

# QUARTERLY INVESTMENT REVIEW

## Systematic Global Macro Strategy

### Performance returns (USD)

| ANNUALIZED RETURNS (QUARTER-END)         | Quarter-End | YTD   | 1-Year | 3-Year | 5-Year | 10-Year | Since Inception |
|--|-------------|-------|--------|--------|--------|---------|-----------------|
| Systematic Global Macro Strategy (net)   | -0.25       | 12.97 | 12.97  | 1.86   | 1.81   | 3.06    | 5.10            |
| Systematic Global Macro Strategy (gross) | 0.00        | 14.10 | 14.10  | 3.11   | 3.06   | 4.55    | 7.18            |
| FTSE 3-Mo. TBill                         | 1.02        | 4.40  | 4.40   | 5.03   | 3.31   | 2.23    | 1.70            |
| Value Add                                | -1.27       | +8.57 | +8.57  | -3.17  | -1.50  | +0.84   | +3.40           |

### MAJOR PERFORMANCE DRIVERS

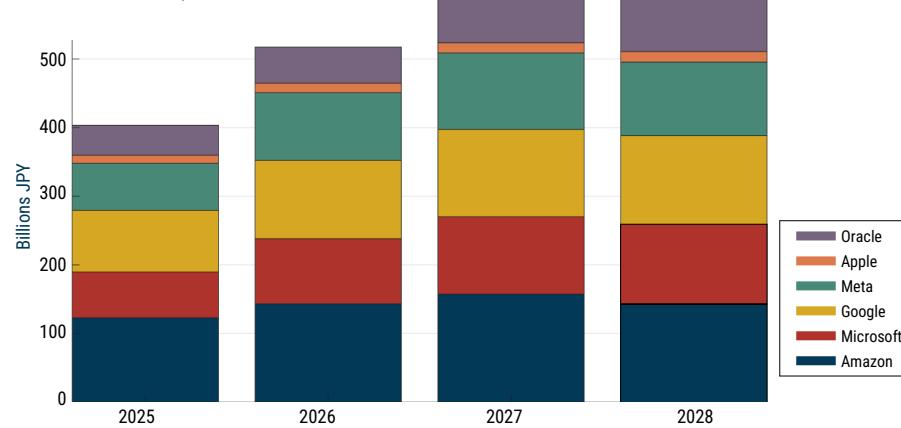
#### Quarter in Review

The Systematic Global Macro Strategy was down 0.2% in the fourth quarter, bringing the full-year return to 13.0%. While the portfolio's return for the quarter was relatively subdued, there were many dominant themes that caused markets to move substantially. Many of these movements were effectively offset as the portfolio had been positioned for a relative value trade rather than a directional or purely beta allocation.

#### THE AI BOOM (AND BUST)

The quarter saw AI-related stocks boom in the market. Investors were excited by the opportunities, and there were large investments in the sector. However, this excitement began to wane as many investors started to see a bubble forming with enormous uncertainties regarding the payoff. As the bubble came under scrutiny, an accelerating market paused in search of direction.

Exhibit 1: Forecast Capex Growth



Source: Factset, GMO, December 2025

#### RISKS

Risks associated with investing in the Strategy may include: (1) Derivative Instruments Risks: the risk that their value may not change as expected relative to changes in the value of the underlying assets, pools of assets, rates, currencies or indices. Derivatives also present other risks, including market risk, illiquidity risk, currency risk, credit risk, leveraging risk, commodities risk and counterparty risk; (2) Market Risk - Equities: the market price of equities may decline due to factors affecting the issuer, its industries, or the economy and equity markets generally. Declines in stock market prices generally are likely to reduce the net asset value of the Fund's shares; and (3) Currency Risk: Fluctuations in exchange rates can adversely affect the market value of the Fund's non-U.S. currency holdings and investments denominated in non-U.S. currencies. This is not a complete list of risks associated with investing in the Strategy. Please contact GMO for more information.

Composite Inception Date: 31-Mar-02

**Performance Returns:** Performance for the year of inception is less than a full calendar year. 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 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. 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%. **GMO LLC claims compliance with the Global Investment Performance Standards (GIPS®). A Global Investment Performance Standards (GIPS®) Composite Report is available at [www.gmo.com](http://www.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.**

# QUARTERLY INVESTMENT REVIEW

## MAJOR PERFORMANCE DRIVERS CONT.

The Korean market typified this broader theme over the quarter. The Kospi 200 Index rose an astonishing 28% for the quarter. However, this impressive number hid a more complex story. More than half of the rise was driven by just two stocks—semiconductor superpowers Samsung Electronics and SK Hynix. Moreover, the returns were primarily generated in October (+22%), making the timing of the AI boom highly impactful for market participants. In terms of portfolio impact, our Korea weights swung from 3% short to over 25% short during the quarter. Similarly, our shorts in Hong Kong moved between 20% and 6%. Conversely, our long positions in Japan ranged from 6% to over 18% as the process managed moving sentiment hedging.

