GMO

YEAR-END LETTER FOR 2025

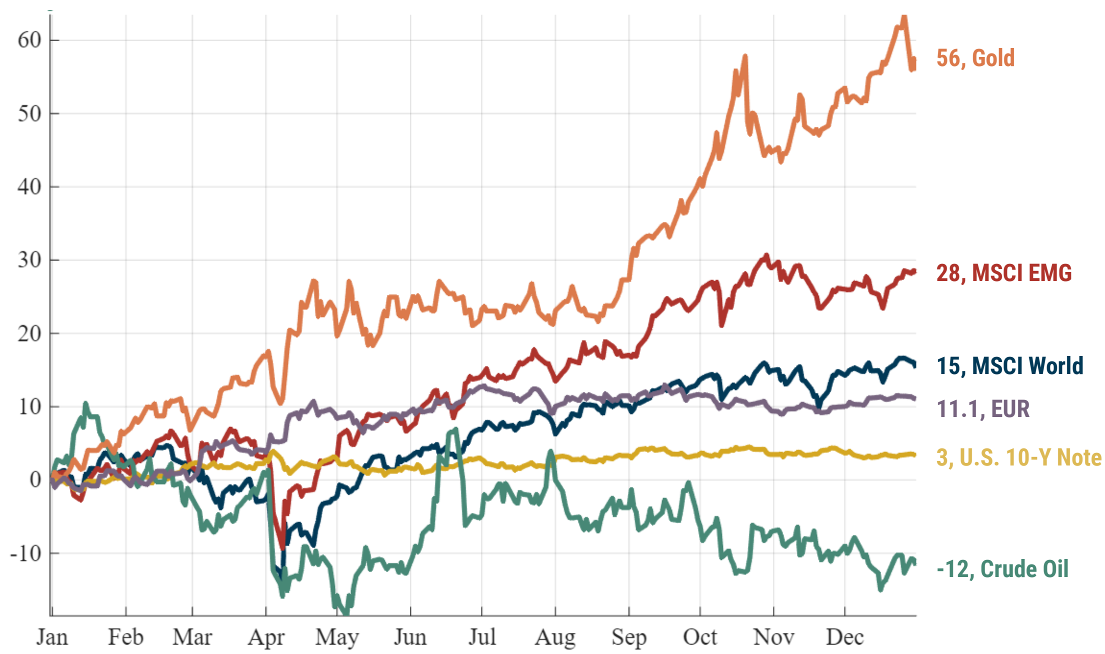
Systematic Global Macro Team: Systematic Global Macro Trust

Dear Client,

The Systematic Global Macro Trust delivered a robust 13.6% return (AUD), net of all fees, in 2025, a year marked by significant political tension and uncertainty. Despite questions around political norms and escalating geopolitical friction, many global markets reached record highs. Throughout this environment of volatility, investor anxiety, and moments of market euphoria, the portfolio maintained its discipline and generated strong, consistent performance.

At a high level, markets exhibited a series of sharp and often contradictory moves. Developed market equities rose over 15% for the year, while emerging markets were up 28%. Korea closed the year with an extraordinary 90% gain. On the surface, this might suggest a classic “risk-on” environment. Yet, traditionally defensive assets, such as gold, silver, and platinum, significantly outperformed most global equity markets (+56%, +129%, and +115%, respectively). This juxtaposition shaped a year in which timing and positioning were critical for macro strategies.

EXHIBIT 1: MAJOR ASSET FUTURES RETURN



As of 12/31/2025 | Source: GMO, Bloomberg

Performance in 2025

Equities and currencies were the primary contributors to returns, each adding meaningfully to performance. Commodities detracted modestly, while bonds delivered muted results.

Within equities, asset allocation decisions—specifically, maintaining a short bias—detracted from returns. However, relative positioning added value. Our short position in Germany, combined with long exposures to Japan and Italy, and well-timed involvement in China, contributed positively. In contrast, short positions in Korea and Taiwan detracted from returns.

Currency performance was similarly mixed. Long positions in the Norwegian krone, Brazilian real, and Mexican peso added value, while short exposure to the Swiss franc detracted. In commodities, long positions in precious metals performed well, though this was offset by broader short exposure across the complex.

