

## STRATEGY OVERVIEW

The GMO Global Asset Allocation Strategy seeks total return greater than that of its benchmark, the GMO Global Asset Allocation Index, an internally maintained index computed by GMO consisting of 65% MSCI ACWI and 35% Bloomberg Barclays U.S. Aggregate Index. The Strategy uses multi-year forecasts of returns among asset classes, together with an assessment of the relative risks of such asset classes, to build a portfolio that may invest in any asset class by allocating to other GMO-managed funds or holding securities directly.

The portfolio is constructed to maximize the opportunity to achieve annualized excess returns of 2% to 3% (net of fees) above the benchmark, over a complete market cycle.

## STRATEGY FACTS

**Inception:** 6/30/88

**Benchmark:** GMO Global Asset Allocation Index

**Assets:** \$10.3 Billion

### Portfolio Management:

Ben Inker  
John Thorndike

### Risks:

Risks associated with investing in the Strategy may include Management and Operational Risk, Market Risk - Equities, Non-U.S. Investment Risk, Market Risk - Fixed Income Investments, and Derivatives and Short Sales Risk.

### About GMO:

Founded in 1977, GMO is an independently-owned, global institutional investment manager dedicated to providing our clients with superior investment advice and performance.

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## OUR INVESTMENT PHILOSOPHY

### One true advantage: the long horizon

Investors have one true advantage: their long investment horizon. The long horizon frees investors from the pressure to make short-term market predictions and tactical portfolio moves. It also gives investors the flexibility to be dynamic and change portfolio allocations to reflect the current opportunity set.

### Overpaying is the greatest risk

A robust understanding of valuation lies at the heart of our investment approach. We believe that mean reversion around intrinsic value is the closest thing to the law of gravity that we have in finance. Paying too much for an asset limits its long-term return potential and eliminates the investor's margin of safety, thereby increasing the probability of permanently impairing the investor's capital. We aim to avoid this.

### Career risk governs the short run

At GMO, we are distinguished by our willingness to stand apart from the market consensus. In the effort to protect their careers, many professional investors remain close to benchmarks or peer groups to avoid taking risks that may lead them to underperform. Such activity often creates opportunities for us as contrarian investors to buy underappreciated, unpopular assets and avoid expensive ones.

## KEYS TO OUR INVESTMENT APPROACH

The Strategy is managed by GMO's Asset Allocation team, which leverages the strengths of investment teams across the firm and has nearly three decades of experience managing multi-asset class portfolios.

### Anchor to Valuation

Our 7-year asset class forecasts form the foundation of our investment process, providing a valuation framework to assess the return opportunity embedded in different asset classes.

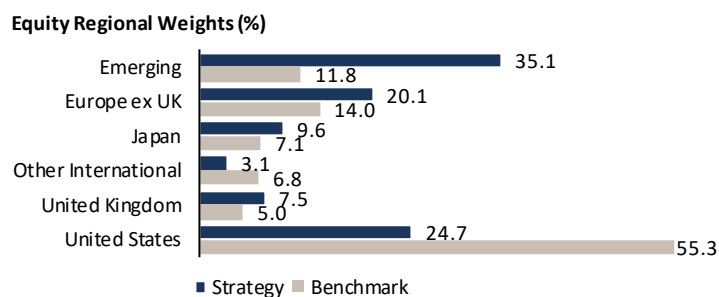
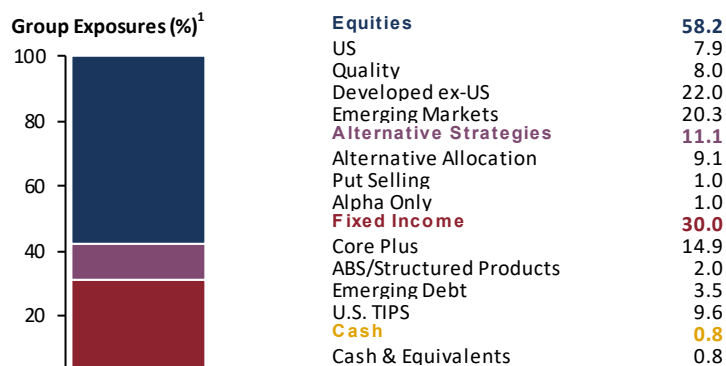
**Cast a Wide Net** We believe the most effective way to compound wealth over full market cycles is not to be rigidly tied to certain asset class exposures. To that end, we attempt to access as broad an opportunity set as possible and do not seek to control risk relative to the benchmark.

**Cast a Deep Net** We combine GMO's quantitative, fundamental, top-down and bottom-up resources to identify mispriced market segments and securities.

