

# 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)	7.02	25.34	25.34	20.64	-	-	14.61
Gross of Fees (Composite)	7.29	26.60	26.60	21.85	-	-	15.76
50% ACWI 50% 3Mo TBill Blend	6.24	13.75	13.75	4.33	-	-	5.83
MSCI ACWI	11.03	22.20	22.20	5.75	-	-	9.02
Value Added (vs. 50% ACWI 50% 3Mo TBill Blend)	0.78	11.60	11.60	16.31	-	-	+8.78
Value Added (vs. MSCI ACWI)	-4.01	3.14	3.14	14.89	-	-	+5.59

### Major Performance Drivers

Stock markets delivered strong performance in the final quarter of 2023 as investors reacted to strong fundamentals and forecasts for rate cuts in 2024. In this environment, the portfolio underperformed the MSCI ACWI index.

Net positions within Financials, Health Care, and Consumer Staples detracted most from relative returns, while net positioning within Energy added. On a single stock basis, long positions in US Bancorp and LAM Research contributed the most to relative performance, while long positions in Johnson & Johnson detracted the most.

The portfolio targets a 100% net long position. The portfolio retains its exposure to high-quality businesses with robust fundamentals while shorting those with less financial stability.

Portfolio weights, as a percent of equity, for the positions mentioned were: US Bancorp (3.7%), LAM Research (5.3%), and Johnson & Johnson (6.6%).

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. **GMO LLC claims compliance with the Global Investment Performance Standards (GIPS®). A Global Investment Performance Standards (GIPS®) Composite Report is available on 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. Gross returns are presented gross of management 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%. 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.

## 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.**

## 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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