

## STRATEGY OVERVIEW

GMO's Mean Reversion Strategy seeks high total return by taking advantage of the tendency of assets around the world to revert to fair pricing over time.

## STRATEGY FACTS

**Inception:** 2/28/02

**Benchmark:** FTSE 3-Month T-Bill Index

**Assets:** \$134 Million

### Portfolio Management:

Ben Inker

John Thorndike

### Risks:

Risks associated with investing in this Strategy may include Management and Operational Risks, Lack of Correlation Risks; Hedging Risks, Equities Risks, Currency Risk, and Fixed Income Risks.

### 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.

### Contact Us:

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## INVESTMENT PHILOSOPHY

The philosophy underlying GMO's approach is that the pricing of assets may deviate from true intrinsic value, which creates exploitable mispricings.

### One True Advantage: The Long Horizon

Investors have one true advantage: their long investment horizon. We believe that mean reversion around intrinsic value is, ultimately, the closest thing to the law of gravity that we have in finance. The long horizon frees investors from the pressure to make short-term market predictions and tactical portfolio moves.

### 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 sell expensive ones.

### Focus on Extremes

We believe valuations are most insightful when trading at 1.5 to 2.0 standard deviations from their fair value and less useful when valuations are more normal. When relative valuation spreads are attractive, we invest the portfolio's capital in select, high-confidence, long/short positions. When spreads are no longer sufficiently attractive, we will close our positions and recommend that investors redeem.

## KEYS TO OUR INVESTMENT APPROACH

The Strategy is managed by GMO's Asset Allocation team, which has nearly three decades of experience managing multi-asset class portfolios.

**Anchor to Valuation** A robust understanding of valuation lies at the heart of our investment approach. The investment process starts with an attempt to estimate fair value for a wide variety of asset classes around the world. We express these estimates through the lens of our multi-year asset class forecasts. The portfolio will take both long and short positions in a wide variety of asset classes that we believe exhibit substantial deviations from their fair value.

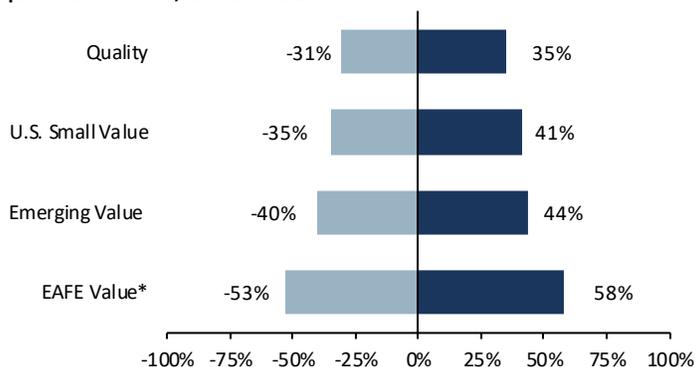
**Cast a Wide Net** We believe the most effective way to compound wealth over full market cycles is not to be rigidly tied to certain asset class exposures. To that end, we attempt to access as broad an opportunity set as possible and do not seek to control risk relative to any benchmark.

**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

### Equities vs. S&P 500, % of Notional



\* Currency hedged.

### 5-Year Risk Profile<sup>1</sup>

	Strategy
Std. Deviation	8.10
Sharpe Ratio	-0.69
Drawdown (2/29/16-6/28/19)	-22.03

<sup>1</sup> Std. Deviation is a measure of the volatility of a portfolio's return. Sharpe Ratio is the return over the risk free rate per unit of risk. Drawdown is the largest negative cumulative portfolio return from peak to trough. Risk profile data is net. 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

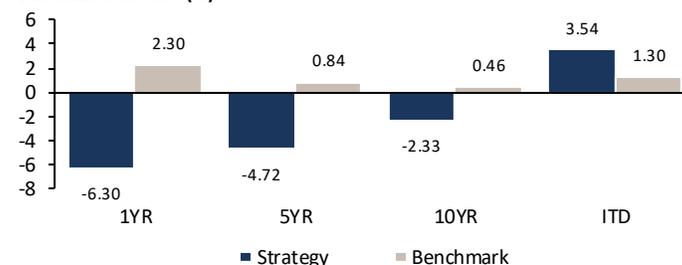
### Total Return (%)

	Strategy	Benchmark
2Q 2019	-2.97	0.61
YTD 2019	-8.48	1.21

### Annual Total Return (%)

2018	-5.43	1.86
2017	0.76	0.84
2016	-4.84	0.27
2015	-0.57	0.03
2014	-5.13	0.03
2013	-1.00	0.05
2012	5.70	0.07
2011	6.93	0.08
2010	-8.65	0.13
2009	-13.43	0.16

### 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 FTSE 3-Month Treasury Bill Index is an independently maintained and widely published index comprised of short-term U.S. Treasury bills.