

# QUARTERLY INVESTMENT REVIEW

## Emerging Markets Strategy

RETURNS (%) (LOCAL)	Cumulative (%)		Annualized (%)				
	QTD	YTD	1 Year	3 Years	5 Years	10 Years	ITD
Net of Fees (Composite)	12.97	19.70	19.70	-5.45	1.70	1.39	5.75
Gross of Fees (Composite)	13.21	20.72	20.72	-4.63	2.59	2.31	6.87
MSCI Emerging Markets +	7.86	9.83	9.83	-5.08	3.69	3.13	5.09
MSCI Emerging Markets	7.86	9.83	9.83	-5.08	3.69	2.66	4.54
Value Added (vs. MSCI Emerging Markets +)	5.11	9.87	9.87	-0.37	-1.98	-1.74	+0.65
Value Added (vs. MSCI Emerging Markets)	5.11	9.87	9.87	-0.37	-1.98	-1.27	+1.20

### Major Performance Drivers

Global markets finished the year on a strong note in the fourth quarter, contributing to double-digit gains for the full year. Positive performance was broad-based, including nearly all emerging markets. The notable exception to this positivity was China, where a mix of financial and policy challenges continues to weigh on sentiment. While geopolitical tensions ratcheted up with Hamas' attack on Israel, and accompanying concerns related to broader conflict in the Middle East and the potential disruption of trade, equity markets remained unfazed and oil prices fell, helping to underpin positive sentiment around falling global inflation.

The portfolio posted strong outperformance again in the fourth quarter, driven by a mix of top-down views and stock selection. Top-down contributors included overweight positioning in Taiwan, South Africa, Poland, Hungary, and Mexico. The portfolio's underweight toward China also added value with notable contributions from underweight positioning in Chinese Consumer Discretionary and Communication Services.

Detractors for the quarter were modest in comparison. Challenges in positioning included underweights toward India and Korea, especially Korea Information Technology and Health Care.

Inception Date: 9-Dec-93

**Risks:** Risks associated with an investment in the Strategy may include Market Risk - Equities, Non-U.S. Investment Risk, Currency Risk, Management and Operational Risk, and Illiquidity Risk. 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 Returns: 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. 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%.

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## PRODUCT OVERVIEW

The GMO Emerging Markets Strategy seeks total return in excess of that of its benchmark, the MSCI Emerging Markets Index. GMO uses proprietary quantitative techniques and fundamental analysis to evaluate and select countries, sectors, and equity investments based on factors including, but not limited to, valuation, quality, patterns of price movement and volatility, macroeconomic factors, and ESG (environmental, social and governance) criteria. GMO expects the Strategy will have a value bias relative to its benchmark.

## IMPORTANT INFORMATION

**Benchmark(s):** The MSCI Emerging Markets + Index is an internally maintained benchmark computed by GMO, comprised of (i) the S&P/IFCI Composite through 12/31/2018 and (ii) the MSCI Emerging Markets Index (MSCI Standard Index Series, net of withholding tax) thereafter. S&P does not guarantee the accuracy, adequacy, completeness or availability of any data or information and is not responsible for any errors or omissions from the use of such data or information. Reproduction of the data or information in any form is prohibited except with the prior written permission of S&P or its third party licensors. 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 MSCI Emerging Markets Index (MSCI Standard Index Series, net of withholding tax) is an independently maintained and widely published index comprised of global emerging markets large and mid capitalization stocks. 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

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