

# GLOBAL EQUITY ALLOCATION INVESTMENT

## Investment Review: Quarter Ending December 31, 2022

### 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	+6.86
Gross of Fees, Unswung, GBP	+7.05
MSCI ACWI <sup>1</sup>	+1.86
<b>Value Added</b>	<b>+5.19</b>

### Major Performance Drivers

- Top-down asset allocation was positive for the quarter, driven by our bias away from the U.S. within Developed equities.
- Security selection was also positive for the quarter, helped by it being a good quarter for Value, especially in Developed markets.

Emerging Market equities, with an emphasis on undervalued stocks, represented 27.4% of the total portfolio weight on average during the quarter. Our overweight position in emerging equities had little impact on relative performance as the MSCI Emerging Market index returned 1.8% in GBP terms, broadly in line with the MSCI ACWI return of 1.9%. Security selection was very positive, despite it being a flat quarter for Value, and our portfolio had a much better return of 5.9%. An overweight position in PICC (China Financials) and ITC Limited (India Consumer Staples) featured in the top five biggest individual detractors from relative performance at the total portfolio level.

U.S. equities accounted for 27.7% of the total portfolio on average through the quarter, made up of 17.3% in broad U.S. and the remainder in Quality equity. This leaves the portfolio 33.8% underweight U.S. equities in total, and this added to relative performance for the quarter as the MSCI USA index returned -0.7%, well behind MSCI ACWI. Security selection in the U.S. was strongly positive as, in aggregate, our U.S. portfolio returned 3.0%. Underweight positions in Tesla (Consumer Discretionary), Amazon (Consumer Discretionary), Apple (Information Technology), and Alphabet (Communication Services) featured in the five biggest contributors to relative performance for the quarter. On the flipside, an underweight position in JPMorgan Chase (U.S. Financials) featured in the top five biggest individual detractors from performance.

Core European equities accounted for an average weight of 24.0% of the portfolio for the quarter, although the actual exposure was a little higher allowing for the domicile of some of the Quality holdings. Our overweight position in Europe had a positive impact on relative performance as the MSCI Europe index returned 10.8%, significantly ahead of the MSCI ACWI return. Security selection within Europe was also good, and the portfolio returned 13.7%. An overweight position in Banco Bilbao (Spain Financials) featured in the top five biggest individual contributors to relative performance at the total portfolio level for the quarter.

Japanese equities accounted for 9.8% of the total portfolio on average through the quarter. This is a modest overweight position against the benchmark and had a marginal positive impact on performance relative to benchmark as MSCI Japan returned 5.1% for the quarter. Our stock selection in Japan was also additive, with an 8.8% return. The portfolio held 7.9% on average in the remaining catch-all category "other international." In aggregate, across allocation and stock selection, this had a small positive impact on relative performance for the quarter. An

**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](http://www.gmo.com).**

GMO UK Limited authorised and regulated by the Financial Conduct Authority Registered no 4658801 England. GMO Netherlands is a branch office of GMO UK Limited and is registered with the AFM. Risks associated with investing in the Fund may include Market Risk - Equities, Management and Operational Risk, Non-U.S. Investment Risk, Derivatives and Short Sales Risk, and Small Company Risk. For a more complete discussion of these risks and others, please consult the Fund's prospectus.

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overweight position in Canon (Japan Information Technology) and KDDI (Japan Communication Services) featured in the five biggest individual detractors from relative performance for the quarter.

### **Important Information**

This is a marketing communication. This is not a contractually binding document. Please refer to the prospectus and to the KIID and do not base any final investment decision on this communication alone. Investors and potential investors can also obtain the prospectus and key investor information, in English and other languages, and a summary of investor rights and information on access to collective redress mechanisms at the following website: <https://www.gmo.com/europe/product-index-page/equities/global-all-country-equity-allocation-strategy/global-equity-allocation-investment-fund---dgeaf/>. Please note that GMO Investments ICAV and GMO Funds PLC may decide to terminate the arrangements made for the marketing of the sub-funds in one or more EU member states pursuant to the UCITS marketing passport in accordance with the procedure provided for under the applicable laws that implement Article 93a of Directive 2009/65/EC (the UCITS Directive). A full list of fees and charges applied to investment can be found in the Fund Supplement or KIID, available at <https://www.gmo.com/europe/product-index-page/equities/global-all-country-equity-allocation-strategy/global-equity-allocation-investment-fund---dgeaf/>.

<sup>1</sup> The MSCI ACWI (All Country World) Index (MSCI Standard Index Series, net of withholding tax) is an independently maintained and widely published index comprised of global developed and emerging markets. MSCI data may not be reproduced or used for any other purpose. MSCI provides no warranties, has not prepared or approved this report, and has no liability hereunder. Please visit <https://www.gmo.com/americas/benchmark-disclaimers/> to review the complete benchmark disclaimer notice.

The above Fund has not been registered under the United States Investment Company Act of 1940, as amended, nor the U.S. Securities Act of 1933, as amended. None of the shares may be offered or sold, directly or indirectly, in the U.S. or to any U.S. Person, unless the securities are registered under the Act or an exemption from the registration requirements of the Act is available. A U.S. Person is defined as (a) any individual who is a citizen or resident of the U.S. for federal income tax purposes; (b) a corporation, partnership, or other entity created or organized under the laws of or existing in the U.S.; (c) an estate or trust the income of which is subject to U.S. federal income tax regardless of whether such income is effectively connected with a U.S. trade or business.