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- [International Quality ETF \(QLTI\)](#)
- [International Value ETF \(GMOI\)](#)
- [International Equity Fund \(GMOIX\)](#)
- [Usonian Japan Value Creation Fund \(GMAKX\)](#)

# THREE WAYS TO BOOST INTERNATIONAL EQUITY EXPOSURES

***Asset Allocation Team*** | August 2025

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After a mega, multi-year run of outperformance in U.S. equities over non-U.S. equities, investors have begun to question their regional equity weights.

From 2014 to the end of 2024, the weight of U.S. equities within the MSCI World Index grew from approximately 60% to nearly 75%. Better relative fundamental performance drove stronger returns in the U.S., but the superlative growth was concentrated in a narrow group of stocks.

Today, U.S. valuations are significantly higher, with investors extrapolating good times far into the future. The U.S. dollar is expensive, U.S. fiscal deficits remain large, volatile policies have dented the pristine trust in some U.S. institutions, and higher tariffs cloud the economic path ahead.

These dynamics are prompting many investors to rethink their global equity allocations and seek more balanced exposure.

**We believe there are three particularly attractive ways to boost international equity exposure today:**

## ***1. Build a Core with International Quality***

We believe international quality offers a compelling complement to U.S. equities. Many leading global businesses are based outside the U.S. and exhibit strong capital discipline and durable competitive advantages.

**GMO Solution:** The [GMO International Quality ETF \(QLTI\)](#) targets companies with high and stable returns on capital and strong balance sheets, while avoiding “quality traps” that often plague international benchmarks.

## ***2. Exploit the Deep Discount in Value***

Value stocks are currently trading at a historical discount to growth stocks in international markets.

**GMO Solution:** The [GMO International Value ETF \(GMOI\)](#) takes a top-down approach, concentrating exposure in the cheapest 20% of developed non-U.S. stocks. It uses proprietary valuation models, seeking to avoid the pitfalls of traditional accounting metrics and index definitions.

**GMO Solution:** The [GMO International Equity Fund \(GMOIX\)](#) seeks to generate high total return by investing in non-U.S. developed market equities. It leverages a multi-factor valuation model – augmented by momentum and corporate alerts – to identify undervalued securities.

**Disclaimer**

The views expressed are the views of the Asset Allocation team through the period ending August 2025, and are subject to change at any time based on market and other conditions. This is not an offer or solicitation for the purchase or sale of any security and should not be construed as such. References to specific securities and issuers are for illustrative purposes only and are not intended to be and should not be interpreted as recommendations to purchase or sell such securities.

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**3. Target Country-Specific Opportunities...Like Japan**

After decades of deflation and sluggish growth, Japan is finally exiting its deflationary malaise. Corporate reforms have also crossed a tipping point, with management teams increasingly focused on improving return on equity, enhancing shareholder returns, and unwinding cross-shareholdings.

**GMO Solution:** The [GMO Usonian Japan Value Creation Fund \(GMAKX\)](#) is designed to capitalize on these trends. It employs a bottom-up, fundamental approach that seeks to identify undervalued Japanese companies with strong balance sheets and high potential for shareholder value creation. The investment team also engages collaboratively with corporate management with the goals of unlocking shareholder value and mitigating risk.

***Past performance is no guarantee of future results.***

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

**Risks**

Risks associated with investing in the GMO International Quality ETF (QLTI) and the GMO International Value ETF (GMOI) 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; and (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 and other risks, please consult the Fund's Prospectus.

Risks associated with investing in the GMO International Equity Fund (GMOIX) 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) 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; and (3) Management and Operational Risk: The risk that GMO's investment techniques will fail to produce desired results, including annualized returns and annualized volatility. For a more complete discussion of these and other risks, please consult the Fund's Prospectus.

Risks associated with investing in the GMO Usonian Japan Value Creation Fund (GMAKX) 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; and (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 and other risks, please consult the Fund's Prospectus.

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