

# SYSTEMATIC GLOBAL MACRO MAJOR MARKETS STRATEGY

## *The Opportunity*

Most long only asset valuations are stretched to the point where expected longer-term returns are approaching zero. With lower expected returns from beta, the role of alpha becomes more important. The use of alternatives has become more prominent as investors seek to diversify away from beta. This has given rise to the use of hedge funds and liquid alternatives (lower cost, lower volatility, market-neutral strategies). Both are designed to provide return series that have low correlations to the broad market – a feature that is particularly compelling in a low return environment.

## *The GMO Solution*

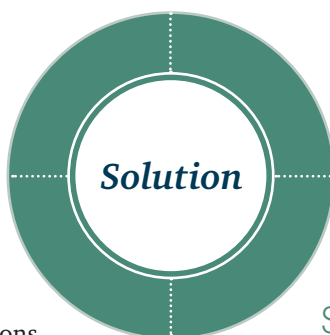
The GMO Systematic Global Macro Major Markets Strategy (“SGM Major Markets”) is a liquid alternative to a traditional hedge fund designed to deliver absolute returns by managing long and short exposures in global equity, fixed income, currency, and commodity markets. SGM Major Markets accesses only the most liquid markets within the investment universe, while risk, leverage and volatility are managed to meet investor needs.

### STARTING WITH LONG-TERM VALUE

- We believe that value opportunities can be systematically identified. GMO leverages its extensive experience in producing long-term expected return forecasts and does so for every market in our universe.

### COMPLEMENTING VALUE WITH SENTIMENT

- Using a variety of shorter-term indicators, we model sentiment to help time our value positions. While we want to buy cheap and sell expensive, we also want to do this at the right time. Don't buy an asset when it's cheap and falling – buy it when it's cheap and turning.



### RISK CONTROL AND LOW LEVERAGE

- The GMO Systematic Global Macro team takes a highly disciplined approach to risk management. We use a variety of models to analyze the portfolio and ensure that we are not assuming excessive risk. Further, we don't employ extensive leverage. While leverage can amplify gains, it can also amplify losses – an outcome we actively aim to avoid.

### STRONG DIVERSIFICATION

- Historically, our approach has provided strong diversification benefits, with a track record of low correlation to traditional asset class benchmarks, absolute return indices, and hedge funds.

### *GMO Systematic Global Macro Major Markets Strategy*

Markets Traded	14 Equity Markets, 6 Fixed Income Markets, 8 Currencies, 5 Commodities
Leverage	Max 300% Gross (Long + Short)
Liquidity Profile	Only the Most Liquid Markets in the SGM Universe
Instrument Volatility	Historically between 4% and 35% p.a.
Target Return (Gross)	5%
Target Strategy Volatility	6-10% p.a.

## ***The Client Fit***

The SGM Major Markets Strategy provides a solution for liquidity-conscious investors seeking to diversify away from beta. Since its inception in 2011, SGM Major Markets has delivered strong excess returns with low correlation to conventional asset class, liquid alternative, and risk premium products alike.

## ***Who We Are***

Founded in 1977, GMO is a private partnership whose sole business is investment management. The firm manages global portfolios with offices and clients around the world. Investment offerings include equity, fixed income, multi-asset class, and alternative strategies. GMO is known for blended fundamental and quantitative investment research expertise and a long-term orientation toward value opportunities.

## ***The Team***

The Systematic Global Macro team has been together at GMO since 1999. The team's tenure and experience has enabled our investment philosophies and processes to remain consistent, while our commitment to investment research facilitates the application of desired enhancements. The Systematic Global Macro Major Markets Strategy is managed using a team approach to ensure consistency within our investment management process. Research is conducted on an ongoing basis by all team members to ensure the models used are as strong as possible. The Head of Systematic Global Macro Asset Allocation, Jason Halliwell, retains final investment decision-making authority.

## RISK

Risks associated with investing in the Strategy may include Management and Operational Risk, Market Risk - Equities, Currency Risk, Commodities Risk, and Futures Contracts Risk.