Beneath these headline results, several market dynamics shaped the opportunity set and our positioning. The most influential themes are discussed below.

Key Themes Driving 2025 Performance

1. **Valuation—Quiet but Powerful**
   Equity valuations reached extreme levels in 2025, as indicated by both the SGM value model and forward earnings yields. Forward PEs for the MSCI World exceeded 20 times in June, and our valuation framework, at times, indicated negative expected returns above cash, hardly encouraging for long-term equity prospects.

   Despite appearing irrelevant at a broad market level, valuation played a crucial role in relative performance. In 2025, value mattered enormously in distinguishing between markets, even if it did not help with timing overall equity beta. The cheapest markets (Korea, Italy, UK, Germany, China) meaningfully outperformed the most expensive (U.S., India, Taiwan, Australia). This divergence was central to the portfolio's strong stock selection results.

2. **Timing Was Essential—Particularly Around the AI Boom**
   The global AI boom influenced markets at different points during the year. Early in 2025, DeepSeek's announcement that they successfully built an AI model for just US$5-6 million sparked a rapid rally in Chinese equities. In the first quarter, Hong Kong-listed Chinese stocks rose nearly 15% while U.S. markets fell over 5%.

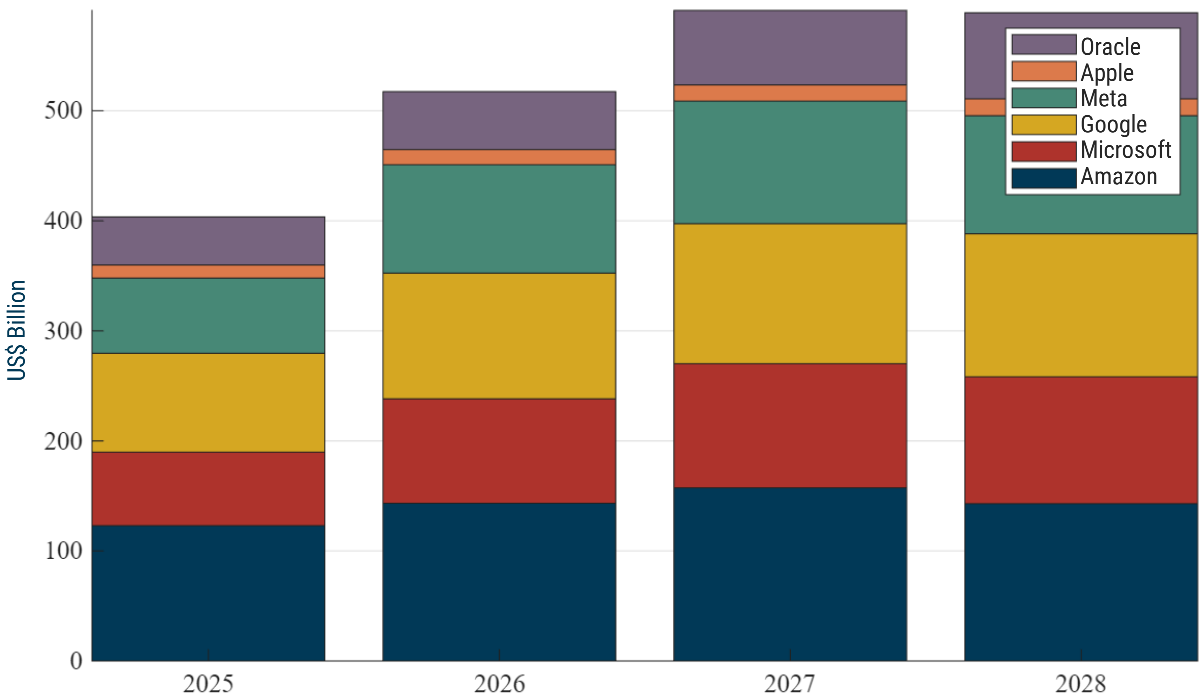
   As the year progressed, U.S. mega-cap technology firms drove a powerful rally, fueled by expectations of substantial future capital investment. By the fourth quarter, however, enthusiasm began to cool amid concerns over stretched valuations.