It is worth noting that movements of this magnitude aren't particularly common for the portfolio, which is designed to move gradually through market gyrations rather than reacting with large, short-term swings. Despite this activity, we experienced a slight decline in equities for the quarter, as gains in Hong Kong and Japan were offset by losses in Korea and Taiwan.

## WHAT'S HAPPENING WITH METALS?

Finishing off a strong year, the quarter saw gold and silver reach all-time highs, with other metals also booming.

Exhibit 2: The Boom in Metals



Source: Bloomberg, GMO, December 2025

Copper, traded on the LME, hit a record high, while platinum rose 25% for the quarter. The cause of these booms is multifaceted, with different metals exhibiting their own particular nuances. Copper has been partly driven by market concern over U.S. tariffs, causing rising demand to effectively front-load imports. Compounding this are supply issues, as some of the major global miners are forecasting lower production. Gold, silver, and platinum have historically been viewed by investors as safe havens, and demand has risen amid rising global geopolitical concerns. Central bank buying and lower U.S. interest rates have also provided support. Silver and platinum experienced the dual benefit of industrial demand, as both metals are part of the global electrification trend—a theme that, in part, is also driving copper.

While the portfolio had exposures to all four metals, the overall net impact was muted as gains from long positions in silver and platinum were offset by losses from short positions in copper and gold.

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## PORTFOLIO ATTRIBUTION AND POSITIONING

### Exhibit 3: Contribution

| 3-Mos Contribution (Gross)  | %          |
|-----------------------------|------------|
| Equities                    | -0.9       |
| Fixed Income                | 0.0        |
| Currencies                  | -0.1       |
| Commodities                 | 0.0        |
| Cash                        | 1.0        |
| Other                       | 0.0        |
| <b>Total Return (Gross)</b> | <b>0.0</b> |

The performance analysis above is calculated based on gross of fee returns and local close valuations

### Exhibit 4: Positioning

| Asset Class          | Sub Category             | Long (%)    | Shorts(%)    | Totals (%)   |
|----------------------|--------------------------|-------------|--------------|--------------|
| <b>Stock Markets</b> |                          |             |              |              |
|                      | North America            | 25.7        | -6.0         | 19.7         |
|                      | Europe                   | 8.5         | -30.2        | -21.8        |
|                      | Asia and Oceania         | 15.3        | -50.5        | -35.2        |
|                      | <b>Total</b>             | <b>49.5</b> | <b>-86.7</b> | <b>-37.2</b> |
| <b>Fixed Income</b>  |                          |             |              |              |
|                      | North America            | 1.9         | 0.0          | 1.9          |
|                      | Europe                   | 24.9        | 0.0          | 24.9         |
|                      | Asia and Oceania         | 1.9         | 0.0          | 1.9          |
|                      | <b>Total</b>             | <b>28.7</b> | <b>0.0</b>   | <b>28.7</b>  |
| <b>Currencies</b>    |                          |             |              |              |
|                      | North America            | 10.4        | 0.0          | 10.4         |
|                      | Europe                   | 18.5        | -60.6        | -42.1        |
|                      | Asia and Oceania         | 26.1        | -1.9         | 24.2         |
|                      | South America and Africa | 9.2         | -1.2         | 8.0          |
|                      | <b>USD</b>               | <b>0.0</b>  | <b>-0.5</b>  | <b>-0.5</b>  |
| <b>Commodities</b>   |                          |             |              |              |
|                      | Energy                   | 0.6         | -6.8         | -6.2         |
|                      | Metals                   | 4.8         | -5.0         | -0.1         |
|                      | Agriculture              | 20.5        | -30.3        | -9.8         |
|                      | <b>Total</b>             | <b>25.9</b> | <b>-42.0</b> | <b>-16.1</b> |

