

QUARTERLY INVESTMENT REVIEW

U.S. Small Cap Value Strategy

RETURNS (%) (LOCAL)	Cumulative (%)		Annualized (%)				
	QTD	YTD	1 Year	3 Years	5 Years	10 Years	ITD
Net of Fees (Composite)	4.68	8.96	14.60	19.53	–	–	8.72
Gross of Fees (Composite)	4.80	9.21	15.13	20.08	–	–	9.22
S&P 600 Value +	1.95	5.06	8.88	18.44	–	–	8.74
Value Added (vs. S&P 600 Value +)	2.73	3.90	5.72	1.09	–	–	-0.02

Major Performance Drivers

Global markets continued to appreciate in the second quarter, with strong positive moves for Developed Markets and Emerging Markets outside of China. While U.S. growth remained strong, the global growth outlook was clouded by continued U.S.-China trade tensions and deterioration of the Chinese economic outlook after the initial boost post-reopening from Covid. In the U.S., high inflation levels continued to drive expectation for higher rates and concern that rate rises would slow growth, however the quarter ended on an encouraging note as U.S. inflation appeared to be decelerating.

The S&P Small Cap 600 Value index was up in absolute terms in the second quarter, but underperformed the S&P Small Cap 600 index. In this environment our Quality models and those capturing sentiment from other asset classes underpinned the positive benchmark relative performance.

Areas of strong stock selection included Financials, Real Estate, and Health Care. Top contributors included overweight positioning in Patterson Cos. (Health Care) and Diversified Healthcare Trust (Real Estate). Top contributors in other sectors included holdings in Taylor Morrison Home (Consumer Discretionary) and Allison Transmission Holding (Industrials).

Energy was an area where the portfolio faced headwinds, primarily from stock selection. Top detractors also included overweight positioning toward AMC Networks (Communication Services) and Genesco (Consumer Discretionary).

Portfolio weights, as a percent of equity, for the positions mentioned were: Patterson Cos. (2.2%), Diversified Healthcare Trust (0.8%), Taylor Morrison Home (1.6%), Allison Transmission Holding (1.6%), AMC Networks (0.6%) and Genesco (0.5%)

Inception Date: 1-Jul-19

Risks: Risks associated with investing in the Strategy may include Market Risk-Equities, Management and Operational Risk, Small Company Risk, Focused Investment Risk and Illiquidity 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. 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. Small Cap Value Strategy seeks to generate total return in excess of its benchmark, the S&P SmallCap 600 Value Index, by investing primarily in equities of U.S. companies that are included in the Index or whose market capitalization at the time of investment is less than that of the 1000 largest publicly held companies.

IMPORTANT INFORMATION

Benchmark(s): The S&P 600 Value+ Index is an internally maintained benchmark computed by GMO, comprised of (i) Russell 2000 Value through 3/31/2020, and (ii) S&P SmallCap 600 Value thereafter. The index is internally blended by GMO. S&P does not guarantee the accuracy, adequacy, completeness or availability of any data or information and is not responsible for any errors or omissions from the use of such data or information. Reproduction of the data or information in any form is prohibited except with the prior written permission of S&P or its third party licensors. Russell Investment Group is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Russell® is a trademark is a trademark of Russell Investment Group.

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.

AMSTERDAM

BOSTON

LONDON

SAN FRANCISCO

SINGAPORE

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TOKYO*