EXHIBIT 2: CHINA, U.S., KOREA, AND TAIWAN TECHNOLOGY STOCKS

As of 12/31/25 | Source: GMO, Bloomberg

Korea, driven mainly by semiconductor leaders Samsung Electronics and SK Hynix, became the standout performer, rising approximately 90%. These two companies alone accounted for nearly half of the market's total return. Navigating these swings was critical—our dynamic positioning across the U.S., China, Taiwan, and Korea contributed positively on a net basis.

EXHIBIT 3: FORECAST CAPEX GROWTH



As of 12/31/25 | Source: GMO, Bloomberg

3. **Managing Leverage in an Environment of Elevated Risk**
Tariffs represented a major geopolitical theme in 2025. Although primarily headline-driven, their market impact was nuanced. The announcement of "Liberation Day" tariffs triggered a sharp but short-lived drop in global equities. The VIX was only at 21 the day before the announcement, mildly above its long-term average of 19. Many could have had a strong risk appetite leading into the event. Within days, global equities declined by more than 10%, yet recovered within a month.

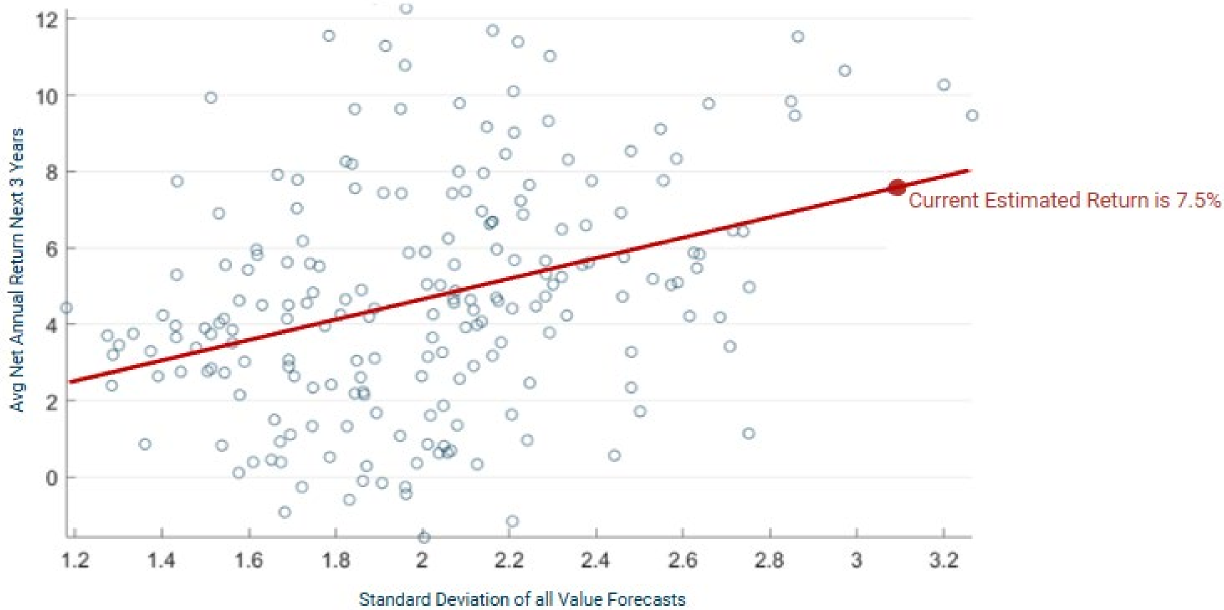
Because the portfolio maintained controlled leverage, we avoided forced deleveraging and preserved flexibility. April delivered a modest decline followed by a strong rebound in May, demonstrating the importance of maintaining discipline during periods of sudden volatility.

4. **Sentiment—Especially Around Precious Metals**
While gold attracted substantial media coverage, silver and platinum produced even stronger returns in 2025. Unlike gold, which draws primarily safe-haven demand, silver and platinum benefited from rising industrial demand and persistent supply shortfalls. Both metals have now experienced three consecutive years of supply deficits, with industrial usage accounting for roughly 60% of total demand. Although the portfolio's exposure to precious metals was modest, these positions contributed positively to total returns.

