

# QUALITY CYCLICALS

## OVERVIEW

The GMO Quality Cyclicals Strategy seeks to generate total return by investing in leading cyclical businesses. Leveraging their long-term disciplined approach to investing in high quality companies, GMO's Focused Equity team selects from a high-conviction universe of cyclical businesses that it believes are of higher quality than their industry peers. These quality cyclical businesses tend to be structurally underappreciated by the market, which at times of elevated stress can create attractive investment opportunities.

## FACTS

Strategy Inception	03-Apr-20
Composite Inception	30-Apr-20
Total Assets	\$479mm USD
Index	MSCI ACWI

## CUMULATIVE TOTAL RETURNS (USD, NET OF FEES, %)

	<i>MTD</i>	<i>QTD</i>	<i>YTD</i>	<i>2023</i>	<i>2022</i>	<i>2021</i>	<i>2020</i>
Composite	-2.25	-2.25	6.77	22.61	-13.04	15.39	43.20
Index	-2.24	-2.24	16.00	22.20	-18.36	18.54	33.54

## RISK PROFILE (SINCE INCEPTION 30-APR-20)

Alpha (Jensen's)	-1.55
Beta	1.19
R Squared	0.78
Sharpe Ratio	0.60

## ANNUALIZED TOTAL RETURNS (USD, NET OF FEES, %)

	<i>1 Year</i>	<i>3 Years</i>	<i>5 Years</i>	<i>10 Years</i>	<i>ITD</i>
Composite	24.78	4.06	-	-	15.06
Index	32.79	5.51	-	-	14.38

## PORTFOLIO MANAGEMENT



**Tom Hancock**  
Joined GMO in 1995  
MS, Rensselaer  
Polytechnic Institute;  
PhD, Harvard University



**Ty Cobb, CFA**  
Joined GMO in 1997  
MS, Suffolk University



**Anthony Hene, CFA**  
Joined GMO in 1995  
MS, University of Oxford

**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) 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. 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:** 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. **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. The portfolio is not managed relative to a benchmark. References to an index are for informational purposes only.

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## CHARACTERISTICS

	<i>Portfolio</i>	<i>Index</i>
Price/Earnings - Hist 1 Yr Wtd Mdn	24.5x	29.3x
Price/Book - Hist 1 Yr Wtd Avg	2.9x	3.1x
Return on Equity - Hist 1 Yr Mdn	17.8%	19.4%
Dividend Yield - Hist 1 Yr Wtd Avg	1.8%	1.8%
Market Cap - Wtd Mdn Bil	61.9 USD	115.8 USD
Number of Equity Holdings	47	2580
Net Debt/EBITDA - Hist 1 Yr Wtd Mdn	0.6x	0.5x

## MARKET CAP BAND EXPOSURES (\$B)

	<i>Portfolio</i>	<i>Index</i>
Small (5.5 & Below)	1.5	3.1
Small - Medium (5.5 To 16.4)	19.9	9.5
Medium (16.4 To 43.4)	18.8	15.6
Medium - Large (43.4 To 119.4)	31.3	23.0
Large (119.4 & Above)	28.4	48.8

## TOP COUNTRIES (%)

<i>Country</i>	<i>Portfolio</i>	<i>Index</i>
United States	52.4	65.2
United Kingdom	12.8	3.2
Spain	7.4	0.6
France	5.7	2.4
Mexico	5.7	0.2
Ireland	4.2	0.1
Canada	3.4	2.7
Germany	2.8	2.0
Netherlands	2.0	1.0
Finland	1.3	0.2

## REGIONS (%)

<i>Region</i>	<i>Portfolio</i>	<i>Index</i>
United States	52.4	65.2
Europe	36.7	14.3
Rest of World	10.2	20.5
Cash Equivalents	0.7	0.0

## GICS GROUP WEIGHTS (%)

<i>Sector</i>	<i>Portfolio</i>	<i>Index</i>
Consumer Services	17.5	3.2
Capital Goods	11.3	11.5
Financial Services	11.1	9.9
Energy	9.0	6.3
Semiconductors & Semiconductor Equipment	7.8	14.6
Banks	6.3	10.9
Media & Entertainment	6.2	9.9
Consumer Discretionary Distribution & Retail	6.1	7.4
Consumer Durables & Apparel	5.8	2.2
Food, Beverage & Tobacco	5.7	4.7
Materials	3.9	6.1
Transportation	3.3	2.6
Insurance	2.7	4.9
Automobiles & Components	2.0	3.5
Household & Personal Products	1.3	2.2

## TOP HOLDINGS

<i>Company</i>	<i>Sector</i>	<i>%</i>
Booking Holdings Inc	Consumer Discretionary	4.7
Industria de Diseno Textil SA	Consumer Discretionary	4.2
Intercontinental Exchange Inc	Financials	4.2
Compass Group PLC	Consumer Discretionary	4.0
Wells Fargo & Co	Financials	3.9
Safran SA	Industrials	3.7
Brookfield Corp	Financials	3.5
Meta Platforms Inc	Communication Services	3.4
American Express Co	Financials	3.4
Ryanair Holdings PLC	Industrials	3.3
<b>Total</b>		<b>38.3</b>

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## IMPORTANT INFORMATION

**Index(es):** 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.

## GLOSSARY

**Risk Statistics:** Risk profile data is net of fees. Alpha is a measure of risk-adjusted return. Beta is a measure of a portfolio's sensitivity to the market. R-Squared is a measure of how well a portfolio tracks the market. Sharpe Ratio is the return over the risk free rate per unit of risk.

**Sector Exposures:** The Global Industry Classification Standard (GICS) is the exclusive intellectual property of MSCI Inc. (MSCI) and Standard & Poor's, a division of The McGraw-Hill Companies, Inc. (S&P). Neither MSCI, S&P, nor any third party makes any representations or warranties, express or implied, with respect to GICS or the results to be obtained by the use thereof, and expressly disclaim all warranties, including of merchantability and fitness for a particular purpose. Neither MSCI, S&P, nor any third party shall have any liability for any damages of any kind relating to the use of GICS.

**Top Holdings:** Portfolio holdings are percent of equity. Where applicable, the top holdings are derived by looking through to the underlying portfolios in which the asset allocation strategy invests and, where appropriate, individual security positions are aggregated. They are subject to change and should not be considered a recommendation to buy individual securities. This portfolio continues to hold de minimis Russian exposure as a result of past positioning and ongoing illiquidity. GMO has suspended net new purchases of Russian securities firm-wide.

## 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

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SAN FRANCISCO\*

SINGAPORE

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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

\*\*Representative Office

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