenses and transaction costs, if any. If these fees, expenses and costs were included, performance would be lower.

# QUARTERLY INVESTMENT REVIEW

## PRODUCT OVERVIEW

The Fund seeks to achieve a return in excess of that of its benchmark, the OECD G7 Consumer Price Index, by allocating dynamically across asset classes, free from the constraints of traditional benchmarks. The Fund seeks annualized excess returns of 5% (net of fees) above the OECD G7 Consumer Price Index, over a complete market cycle.

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. GMO's proprietary 7-Year Asset Class Forecasts form the foundation of our investment process, providing a framework to assess the return opportunity embedded in different asset classes. We use that approach to allocate to what we believe are the most attractively priced asset classes.

## IMPORTANT INFORMATION

**Benchmark(s):** The OECD (Organization for Economic Cooperation and Development) CPI (Consumer Price Index) G7 is published monthly by the OECD for the G7 countries of Canada, France, Germany, Italy, Japan, the U.K. and the U.S. The index is compiled by aggregating the national consumer price indices in each period, using estimates of household private final consumption expenditure ("HFCE") as weights. The HFCE for each country is converted into a common currency using purchasing power parities ("PPPs") which are rates of currency conversion that eliminate the differences in price levels between countries. The PPP used in the zone estimates relate specifically to HFCE and are not the same as the PPP for gross domestic product, which are more commonly available. The benchmark return is published on a one month lag. Until this data is available all benchmark return calculations assume a 0% estimate for the missing month.

**An investor should consider the fund's investment objectives, risks, charges and expenses before investing. This and other important information can be found in the funds prospectus. To obtain a prospectus please visit [www.gmo.com](http://www.gmo.com). Read the prospectus carefully before investing.**

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Investors and potential investors can also obtain the prospectus and key investor information, in English and other languages, and a summary of investor rights and information on access to collective redress mechanisms at the following website: <https://www.gmo.com/europe/product-index-page/multi-asset-class/benchmark-free-allocation-strategy/global-real-return-ucits-fund---grruf/>

Please note that GMO Investments ICAV and GMO Funds PLC may decide to terminate the arrangements made for the marketing of the sub-funds in one or more EU member states pursuant to the UCITS marketing passport in accordance with the procedure provided for under the applicable laws that implement Article 93a of Directive 2009/65/EC (the UCITS Directive).

A full list of fees and charges applied to investment can be found in the prospectus and in the KIID/PRIIPS KID, available at: <https://www.gmo.com/europe/product-index-page/multi-asset-class/benchmark-free-allocation-strategy/global-real-return-ucits-fund---grruf/>

This advertisement has not been reviewed by the Monetary Authority of Singapore.

## 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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