Looking Ahead to 2026

The opportunity set entering 2026 remains exceptionally attractive. The dispersion across our valuation models is among the widest in the portfolio's history, which historically has been a strong predictor of forward returns. This breadth creates an environment well-suited to macro investing, with significant potential across currencies, rates, equities, commodities, and relative value opportunities.

EXHIBIT 4: FUTURE 3-YEAR RETURNS VS. SPREAD IN FORECASTS



As of 12/31/25 | Source: GMO, Bloomberg

Major Positions

So, how are we positioned now? The portfolio currently has several major positions worth noting:

1. **Long U.S. Equities**
   While we see the U.S. equity market as overvalued, a strong wave of positive earnings is still driving short-term sentiment. Most notable among these are Microsoft, Amazon, and Alphabet, all of which came through with double-digit earnings surprises in their most recent results.

2. **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 we see in broad equity markets. The SGM value forecast for every equity market we trade is currently below cash rates, an extremely bearish view. While we do see positive short-term sentiment in some markets, such as the U.S., it is not enough to change our overall view.

3. **Short Korean Equities**
   The Korean market soared in 2025, pushing overall valuations into expensive territory. What’s more, the hyperconcentration of market performance (half of 2025 performance was delivered by just two stocks) also adds to concerns about an AI bubble in the market.

4. **Short Swiss Franc**
   With interest rates in Switzerland at zero and prices fundamentally high, we see the Swiss franc as particularly expensive. Sluggish economic growth further holds down any positive sentiment. While both our Korea and Swiss franc positions detracted from portfolio performance last year, we maintain our confidence in these shorts as we believe both are fundamentally overvalued.

5. **Long Japanese Equities**
   The Japanese equity market continues to be well supported by foreign investors and has outperformed most other developed markets over the past 12 months. This positive sentiment has helped counter our negative value signals, and we remain positive on the market overall.

Expanding the Investment Universe—Digital Currency Futures

In 2026 we expect to introduce exchange-listed digital currency futures into the portfolio's investment universe. These would be traded systematically with a strong focus on risk control. Positions will be sized at ±1% per contract, with gross leverage capped at 5%. Based on our back tests, simulations, and analyses, we believe this addition offers the potential for a new, uncorrelated alpha source.

Conclusion

Despite substantial geopolitical tensions and unusually conflicting market signals, 2025 was a successful year for the Systematic Global Macro Trust. Our disciplined focus on valuation, timing, risk management, and diversification allowed us to capture opportunities while avoiding many of the pitfalls that characterized markets throughout the year. With a rich opportunity set ahead, we remain confident in our positioning for 2026.

We thank our investors for their continuing support and wish everyone a prosperous 2026.

Sincerely,

The GMO Systematic Global Macro Team

Annualized Returns as of 12/31/2025 (Net, AUD)	*Inception*	*1-Year*	*3-Year*	*5-Year*	*10-Year*	*ITD*
GMO Systematic Global Macro Trust[1] (Class A)	12/2/2002	13.56%	1.50%	1.65%	3.45%	6.19%
Bloomberg AusBond Bank Bill +		3.97%	4.11%	2.71%	2.11%	3.64%

Net returns are presented after the deduction of management fees and incentive fees 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.

[1]The GMO Systematic Global Macro Trust ARSN 090 799 385 ("the Trust") is issued by GMO Australia Limited ABN 30 071 502 639, AFS Licence No. 236 656.

Performance data quoted represents past performance and is not indicative of future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance data may be lower or higher than the performance data provided herein.

The Bloomberg AusBond Bank Bill + Index is an internally maintained benchmark computed by GMO, comprised of (i) the Bloomberg AusBond Bank Bill through 29/11/2002, (ii) the Bloomberg AusBond Composite 0+ Yr Index through 29/04/2005, and (iii) the Bloomberg AusBond Bank Bill Index thereafter.

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Disclaimer

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