**Be Contrarian** We are prepared to take unconventional positions within our portfolios and hold them longer than the pain threshold of most other market participants.

**Be Bold** We are structured to be dynamic, moving assets across asset groups and taking significant positions when we see markets move to extreme valuations.

## STRATEGY PROFILE



## Equity Characteristics

	Strategy	Benchmark
Price/Earnings - Hist 1 Yr Wtd Med	12.6 x	20.0 x
Price/Book - Hist 1 Yr Wtd Avg	1.6 x	2.3 x
Return on Equity - Hist 1 Yr Med	17.2 %	17.2 %
Market Cap - Weighted Median \$Bil	\$22.9	\$51.4
Dividend Yield - Hist 1 Yr Wtd Avg	3.6 %	2.5 %

## 5-Year Risk Profile<sup>2</sup>

	Strategy	Benchmark
Alpha	-2.04	0.00
Beta	0.91	1.00
R <sup>2</sup>	0.92	1.00
Sharpe Ratio	0.27	0.57
Std. Deviation	7.25	7.64

## Bond Portfolio<sup>3</sup>

Total Portfolio Duration	2.1 years
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## Credit Ratings

Rating	Strategy	Benchmark
AAA	-2.4%	5.5%
AA	77.9%	4.4%
A	4.4%	5.7%
BBB	4.2%	0.1%
D		0.3%

<sup>1</sup> The groups indicated above represent exposures determined pursuant to proprietary methodologies and are subject to change over time.

<sup>2</sup> Alpha is a measure of risk-adjusted return; Beta is a measure of a portfolio's sensitivity to the market; R<sup>2</sup> 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; Std. Deviation is a measure of the volatility of a portfolio. Risk profile data is net.

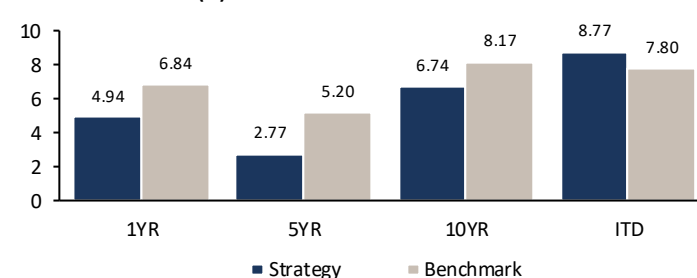
<sup>3</sup> Total Portfolio Duration is calculated on all fixed income instruments held by the portfolio and is shown relative to the entire portfolio (inclusive of fixed income, equity, cash, alternative investments, etc.). The credit ratings above may encompass emerging debt, developed rates, and asset-backed exposure. Ratings for the emerging debt and developed rates portions of the portfolio are derived by taking the Standard and Poor's country ratings and applying these ratings to the country exposures of the portfolio. For the asset-backed portion of the portfolio, credit ratings are derived by using the lowest rating among rating agencies at the issue level. Final credit ratings are expressed based upon Standard and Poor's ratings scale. Standard & Poor's rates securities from AAA (highest quality) to C (lowest quality), and D to indicate securities in default; some securities are not rated (NR). BB and below are considered below investment grade securities.

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.

## PERFORMANCE NET OF FEES

Total Return (%)	Strategy	Benchmark
2Q2019	2.67	3.54
YTD 2019	10.21	12.77
<b>Annual Total Return (%)</b>		
2018	-7.31	-6.00
2017	15.70	16.45
2016	5.55	6.17
2015	-4.25	-1.13
2014	1.23	4.87
2013	12.38	13.60
2012	11.11	12.13
2011	2.13	-1.80
2010	7.93	11.05
2009	24.15	24.14

## Annualized Return (%)



Performance data quoted represents past performance and is not predictive of future performance. Returns are shown after the deduction of management fees, transaction costs and other expenses, but before custody charges, withholding taxes, and other indirect expenses. The returns assume the reinvestment of dividends and other income.

The GMO Global Asset Allocation Index + is an internally maintained benchmark computed by GMO, comprised of (i) GMO blended benchmark of Global Asset Allocation Composite through 06/30/2014 and (ii) The GMO Global Asset Allocation (Blend) Index thereafter. The GMO blended benchmark of Global Asset Allocation Composite is comprised of a weighted average of account benchmarks; many of the account benchmarks consist of S&P 500, MSCI ACWI (MSCI Standard Index Series, net of withholding tax) and Barclays Aggregate 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 GMO Global Asset Allocation (Blend) Index is an internally maintained benchmark computed by GMO, comprised of 65% MSCI ACWI Index (MSCI Standard Index Series, net of withholding tax) and 35% the Barclays U.S. Aggregate Index. 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.