

# QUARTERLY INVESTMENT REVIEW

## World Market Neutral Strategy

### Performance returns (USD)

ANNUALIZED RETURNS (QUARTER-END)	Quarter-End	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
World Market Neutral Strategy (net)	2.16	4.81	-	-	-	-	4.81
World Market Neutral Strategy (gross)	2.55	5.61	-	-	-	-	5.61
FTSE 3-Mo. T-Bill	1.02	2.14	-	-	-	-	2.14
Value Add	+1.14	+2.67	-	-	-	-	+2.67

### MAJOR PERFORMANCE DRIVERS

Global equity markets ended the year on a high note, posting solid gains in the fourth quarter. The U.S. underperformed developed markets outside the U.S., a trend consistent throughout the year and the quarter. Growth was fueled by a mix of drivers, including strong earnings and interest in AI-related stocks, despite ongoing geopolitical and tariff uncertainty.

Positive performance was underpinned by strong results from both our Value and Momentum model groups; stocks we identified as most attractive outperformed the market, while those we identified as least attractive underperformed. The portfolio added value despite an environment where lower-quality stocks continued to outperform, a theme also seen in the third quarter of 2025.

Short holdings were the area of greatest stock selection success. From a sector perspective, short stock selection highlights included Communication Services, Financials, and Information Technology. Top contributors included short positions in Fiserv (U.S. Financials), Wix.com (Israel Information Technology), and HENSOLDT (Germany Industrials). The impact of net country and sector allocation decisions was also incrementally positive.

Performance on the long side of the portfolio was mixed. While the cheapest 'deep value' stocks outperformed the market, stocks with middling valuations underperformed. Areas of stock selection success on the long side included Industrials and Materials, while performance was more challenging in Communication Services and Health Care. Top contributors included long positions in Sumitomo Electric Industries (Japan Consumer Discretionary) and Regeneron Pharmaceuticals (U.S. Health Care).

### RISKS

Risks associated with investing in the Strategy may include: (1) Accelerated Transaction Risk: for a Fund to take advantage of certain available investment opportunities, GMO may need to make investment decisions on an expedited basis. In such cases, the information available to GMO at the time of an investment decision may be limited. GMO may not, therefore, have access; (2) Adjustable-Rate Securities Risk: Although the rate adjustment feature may act as a buffer to reduce sharp changes in the market value of adjustable rate securities, changes in market interest rates or changes in the issuer's creditworthiness may still affect their market value; and (3) Asset-Backed and Related Securities Risk: Asset-backed securities are exposed to greater risk of severe credit downgrades, illiquidity, and defaults than many other types of fixed income investments. This is not a complete list of risks associated with investing in the Strategy. Please contact GMO for more information.

Composite Inception Date: 30-Jun-25

**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 does not yet have a GIPS-compliant report for this composite since it has not managed accounts in this strategy for a full year.**

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## PRODUCT OVERVIEW

The GMO World Market Neutral Strategy seeks total return by maintaining long exposure to stocks that we consider attractive and short exposure to stocks that we consider unattractive. The Strategy uses a combination of proprietary stock selection models such as Valuation, Quality, and Momentum to determine the attractiveness of each individual stock. The eligible universe for both the long and short side consists of developed market equities. It is expected that the Strategy will have a low correlation to traditional risk assets, and we would not expect there to be significant net exposures to any country, sector, or industry group.

## 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

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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\*GMO's West Coast Hub is comprised of members of Investment, Global Client Relations, and other teams located in and around the Greater San Francisco area

\*\*Representative Office