

Global Equity Allocation Investment

Year Ending December 31, 2019

OVERVIEW:

The GMO Global Equity Allocation Investment Fund seeks total return by investing in global equities and equity-related securities. The Fund does not seek to allocate its investments in line with or seek to control risk relative to the MSCI All Country World Index or any other securities market index or benchmark.

Performance (%)

Net of Fees, GBP	+18.90
Gross of Fees, Unswung, GBP	+19.79
MSCI ACWI ¹	+21.71
Value Added	-1.92

Major Performance Drivers

Equities delivered stellar returns in 2019. U.S. stocks outperformed non-U.S. stocks, growth beat value globally, and small cap stocks trailed large in the U.S. and emerging markets. In the portfolio, we added modestly to emerging (early in the year) and international (late in the year), both sourced from Quality. The portfolio delivered strong absolute returns but slightly trailed its benchmark primarily due to its underweight in U.S. equity.

- Our overweight position in emerging markets detracted from performance as the MSCI Emerging Markets Index returned 13.8% in GBP terms on the year, trailing the MSCI ACWI return of 21.7%. Security selection within emerging markets was slightly negative as selection in China and Korea detracted.
- The portfolio held an average weight of 29.3% in U.S. equities, leaving us approximately 26% underweight U.S. equities. Our underweight position in U.S. detracted as the S&P 500 returned 26.4% in GBP terms, beating the MSCI ACWI return of 21.7%. Underweight positions in Apple (Information Technology) and Microsoft (Information Technology) featured in the top five individual detractors from relative performance at the total portfolio level.
- From a top-down allocation perspective, our overweight position in European stocks had a negative impact on relative performance during the year as MSCI Europe underperformed the MSCI ACWI. Stock selection had a positive impact on relative performance, driven by the UK, France, and Sweden.
- Our overweight position in Japan detracted a little from performance relative to the benchmark as the MSCI Japan returned 15.0% in GBP terms for the year and underperformed the MSCI ACWI.

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 investors 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. To obtain performance information to the most recent month end, visit www.gmo.com.

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