

# GMO QUALITY SPECTRUM STRATEGY

## OVERVIEW

GMO's Focused Equity team believes that high quality companies have a sustainable competitive advantage that allows them to be excessively profitable for many years into the future, while low quality "junk" companies lack sustainable competitive advantages and generally have risky business models. The GMO Quality Spectrum Strategy contains a concentrated long book of high quality companies and levers the long portfolio by shorting a diverse portfolio of "junk" companies, with an emphasis on valuation. The Strategy expects to generate equity-like returns over time, with the long quality/short junk element designed to provide a bulwark against market drawdowns.

## PORTFOLIO MANAGEMENT



**Tom Hancock**

- Joined GMO in 1995
- 25 yrs industry experience
- Ph.D. from Harvard University



**Ty Cobb, CFA**

- Joined GMO in 1997
- 28 yrs industry experience
- M.S. from Suffolk University



**Anthony Hene, CFA**

- Joined GMO in 1995
- 25 yrs industry experience
- MSc from the University of Oxford

Performance Net of Fees (USD)

### TOTAL RETURN (%)

	<i>Portfolio</i>	<i>50% ACWI 50% 3Mo TBill Blend</i>
MTD	3.26	1.16
QTD	-1.18	0.93
YTD	-1.18	0.93

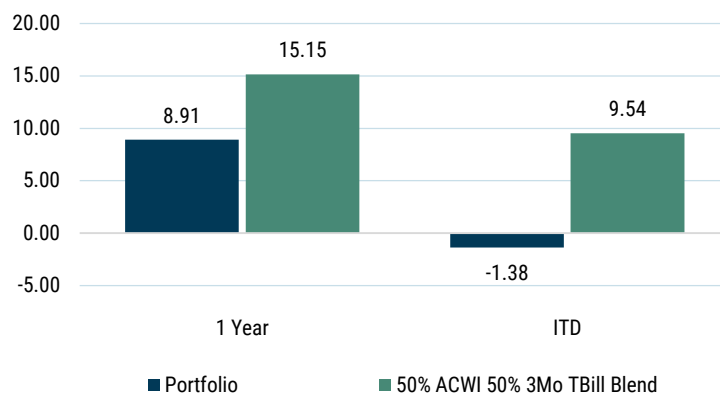
### ANNUAL TOTAL RETURN (%)

2020	-4.05	9.02
2019	3.66	1.83

## FACTS

Strategy Inception Date	October 31, 2019
Total Assets as of 12/31/20	\$14mm USD

### ANNUALIZED RETURNS (%) AS OF 02/28/2021



Composite Inception Date: November 30, 2019

Risks associated with investing in the Strategy may include: Equities Risk, Short Investment Exposure Risks, Focused Investment Risk, Currency Risks, and Smaller Company Risks.

Returns shown for periods greater than one year are on an annualized basis.

**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. A Global Investment Performance Standards (GIPS®) compliant presentation is available on GMO.com by clicking the GIPS® Compliant Presentation 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 compliant presentation.

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## CHARACTERISTICS

	<i>Long</i>	<i>Short</i>	<i>S&amp;P 500</i>	<i>MSCI ACWI</i>
Price/Earnings - Forecast 1 Yr Wtd Mdn	22.1x	53.0x	24.2x	22.0x
Return on Equity - Forecast 1 Yr Wtd Mdn	26.8%	7.9%	21.4%	17.5%
% Neg Earnings	2.8%	37.8%	8.9%	11.6%
Price/Book - Hist 1 Yr Wtd Avg	5.1x	2.8x	4.2x	2.8x
Dividend Yield - Hist 1 Yr Wtd Avg	1.6%	1.3%	1.5%	1.8%
Free Cash Flow Yield - Hist 1 Yr Wtd Avg	4.2%	-0.3%	3.5%	3.9%
Market Cap - Wtd Mdn Bil	159.6 USD	14.1 USD	157.1 USD	68.8 USD
Number of Equity Holdings	41	297	505	2964
% Long/Short	173.7%	71.4%	N/A	N/A
Net Debt/EBITDA - Hist 1 Yr Wtd Mdn	0.4x	3.7x	0.5x	0.8x

## TOP HOLDINGS

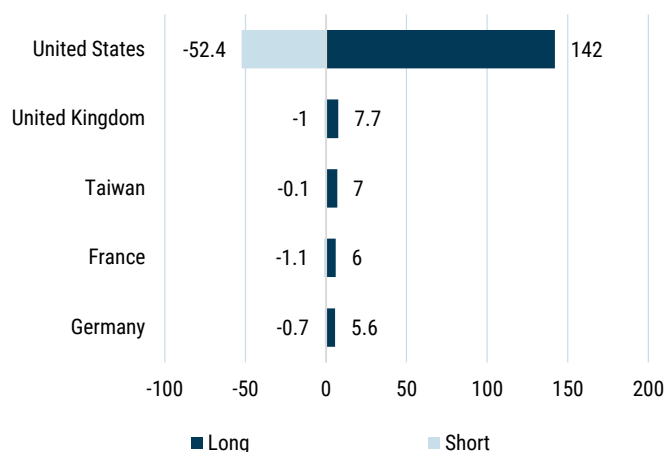
<i>Company</i>	<i>Country</i>	<i>Sector</i>	<i>%</i>
Microsoft Corp	United States	Information Technology	10.2
Alphabet Inc	United States	Communication Services	8.6
UnitedHealth Group Inc	United States	Health Care	7.9
Apple Inc	United States	Information Technology	7.6
Taiwan Semiconductor Manufacturing Co Ltd	Taiwan	Information Technology	7.0
US Bancorp	United States	Financials	6.8
Coca-Cola Co/The	United States	Consumer Staples	6.7
Accenture PLC	United States	Information Technology	6.5
Oracle Corp	United States	Information Technology	6.1
Wells Fargo & Co	United States	Financials	5.8
<b>Total</b>			<b>73.2</b>

GICS Sector. 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.

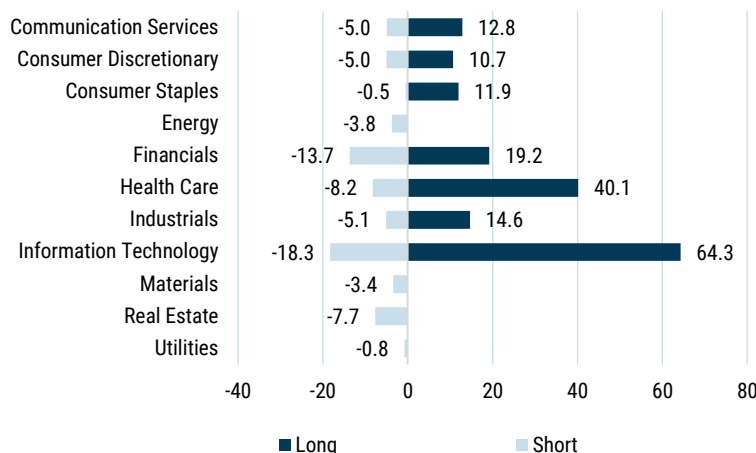
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The above information is based on a representative account in the Strategy selected because it has the fewest restrictions and best represents the implementation of the Strategy.

## TOP COUNTRIES (%)



## SECTORS (%)



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