

QUARTERLY INVESTMENT REVIEW

U.S. Opportunistic Value Strategy

RETURNS (%) (LOCAL)

	Cumulative (%)		Annualized (%)				
	QTD	YTD	1 Year	3 Years	5 Years	10 Years	ITD
Net of Fees (Composite)	10.88	16.16	16.16	–	–	–	14.87
Gross of Fees (Composite)	11.02	16.75	16.75	–	–	–	15.45
S&P Composite 1500	11.78	25.47	25.47	–	–	–	18.34
S&P Composite 1500 Value	13.70	21.64	21.64	–	–	–	19.15
Value Added (vs. S&P Composite 1500)	-0.90	-9.30	-9.30	–	–	–	-3.47
Value Added (vs. S&P Composite 1500 Value)	-2.82	-5.48	-5.48	–	–	–	-4.27

Major Performance Drivers

Global markets finished the year on a strong note in the fourth quarter, contributing to double-digit gains for the full year. Positive performance was broad-based with all developed markets finishing in positive territory, along with nearly every emerging market. The notable exception to this positivity was China, where a mix of financial and policy challenges continues to weigh on sentiment. While geopolitical tensions ratcheted up with Hamas' attack on Israel, and accompanying concerns related to broader conflict in the Middle East and the potential disruption of trade, equity markets remained unfazed and oil prices fell, helping to underpin positive sentiment around falling global inflation.

In the fourth quarter the performance of Value depended on how the style was defined. The S&P 1500 Composite Value index outperformed its core equivalent, while the more traditional Value reflected in the MSCI USA Value index underperformed. We expect the differences to diminish in 2024, as the most recent S&P rebalance in December reverted the S&P 1500 Composite Value index back to a more traditional mix of Value-oriented sectors and stock holdings. In this environment our Price to Fair Value (PFV) was the top performing model, with Deep Value PFV names modestly outperforming the broader market. However, Quality Boosted Value struggled and contributed to underperformance at the portfolio level.

Sector allocation was the biggest headwind, with additional underperformance from stock selection in Health Care. Overweight positioning toward Energy and underweight positioning toward Information Technology were the biggest detractors from an allocation perspective. This mix of challenges was reflected in the top stock detractors, which included overweight positioning in ExxonMobil (Energy) and Pfizer (HealthCare), and not holding Microsoft (Information Technology).

Stock selection was positive in the fourth quarter, with notable strength in Financials, including overweight positioning toward top contributor Bank of America. Stock selection in Consumer Discretionary also added value, including not holding Tesla and overweight positioning toward Macy's. Overweight positioning in semiconductor companies Intel and Qualcomm also contributed positively.

Portfolio weights, as a percent of equity, for the positions mentioned were: ExxonMobil (3.1%), Pfizer (2.3%), Bank of America (3.2%), Macy's (0.5%), Intel (2.8%), and Qualcomm (2.3%).

Inception Date: 28-Jun-22

Risks: Risks associated with investing in the Strategy may include Focused Investment Risk, Commodities Risk, Market Risk-Equities, Management and Operational Risk and Smaller Company 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.

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 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%.

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PRODUCT OVERVIEW

The GMO U.S. Opportunistic Value Strategy seeks total return. The Strategy currently seeks to profit from our Asset Allocation team's insight that "deep value" stocks are truly dislocated in the U.S. This actively managed strategy avoids the "shallow value" stocks, which are expensive relative to their own history, and focuses solely on the deep value names that GMO's Systematic Equity team identifies as the most undervalued, recognizing that relying on reported financials and index definitions of value can lead investors to misjudge the opportunity.

IMPORTANT INFORMATION

Comparator Index(es): The S&P Composite 1500 combines three leading indices, the S&P 500, the S&P MidCap 400, and the S&P SmallCap 600, to cover approximately 90% of U.S. market capitalization. It is designed for investors seeking to replicate the performance of the U.S. equity market or benchmark against a representative universe of tradable stocks.

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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