

# QUARTERLY INVESTMENT REVIEW

## Quality Spectrum Strategy

### RETURNS (%) (LOCAL)

	Cumulative (%)		Annualized (%)				
	QTD	YTD	1 Year	3 Years	5 Years	10 Years	ITD
Net of Fees (Composite)	13.95	22.44	29.93	23.37	-	-	16.07
Gross of Fees (Composite)	14.24	23.05	31.23	24.61	-	-	17.24
50% ACWI 50% 3Mo TBill Blend	3.73	8.13	10.45	6.44	-	-	5.18
MSCI ACWI	6.18	13.93	16.53	11.00	-	-	8.22
Value Added (vs. 50% ACWI 50% 3Mo TBill Blend)	10.23	14.31	19.48	16.93	-	-	10.89
Value Added (vs. MSCI ACWI)	7.77	8.51	13.40	12.37	-	-	7.85

### Major Performance Drivers

Stock markets continued to climb in the second quarter. The Quality Spectrum portfolio outperformed the S&P 500 and MSCI World indices returns of 8.7% and 6.8%, respectively.

Returns were concentrated in three GICS sectors and driven by a handful of star performers. Information Technology was the leader with Apple, Microsoft, and Nvidia making the largest contributions to the sector's returns. Next came Consumer Discretionary, propelled by Amazon and Tesla. In third place was Communications Services with Meta and Alphabet making outsized returns.

In this environment, the long side of the portfolio delivered strong absolute performance, while the short side detracted. On the long side, all sector exposures delivered positive absolute returns. Information Technology had the largest positive impact, followed by Health Care and Communication Services. On an individual stock basis, Meta, Oracle, and Microsoft topped the list.

On the short side, sector positioning was mixed with most short positions in most sectors delivering modestly negative results. Short positions in Information Technology and Consumer Discretionary detracted the most from absolute returns, while short positions in Communication Services and Real Estate were additive.

The portfolio targets a 100% net long position. For the quarter, exposures averaged 175% long and 74% short. The portfolio retains its long exposure to high quality businesses with robust fundamentals while shorting those with less financial stability.

Inception Date: 31-Oct-19

**Risks:** 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. 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. 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. The portfolio is not managed relative to a benchmark. References to an index are for informational purposes only.

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## PRODUCT 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.

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## IMPORTANT INFORMATION

**Comparator Index(es):** The MSCI ACWI (All Country World) Index (MSCI Standard Index Series, net of withholding tax) is an independently maintained and widely published index comprised of global developed and emerging markets. 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. Please visit <https://www.gmo.com/americas/benchmark-disclaimers/> to review the complete benchmark disclaimer notice.

**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.**

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## 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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