

# Quality Investment Fund

Year Ending December 31, 2019

## OVERVIEW:

The GMO Quality Investment Fund seeks to deliver total return by investing in equities that the GMO Focused Equity team believes to be of high quality.

## Performance (%)

Net of Fees, USD	+30.40
Gross of Fees, USD	+31.16
MSCI World <sup>1</sup>	+27.67
<b>Value Added</b>	<b>+3.49</b>

## Major Performance Drivers

We are pleased to report that your portfolio was able to keep up with the S&P 500 Index in 2019, ending the year slightly ahead of the S&P 500 Index and comfortably ahead of the MSCI World Index in dollar terms. The strength of the portfolio and the broader equity markets may seem extraordinary, but two aspects are worth highlighting at the outset. First, the return must really be put in the context of market weakness in the last quarter of 2018, especially in growth stocks. Since the end of September of that year, the S&P 500 has returned a less remarkable 13.7%. Second, despite the large headline number, we note that the portfolio continues to generate returns with a beta to the market of less than 1, i.e., delivering more on the days when markets are weaker. In addition, we have some confidence that the beta will fall should the market come under duress (when investors might be expected to think more about quality).

### 2019 Contributors

- In 2019 the portfolio's returns were broad-based. The portfolio delivered returns above 25% in six of the seven GICS sectors in which it is invested, the exception being Industrials.
- After Apple's well-documented surge, Taiwan Semiconductor was the strongest contributor, as the dominant industry leader in semiconductor fabrication was buoyed by efforts across its clientele to support next generation phones, data centers, and a host of other hardware.

### 2019 Detractors

- In a repeat of recent years, the portfolio's Technology holdings delivered lower returns than the raging global Technology sector as a result of the somewhat more conservative nature of the portfolio's Tech positions.
- Stock selection within Industrials also detracted from performance as 3M bore the brunt of downgrades to global economic growth earlier in the year.

Year-ending weights, as a percent of equity, for the positions mentioned were: Apple (5.0%), Taiwan Semiconductor (3.0%), and 3M (3.0%).

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. To obtain performance information to the most recent month end, visit [www.gmo.com](http://www.gmo.com).

An investor should consider the fund's investment objectives, risks, charges and expenses before investing. This and other important information can be found in the fund's prospectus. To obtain a prospectus please visit [www.gmo.com](http://www.gmo.com). Read the prospectus carefully before investing.

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<sup>1</sup> The MSCI World Index (MSCI Standard Index Series, net of withholding tax) is an independently maintained and widely published index comprised of global developed 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.