

## STRATEGY OVERVIEW

The GMO International Small Companies Strategy seeks to generate total return greater than that of the S&P Developed ex-U.S. Small Cap Index by investing primarily in non-U.S. developed market equities.

## STRATEGY FACTS

**Inception:** 10/14/91

**Benchmark:** S&P Developed ex-U.S. Small Cap Index

**Assets:** \$18 Million

**Portfolio Management:**  
Neil Constable

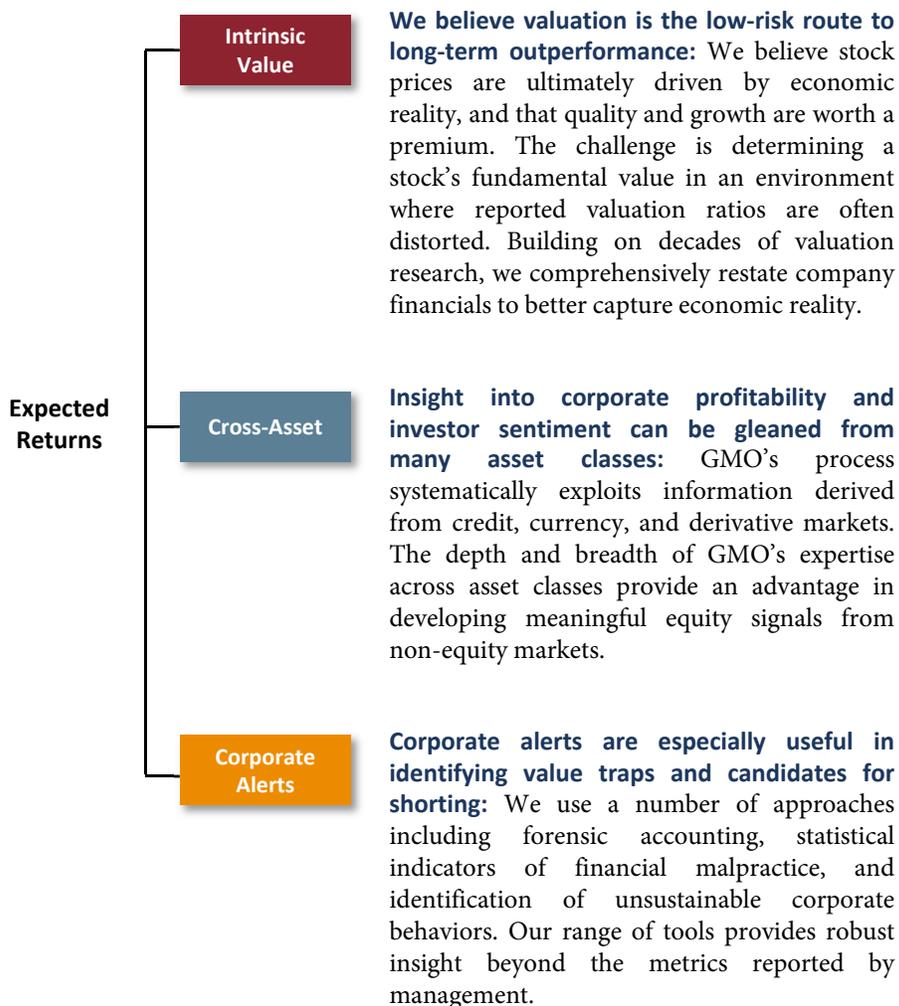
**Risks:**  
Risks associated with the Strategy may include Small Company Risk, Market Risk – Equities, Non-U.S. Investment Risk, Currency Risk, and Illiquidity Risk.

**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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## INVESTMENT PHILOSOPHY

In the short run, global equity markets exhibit exploitable inefficiencies as a result of irrational investor behavior, the imperfect flow of information, and the participation of non-economic actors. In the long run, however, returns are ultimately driven by economic reality. The difference creates an opportunity for the Global Equity team to focus on valuation in conjunction with less traditional methods to identify mispriced equity securities. Key tenets of the team's systematic quantitative framework include:

