

# QUARTERLY INVESTMENT REVIEW

## U.S. Opportunistic Value Strategy

### Performance returns (USD)

ANNUALIZED RETURNS (QUARTER-END)	Quarter-End	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
U.S. Opportunistic Value Strategy (net)	-1.98	12.90	12.90	-	-	-	14.04
U.S. Opportunistic Value Strategy (gross)	-1.86	13.43	13.43	-	-	-	14.60
U.S. Opportunistic Value Blended Benchmark +	-3.05	21.62	21.62	-	-	-	19.62
Value Add vs. U.S. Opportunistic Value Blended Benchmark +	+1.08	-8.72	-8.72	-	-	-	-5.58
MSCI USA Value (Gross)	-3.05	14.34	14.34	-	-	-	12.26
Value Add vs. MSCI USA Value (Gross)	+1.08	-1.44	-1.44	-	-	-	+1.78

### MAJOR PERFORMANCE DRIVERS

Global equity markets diverged in the fourth quarter, as the U.S. had another solid return while the rest of the world struggled – although the returns for a USD investor look particularly lackluster outside the U.S. because of a surging dollar. In particular, with the return of President Trump to the White House, areas that are assumed to be beneficiaries of likely policy were favored, while areas that might be subject to tariffs were treated less kindly.

Within the U.S., Value severely underperformed Growth in the fourth quarter. Stocks that were identified as cheap by the Price-to-Fair-Value model and by the (most Value-oriented) Price-to-Scale model performed well relative to the MSCI USA Value index, but stocks that were favored by the Quality-Boosted-Value model fared less well.

Sector allocation was responsible for broadly three quarters of the outperformance, driven largely by being overweight Financials and Communication Services, the two sectors that generated positive performance, and by having little exposure to Utilities and Real Estate, which underperformed. Stock selection within sectors was modestly positive, with success in Financials and Information Technology being partly offset by underperformance in Health Care and Consumer Discretionary. The position in Alphabet, which does not feature in the MSCI USA Value benchmark, was the biggest single contributor for the quarter. The biggest individual detractor from relative performance for the quarter was an overweight position in Regeneron Pharmaceuticals.

Portfolio weights as a percentage of equity for the securities mentioned are as follows: Alphabet (2.3%), Regeneron Pharmaceuticals (1.2%).

Composite Inception Date: 30-Jun-22

**Risks:** Risks associated with investing in the Strategy may include: (1) Focused Investment Risk: The Fund invests its assets in the securities of a limited number of issuers, and a decline in the market price of a particular security held by the Fund may affect the Fund's performance more than if the Fund invested in the securities of a larger number of issuers. (2) Commodities Risk: Commodity prices can be extremely volatile, and exposure to commodities can cause the value of the Fund's shares to decline or fluctuate more than if the Fund had a broader range of investments. (3) 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. 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. The Index used for performance reporting purposes changed from S&P Composite 1500 to MSCI U.S.A. Value effective June 30th, 2024. The portfolio is not managed relative to a benchmark. References to an index are for informational purposes only.**

# QUARTERLY INVESTMENT REVIEW

## PRODUCT OVERVIEW

The GMO U.S. Opportunistic Value Strategy (the "Strategy") seeks to generate total return by investing primarily in U.S. equities. The Strategy measures its performance against the MSCI U.S. Value Index.

GMO's U.S. Opportunistic Value Strategy seeks to profit from our Asset Allocation Team's top-down insights as to the most attractively valued segment of the U.S. market. Currently, the team finds "deep value" (cheapest 20%) stocks to be truly dislocated in the U.S. This actively managed Strategy avoids the "shallow value" stocks, which are expensive relative to their own history, and focuses solely on the deep value names. With this Strategy we focus on the U.S. stocks that GMO's Systematic Equity team identifies as the most undervalued, recognizing that relying on reported financials and index definitions of value can lead investors to misjudge the opportunity.

## IMPORTANT INFORMATION

**Comparator Index(es):** The U.S. Opportunistic Value Blended Benchmark + is an internally maintained index computed by GMO, comprised of (i) the S&P Composite 1500 through 06/28/2024 and (ii) MSCI USA Value (Gross) thereafter. The MSCI USA Value (Gross) Index is an independently maintained and widely published index comprised of large and mid cap US securities exhibiting overall value style characteristics. 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.

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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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