

# 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)	2.33	2.33	-	-	-	-	8.50
Gross of Fees (Composite)	2.45	2.45	-	-	-	-	8.91
S&P Composite 1500	7.16	7.16	-	-	-	-	10.01
S&P Composite 1500 Value	4.96	4.96	-	-	-	-	12.28
Value Added (vs. S&P Composite 1500)	-4.83	-4.83	-	-	-	-	-1.51
Value Added (vs. S&P Composite 1500 Value)	-2.63	-2.63	-	-	-	-	-3.78

### Major Performance Drivers

Markets started the year on an optimistic note, continuing to hope that high inflation levels were moderating and that a hard landing would be avoided. This enthusiasm faded in February as markets digested the possibility of higher peak Fed rates, which dampened enthusiasm for risk assets globally and raised concerns about the likelihood of a recessionary outcome. Then March brought the failure of Silicon Valley Bank, the takeover of Credit Suisse by UBS, and greater caution about instability in the global financial system. Amid these events, global economic outlook also continued to be impacted by both the energy and food price impact from Russian aggression in Ukraine and optimism regarding Chinese economic policy amid modest Chinese growth expectations.

In this environment, value models struggled. The S&P 1500 Composite Value index underperformed the S&P 1500 Composite index by 2.2% and the MSCI USA IMI Value index underperformed the MSCI USA IMI index by 8.3%.[1] The results of U.S. Opportunistic Value fell in the middle of this range with its deep value orientation. The silver lining from such a challenging quarter is that U.S. deep value continues to look very attractive.

The biggest performance challenges reflected a mix of allocation and stock selection decisions. Our underweight toward Information Technology, and our deep value-oriented stock selection within the sector, was the biggest detractor. Overweight positioning in deep value Financials and Health Care names such as Pfizer, JPMorgan Chase, and Bank of America, also hurt performance. At a stock level, not owning Apple, NVIDIA, Microsoft, and Tesla were among the biggest detractors.

Communication Services was a highlight for the quarter with deep value names including Meta Platforms and Warner Bros. Discovery among the top performers. Other areas of modest value-added included stock selection in Materials and not holding Utilities.

Portfolio weights, as a percent of equity, for the positions mentioned were: Pfizer (2.7%), JPMorgan Chase (3.6%), Bank of America (2.4%), Apple (0.0%), NVIDIA (0.0%), Microsoft (0.0%), Tesla (0.0%), Meta Platforms (5.1%), and Warner Bros. Discovery (0.6%).

[1] Please see What is Value? Methodology Matters for a discussion of how style returns can vary widely, depending on style definitions, using January 2023 returns as an example.

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](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. 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%. A **Global Investment Performance Standards (GIPS®) Composite Report is included in the Important Information section at the back of this presentation. 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.**

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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.

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## IMPORTANT INFORMATION

**Benchmark(s):** 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.**

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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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