

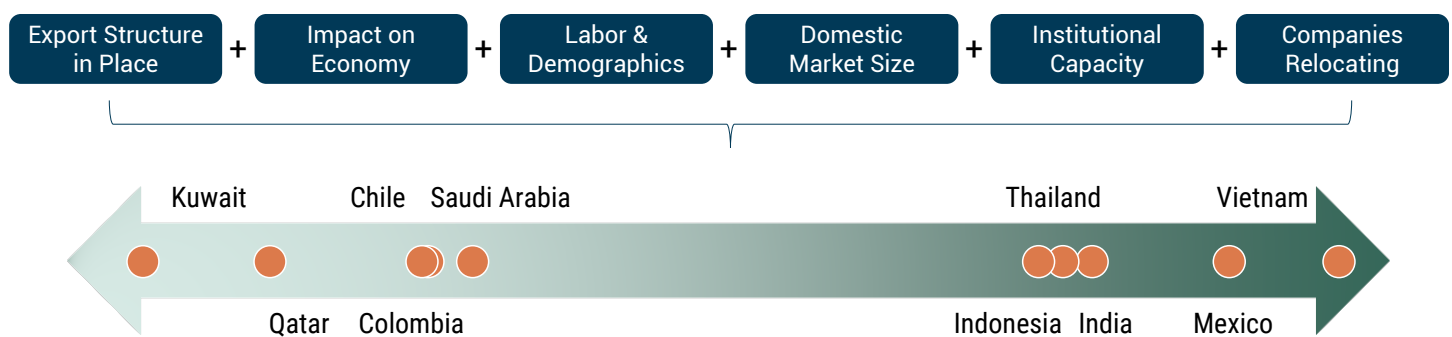
BEYOND CHINA STRATEGY

The Opportunity

A sharpening focus on supply chain diversification is being driven by a combination of increasing labor costs in China, improved capacity for export growth in other emerging markets, and heightened geopolitical tensions. In this environment GMO sees an attractive investment opportunity in emerging market companies outside of China which we believe are poised to benefit from the expected trend of supply chain diversification.

WHO BENEFITS FROM A CHINA MANUFACTURING EXODUS?

The GMO Beyond China Strategy focuses on the most attractive countries



THEMES THAT BENEFIT FROM THIS MOVE

Theme

Higher Economic Growth Due To Nearshoring

- Banks
- Retailing

Market Share Gain from Chinese Competitors

- Tech Hardware
- Apparel
- Chemical
- Consumer Electronics
- EV Battery
- Construction Materials
- Engineering and Construction
- Auto Components

Real Estate and Infrastructure

Theme

Rise in Industrial Activity

- Port and Logistics
- Airport
- Energy and Power Distributors

Increase in Global Capital Expenditure

- Industrial Machinery
- Tech H/W Supply Chain
- High-end Semiconductor Equipment
- Air Conditioning

Shift in Global EV & Renewables Supply Chain

As of 12/31/2024 | Source: GMO

The GMO Solution

GMO has over 30 years of experience in top-down country and sector allocation in emerging markets, blending proprietary quantitative models with fundamental insights. We use this expertise as a starting point for the GMO Beyond China Strategy, selecting those emerging market countries and sectors we believe are best poised to benefit from companies diversifying their supply chains outside of China. The key strengths and differentiators of GMO's approach are:

Top-Down Matters Most: We believe, over the long run, superior top-down insights provide the greatest benefit to the portfolio. While supply chain diversification is a global phenomenon, we believe that understanding local economic forces is key to determining the stocks which will benefit, including:

- Export infrastructure
- Impact on economy
- Labor and demographics
- Institutional capacity

Quantitative Rigor and Fundamental Research Are an Optimal Combination: We believe that a quantitative approach to modeling minimizes emotion, creates a more diversified opportunity set, and may lead to more consistent returns. GMO will use investment methods that focus on growth, quality, valuation and other drivers of fundamentals to identify attractive securities.

The Client Fit

The GMO Beyond China Strategy offers an attractive approach for investors looking to benefit from growth in emerging markets and from the widespread trend of transitioning supply chains out of China to other emerging markets. The Strategy works well as a complement to China-only investment strategies, or as means for investors looking to move away from China and retain exposure to emerging markets.

Who We are

Founded in 1977, GMO is a private partnership whose sole business is investment management. The firm manages global portfolios with offices and clients around the world. Investment offerings include equity, fixed income, multi-asset class, and alternative strategies. GMO is known for blended fundamental and quantitative investment research expertise and a long-term orientation toward value opportunities.

The Team

GMO's Systematic Equity team is a pioneer in quantitative investing for institutions, building on decades of accumulated research on how to best capture valuation opportunities and other mispricings. The team manages a range of long-only and long-short strategies.

GMO has carefully assembled a world-class quantitative research effort built on a wide array of quantitative disciplines, including backgrounds in physics, mathematics, statistics, finance, economics, accounting, engineering, operations research, and business. The team brings together long-standing GMO quantitative equity expertise into one global group of investment professionals collaborating across GMO's Boston, London, San Francisco, and Singapore offices and applies its alpha insights to a range of other U.S., international, emerging markets, and global equity strategies across the firm.

The team as a whole is supported by GMO's research team of over 100 investment professionals worldwide, which has been responsible for many innovations that keep GMO on the leading edge of investment research and development.

RISK

Risks associated with investing in the Strategy may include Market Risk – Equities, Non-U.S. Investment Risk, Currency Risk, Management and Operational Risk, and Illiquidity Risk.