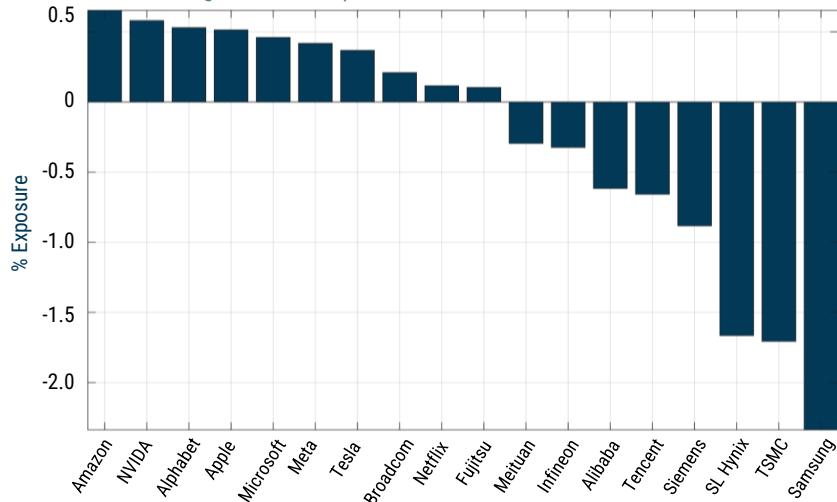
# QUARTERLY INVESTMENT REVIEW

## LOOKING FORWARD

While the SGM portfolio only invests at the index level, the portfolio does have an implicit exposure to the underlying securities within that index. For example, when we hold S&P 500 futures, the S&P 500 has an exposure to Microsoft of approximately 6%, indicating that the portfolio has an underlying exposure to Microsoft. Themes at the stock level, particularly broad themes, can influence macro positions. We monitor these risks by examining the exposures underlying the indices we trade.

In the case of the AI boom, we can see from the exhibit below that the underlying exposure is heavily tilted, with a long position in the U.S. and short positions in Korea, Hong Kong, and Taiwan (for ease of reading, we are showing only those positions that are greater than 10 bps). We are essentially long U.S. AI stocks, including Amazon, Nvidia, and Apple, and short TSMC, Samsung, and SK Hynix.

Exhibit 5: Positions of greater than 10bps in size



Source: Bloomberg, GMO, December 2025

Our overall net position, though short, is relatively small at approximately -5%. The portfolio is positioned very much beta-neutral to this theme, offering neutral exposure to AI, rather than taking a directional position. As such, we are comfortable with our exposure in the current environment.

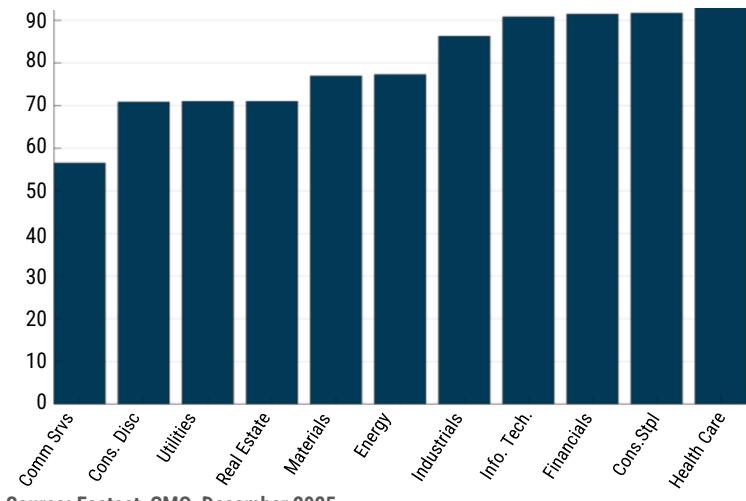
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## KEY POSITIONING FOR THE QUARTER

### LONG U.S. EQUITIES

While the portfolio has reduced its exposure to the U.S. market, it continues to hold a strong position overall. This position is supported by the continued positive sentiment in the U.S., driven by a wave of good news and results, particularly in the Information Technology sector. Companies such as Microsoft, Amazon, and Alphabet have all come through with double-digit earnings surprises in their most recent results.