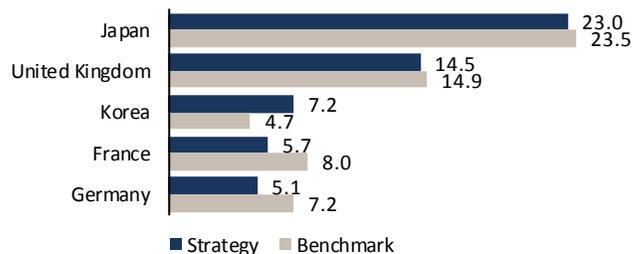


## INVESTMENT APPROACH

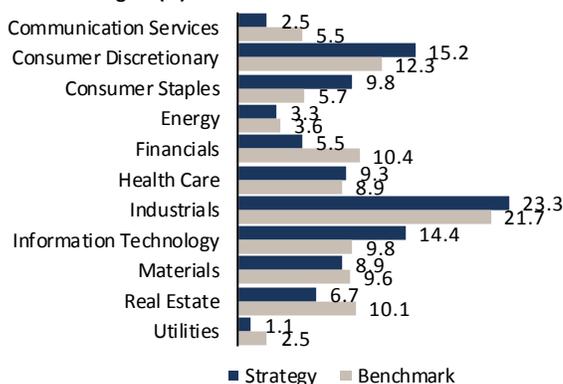
GMO's International Small Companies Strategy seeks to outperform over a full market cycle by identifying mispriced assets (both cheap and expensive) through bottom-up security selection. We seek to add value by looking beyond traditional value metrics to understand a security's intrinsic value, taking into consideration a company's quality and growth prospects, and using alternative indicators of mispricing to gain a differentiated view into company fundamentals, including cross-asset and corporate governance signals. We then build a portfolio seeking to maximize expected alpha subject to investment risk, liquidity, and cost considerations, including transaction costs. We continually monitor our exposure to styles and risk factors, as well as changing risk conditions in global markets.

## STRATEGY PROFILE

### Top Country Weights (%)



### GICS Sector Weights (%)



### Risk Profile Since 8/31/17<sup>1</sup>

	Strategy	Benchmark
Alpha	-3.06	0.00
Beta	1.04	1.00
R <sup>2</sup>	0.92	1.00
Sharpe Ratio	-0.40	-0.20
Std. Deviation	14.54	13.48

### Characteristics

	Strategy	Benchmark
Price/Earnings - Hist 1 Yr Wtd Median	11.7 x	18.4 x
Price/Book - Hist 1 Yr Wtd Avg	1.3 x	1.5 x
Return on Equity - Hist 1 Yr Med	13.8 %	9.5 %
Dividend Yield - Hist 1 Yr Wtd Avg	3.4 %	2.6 %
Market Cap - Weighted Median \$Bil	\$0.8	\$1.4
Number of Equity Holdings	197	3,856
Price/Cash Flow - Hist 1 Yr Wtd Median	7.9 x	11.1 x

### Top Holdings<sup>2</sup>

Company	Country	Sector	% of Equity
Gaztransport et technigaz	France	Energy	2.6
Fancl Corp.	Japan	Consumer Staples	2.5
House Foods Corp.	Japan	Consumer Staples	2.3
Sojitz Corp.	Japan	Industrials	2.1
Vesuvius PLC	United Kingdom	Industrials	2.1

**Total** **11.6**

<sup>1</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>2</sup> Portfolio holdings are subject to change and should not be considered a recommendation to buy individual 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
1Q 2019	7.03	10.38
YTD 2019	7.03	10.38

### Annual Total Return (%)

2018	-22.33	-18.41
2015	1.80	9.59
2014	-6.28	-4.95
2013	32.32	29.30
2012	22.69	20.00
2011	-14.52	-15.94
2010	21.12	22.04
2009	36.42	46.78

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.

Performance is shown for the GMO International Small Companies Composite. The inception date of the Composite is 10/31/91.

The International Small Companies Strategy was managed by a different GMO investment team using a different investment strategy between April 30, 2016, and August 31, 2017. Performance information is not shown for that period. Please contact GMO if you would like to obtain a performance track record for this time period.

The S&P Developed ex-U.S. Small Cap + Index is an internally maintained composite benchmark computed by GMO, comprised of (i) the S&P Developed ex-U.S. Small Cap Index through 5/30/2008; (ii) the MSCI EAFE Small Cap Index (MSCI Standard Index Series, net of withholding tax) from 5/31/2008 to 4/30/2016 and (iii) the S&P Developed ex-U.S. Small Cap Index thereafter. 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. 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.