

# QUARTERLY INVESTMENT REVIEW

## Real Return Global Balanced Asset Allocation Strategy

### Performance returns (USD)

ANNUALIZED RETURNS (QUARTER-END)	Quarter-End	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
Real Return Global Balanced Asset Allocation Strategy (net)	-4.01	3.37	3.37	3.10	4.00	4.00	5.49
Real Return Global Balanced Asset Allocation Strategy (gross)	-3.77	4.42	4.42	4.14	5.04	5.05	6.54
GMO Real Return Global Balanced Asset Allocation Blended Index +	-0.44	12.39	12.39	4.35	7.39	6.79	6.19
Value Add	-3.57	-9.02	-9.02	-1.24	-3.39	-2.79	-0.71

### MAJOR PERFORMANCE DRIVERS

– Top-down asset allocation was negative for the quarter, driven by the positioning within equities.

– Security selection was negative across each of equities, alternatives, and fixed income.

Equities represented an average of 58.2% of the portfolio during the quarter, including 4.9% in Emerging Markets, 1.9% in Emerging Markets ex-China, 14.8% in Developed ex-U.S., 3.0% in Quality, 4.3% in U.S., 3.1% in U.S. Small Cap Quality, 3.0% in Quality Cyclical, 7.1% in U.S. Opportunistic Value, 6.0% in Japan Value, 6.9% in International Opportunistic Value, and 3.1% in Resource equity.

The equity portfolio returned -5.7% for the quarter, far behind the MSCI World return of -0.2%. Top-down regional and stylistic exposures had a severe negative impact as the U.S. beat both Developed ex-U.S. and Emerging Markets by close to 10%, and Value lagged the broad market in the U.S. by almost 6%. Security selection was also modestly negative for the quarter. The Emerging Market portfolio returned -7.6%, which was 40 bps ahead of the MSCI Emerging Market index, and Emerging Markets ex-China returned -8.6%, which was 50 bps behind the MSCI Emerging Markets ex-China index return of -8.1%. In Developed ex-U.S. markets, the portfolio posted -7.1%, which was 30 bps ahead of the MSCI World ex-USA index, and International Opportunistic Value posted -7.4%, underperforming the MSCI World ex-USA Value index by 90 bps. In the U.S., the broad U.S. portfolio return of 1.1% trailed the S&P Composite 1500 by 110 bps, while U.S. Opportunistic Value outperformed the MSCI USA Value (Gross) index by 120 bps, and Quality lagged the S&P 500 by 440 bps. Quality Cyclical, U.S. Small Quality, and Resource equity all underperformed their reference benchmarks. The Japan Value portfolio returned -5.6%, behind the TOPIX by 150 bps. Being very slightly underweight to equities had no material impact on relative performance.

Composite Inception Date: 30-Jun-04

**Risks:** Risks associated with investing in the Strategy may include the risk that one or more of the underlying portfolios will not perform as expected and that the Strategy will indirectly be exposed to all of the risks of an investment in the underlying portfolios. Other 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) Market Risk - Fixed Income Investments: The market price of a fixed income investment can decline due to a number of market-related factors, including rising interest rates and widening credit spreads or decreased liquidity stemming from the market's uncertainty about the value of a fixed income investment (or class of fixed income investments). (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 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.** Returns include a substantial, one-time litigation settlement recovery received on December 16, 2024. This event contributed 0.84% to Q4 2024 and 0.90% to 2024 annual performance, based on a representative account. Performance for other periods, including this date, was also positively impacted, sometimes materially. Without this recovery, performance would have been lower in both absolute terms and relative to the benchmark. Additional information is available upon request. The portfolio is not managed relative to a benchmark. References to an index are for informational purposes only.

# QUARTERLY INVESTMENT REVIEW

## MAJOR PERFORMANCE DRIVERS CONT.

Fixed income represented 11.2% on average through the quarter, including 3.2% in Emerging Country Debt, 3.0% in Multi-Sector Fixed Income, and 5.0% in U.S. Treasury notes. Our fixed income strategies returned -6.9% for the quarter, behind the Bloomberg U.S. Aggregate index return of -3.1%. Multi-Sector Fixed Income delivered -3.0%, while the U.S. Treasury exposure did poorly, posting -13.0%. The U.S. 10-year nominal yield finished the quarter an amazing 77 bps higher than where it started, at 4.58%. Our Emerging Country Debt portfolio returned -0.3%, which was ahead of the EMBI Global Diversified index return of -1.9%. Our underweight to fixed income had a small positive impact on performance against the asset allocation benchmark.

Cash/Cash Plus, predominantly in the form of Multi-Strategy, represented 15.9% on average through the quarter, and there was also 14.7% on average in Alternatives, represented by the Equity Dislocation strategy. In principle, this overweight position in cash and absolute return added to relative returns as the blended benchmark was negative for the quarter. Unfortunately, the dedicated allocation to Equity Dislocation returned -4.1%, although this was a solid result as MSCI ACWI Value lagged MSCI ACWI Growth by 7.3%. Indeed, the strategy remains well ahead of the naïve approach for the year-to-date and longer time periods. Multi-Strategy had a more successful quarter and returned 1.0%, as strong returns from the Event-Driven strategy more than offset performance challenges in Systematic Global Macro and Equity Dislocation.

---

# QUARTERLY INVESTMENT REVIEW

## PRODUCT OVERVIEW

The GMO Real Return Global Balanced Asset Allocation Strategy seeks to generate total return greater than that of its benchmark of 60% MSCI World Index, 20% Bloomberg U.S. Aggregate Index, and 20% FTSE 3-Month Treasury Bill Index by allocating dynamically across asset classes, free from the constraints of traditional benchmarks. The Strategy invests in a GMO-managed mutual fund, which in turn invests in actively managed equity, fixed income, alternative, and cash strategies, and a GMO-managed hedge fund-of-funds, which seeks positive total return with low volatility relative to equity markets and low correlation over a full market cycle to traditional market indices.

## IMPORTANT INFORMATION

**Comparator Index(es):** The GMO Real Return Global Balanced Asset Allocation Blended Index + is an internally maintained benchmark computed by GMO, comprised of (i) GMO blended benchmark of Real Return Global Balanced Asset Allocation Composite through 06/30/2014 and (ii) The GMO RRGBAL Blended Index thereafter. The GMO blended benchmark of Real Return Global Balanced Asset Allocation Composite is comprised of a weighted average of account benchmarks; many of the account benchmarks consist of MSCI World (MSCI Standard Index Series, net of withholding tax), Bloomberg Aggregate, and FTSE 3-Month T-Bill 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 RRGBAL Blended Index is comprised of 60% MSCI World Index (MSCI Standard Index Series, net of withholding tax), 20% Bloomberg U.S. Aggregate Index and 20% FTSE 3-Month Treasury Bill Index. The index is internally blended by GMO and maintained on a monthly basis. 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 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.

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

[www.GMO.com](http://www.GMO.com)