Exhibit 6: Percent of Positive Earnings Surprises

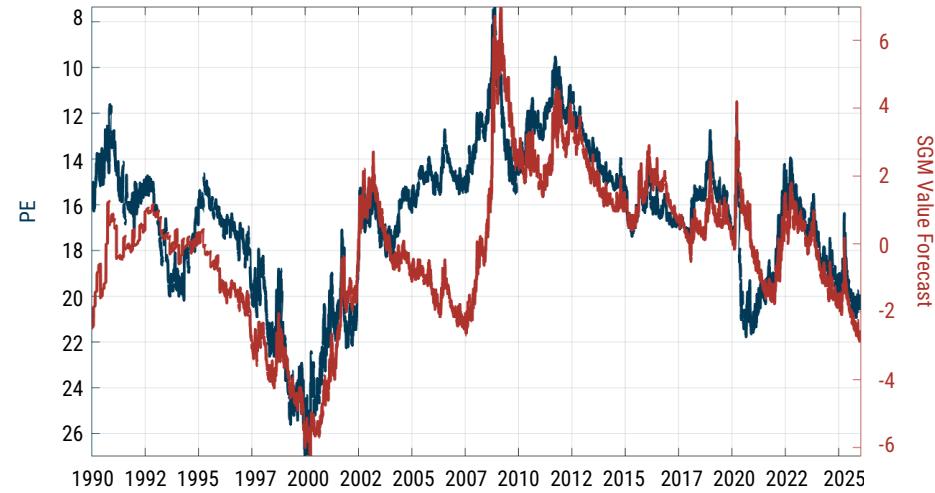


Source: Factset, GMO, December 2025

### SHORT GLOBAL EQUITIES

While the portfolio is long U.S. equities, it has shifted to be significantly short equities overall. The key driver of this position has been the extreme valuations prevalent in broad equity markets. Shown below are two different perspectives on extreme valuations. The first is the forecasted return to the MSCI World using the SGM value model, which has a forecast horizon of 7–10 years. Notably, the forecast for the return to equities is now quite negative, in excess of cash returns—a dismal forecast for an asset class where we would prefer to see a significant risk premium. Perhaps an even simpler way to see these excess valuations is with forward P/E, which is now coming in over 20 times. Valuation levels are at extremes that we believe to be unsustainably high, and the potential for disappointing returns is ever greater. With this, the portfolio has moved to being short equities overall.

Exhibit 7: MSCI World – SGM Value Forecast vs. Forward PE



Source: Factset, GMO, December 2025

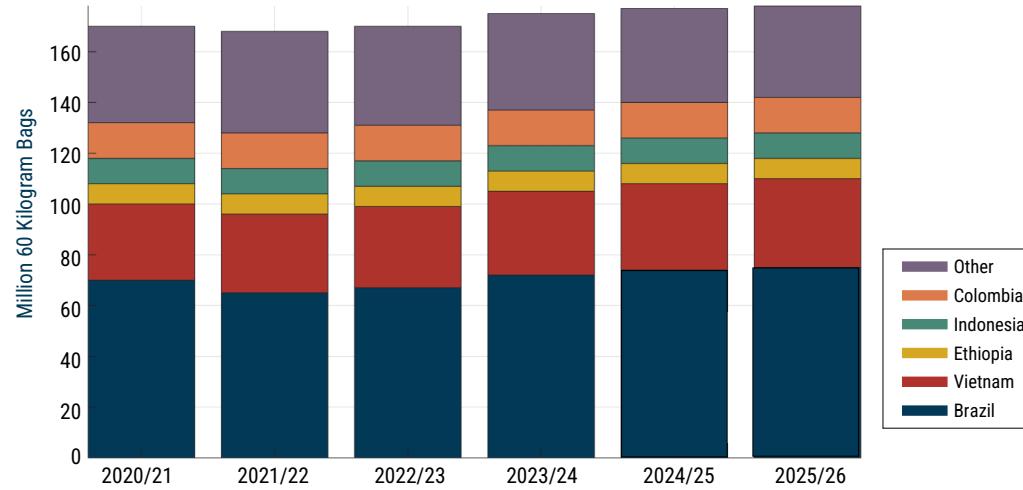
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## KEY POSITIONING FOR THE QUARTER CONT.

### SHORT COFFEE

Coffee prices have been volatile over 2025, and some of the strong price drivers from late 2024/early 2025 seem to be waning in the sector. This is partly driven by better production forecasts, although this is significantly greater for the Robusta bean variety compared to the Arabica variety. Vietnam, Indonesia, and Ethiopia are expected to have strong seasons, more than making up for shortfalls in Brazil and Colombia.

Exhibit 8: USDA Forecasts Record Coffee Harvest



Source: USDA, GMO, December 2025

## CONCLUSIONS

2025 was a strong year for the portfolio. Equities and currencies dominated throughout the year, with wide valuation spreads driving performance. Looking ahead, we anticipate a continuation of geopolitical stress, accompanied by markets with stretched valuations.

## PRODUCT OVERVIEW

The Strategy's investment objective is long-term total return. The Strategy takes both long and short positions in a range of global equity, bond, currency, and commodity markets using exchange-traded and over-the-counter (OTC) futures and forward foreign exchange contracts, swaps on commodity indices, equity indices and equities, and index options and other investments.

The Systematic Global Macro team's investment process systematically applies value and sentiment strategies across global markets. We believe that markets are inefficient but, in the long term, that economic reality will prevail and markets will revert toward fair value; however, the timing of this is uncertain. We aim to profit from mean reversion by buying markets that we believe are depressed in price and shorting markets that we believe are trading at inflated values. To deal with the uncertainty of timing, we model investor sentiment.

## IMPORTANT INFORMATION

**Benchmark(s):** The FTSE 3-Month Treasury Bill Index is an independently maintained and widely published index comprised of short-term U.S. Treasury bills.

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.

For private bank intermediaries in Singapore and Hong Kong, these materials are intended for institutional and Accredited/Professional Investors Use Only.

## ABOUT GMO

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