

# QUARTERLY INVESTMENT REVIEW

## International Developed Equity Allocation Strategy

### Performance returns (USD)

ANNUALIZED RETURNS (QUARTER-END)	Quarter-End	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
International Developed Equity Allocation Strategy (net)	-0.23	6.05	14.78	3.60	8.09	3.41	7.22
International Developed Equity Allocation Strategy (gross)	-0.07	6.39	15.53	4.30	8.83	4.12	7.94
MSCI EAFE ++	-0.31	5.34	11.54	2.89	6.46	4.33	6.03
Value Add vs. MSCI EAFE ++	+0.08	+0.71	+3.24	+0.71	+1.63	-0.92	+1.19
MSCI EAFE	-0.31	5.34	11.54	2.89	6.46	4.33	5.61
Value Add vs. MSCI EAFE	+0.08	+0.71	+3.24	+0.71	+1.63	-0.92	+1.61

### MAJOR PERFORMANCE DRIVERS

– Top-down asset allocation had a minor negative impact for the quarter, as the overweight position in Emerging Market equities outperformed, but this was more than offset by the dedicated exposure to Japan Fundamental Value, which underperformed.

– Security selection was broadly flat.

Emerging ex-China equities, with an emphasis on undervalued stocks within attractively valued countries/sectors, represented 3.5% of the total equity weight on average during the quarter. Our decision to hold a position in Emerging ex-China equities marginally added to relative performance as the MSCI Emerging ex-China index beat the MSCI EAFE index return of -0.3%, although security selection was a little negative. No Emerging Market securities featured in the top five biggest individual contributors or detractors at the total portfolio level. This off-benchmark exposure to Emerging Market equities was removed over the course of the quarter.

Developed ex-U.S. equities accounted for an average weight of 96.5% of the portfolio for the quarter, including the dedicated Japan Fundamental Value position. This underweight position in Developed ex-U.S. had a small positive impact on relative performance as Developed Markets lagged Emerging Markets. Security selection within Developed Markets was solid for the quarter; the portfolio returned 0.0% in aggregate, ahead of the MSCI EAFE index return of -0.3%. An overweight position in Banco de Sabadell (Spain Financials), Itochu Corporation (Japan Industrials), and 3i Group (U.K. Financials), along with an underweight position in Toyota Motor (Japan Consumer Discretionary) and LVMH (France Consumer Discretionary) featured in the top five biggest individual contributors. On the flipside, an overweight position in Stellantis (Italy Consumer Discretionary), Banco Bilbao (Spain Financials), and Toyota Tsusho (Japan Industrials), along with an underweight position in Novo Nordisk (Denmark Health Care), and AstraZeneca (U.K. Health Care) featured in the top five biggest detractors.

Portfolio weights, as a percent of equity, for the positions mentioned were: Banco Bilbao (2.2%), Banco de Sabadell (1.7%), Stellantis (1.8%), AstraZeneca (0.0%), 3i Group (2.2%), Novo Nordisk (0.0%), Toyota Motor (0.0%), Itochu Corporation (1.9%), LVMH (0.0%), Toyota Tsusho (1.2%).

Composite Inception Date: 30-Nov-91

Performance for the year of inception is less than a full calendar year. Returns shown for periods less than one year are not annualized.

**Risks:** Risks associated with investing in the Strategy may include Market Risk - Equities, Non-U.S. Investment Risk, Management and Operational Risk, Currency Risk, and Derivatives and Short Sales 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%.

# QUARTERLY INVESTMENT REVIEW

## PRODUCT OVERVIEW

The GMO International Developed Equity Allocation Strategy seeks to generate total return greater than that of the MSCI EAFE Index.

The philosophy that underlies all of GMO's Asset Allocation investment strategies is the belief that, at times and in the short term, the pricing of asset classes can deviate from true intrinsic value but mean reverts to appropriate valuation levels over a complete market cycle. Using GMO's 7-Year Asset Class Forecasts, the Strategy seeks to allocate to areas of the global equity markets we believe are most attractively valued. Our approach combines the best of GMO's top-down Asset Allocation views and bottom-up equity research to identify mispricings at both the asset class and individual security levels. The Strategy allocates to equity strategies that are actively managed by other GMO investment teams with expertise and experience in security selection within their respective markets. The Strategy is allowed to invest up to 10% (at time of purchase) in emerging market equities.

## IMPORTANT INFORMATION

**Benchmark(s):** The MSCI EAFE ++ Index is an internally maintained benchmark computed by GMO, comprised of (i) GMO blended benchmark of International Developed Equity Allocation Composite through 06/30/2014 and (ii) MSCI EAFE (Europe, Australasia, and Far East) Index (MSCI Standard Index Series, net of withholding tax) thereafter. The GMO blended benchmark of International Developed Equity Allocation Composite is comprised of a weighted average of account benchmarks; many of the account benchmarks consist of MSCI EAFE (Europe, Australasia, and Far East) (MSCI Standard Index Series, net of withholding tax) 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. 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 EAFE (Europe, Australasia, and Far East) Index (MSCI Standard Index Series, net of withholding tax) is an independently maintained and widely published index comprised of international 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.

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TOKYO\*\*

\*GMO's West Coast Hub is comprised of members of Investment, Global Client Relations, and other teams located in and around the Greater San Francisco area

\*\*Representative Office

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