

# QUARTERLY INVESTMENT REVIEW

## Global Asset Allocation Strategy

### Performance returns (USD)

ANNUALIZED RETURNS (QUARTER-END)	Quarter-End	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
Global Asset Allocation Strategy (net)	6.63	10.16	11.57	11.16	7.42	5.29	8.32
Global Asset Allocation Strategy (gross)	6.81	10.55	12.35	11.94	8.13	5.89	8.85
GMO Global Asset Allocation Index +	7.86	8.00	12.65	12.09	8.59	7.27	7.83
Value Add	-1.23	+2.16	-1.08	-0.93	-1.17	-1.98	+0.49

### MAJOR PERFORMANCE DRIVERS

- Top-down asset allocation was negative for the quarter, driven primarily by the positioning within equities.
- Security selection was flat, as a good result in equities was offset by negative performance in alternatives.

Equities represented an average of 63.7% of the portfolio during the quarter, including 6.2% in Emerging Markets, 3.1% in Emerging Markets ex-China, 15.4% in Developed ex-U.S., 3.1% in Quality, 8.3% in U.S., 1.9% in U.S. Small Cap Value, 2.9% in U.S. Small Cap Quality, 7.0% in U.S. Opportunistic Value, 6.2% in Japan Fundamental Value, 7.3% in International Opportunistic Value, and 2.5% in Resources equity.

The equity portfolio returned 10.4% for the quarter, behind the MSCI ACWI return of 11.5%. Top-down stylistic exposures had a significant negative impact as Value heavily lagged Growth, most notably in the U.S. Security selection was modestly positive for the quarter. The Emerging Markets portfolio returned 12.9%, 90 bps ahead of the MSCI Emerging Market index, and Emerging Markets ex-China returned 15.8%, 70 bps behind the MSCI Emerging Markets ex-China index return of 16.5%. In Developed ex-U.S. markets, the portfolio posted 13.2%, 120 bps ahead of the MSCI World ex-USA index, and International Opportunistic Value posted 9.9%, underperforming the MSCI World ex-USA Value index by 60 bps. In the U.S., the broad U.S. portfolio return of 10.6% was in line with the S&P Composite 1500, while the U.S. Opportunistic Value return of 3.0% underperformed the MSCI USA Value index by 40 bps, and Quality lagged the S&P 500 by 230 bps. U.S. Small Value, U.S. Small Quality, and Resource equity all outperformed their reference benchmarks. The Japan Fundamental Value portfolio returned 12.0%, ahead of the TOPIX by 70 bps. Being very slightly underweight to equities had no material impact on relative performance.

### RISKS

Risks associated with investing in the Strategy may include: (1) Management and Operational Risk: the risk that GMO's investment techniques will fail to produce desired results, including annualized returns and annualized volatility; (2) Market Risk - Equities: the market price of equities may decline due to factors affecting the issuer, its industries, or the economy and equity markets generally. Declines in stock market prices generally are likely to reduce the net asset value of the Fund's shares; and (3) Non-U.S. Investment Risk: The market prices of many non-U.S. securities (particularly of companies tied economically to emerging countries) fluctuate more than those of U.S. securities. Many non-U.S. markets (particularly emerging markets) are less stable, smaller, less liquid, and less regulated than U.S. markets, and the cost of trading in those markets often is higher than it is in U.S. markets. 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-88

**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 LLC claims compliance with the Global Investment Performance Standards (GIPS®). A Global Investment Performance Standards (GIPS®) Composite Report is available at [www.gmo.com](http://www.gmo.com) by clicking the GIPS® Composite Report link in the documents section of the strategy page. GIPS® is a registered trademark owned by CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein. Actual fees are disclosed in Part 2 of GMO's Form ADV and are also available in each strategy's Composite Report.** Returns include a substantial, one-time litigation settlement recovery received on December 16, 2024. This event contributed 0.80% to 2024 annual performance, based on a representative account. Performance for other periods, including this date, was also positively impacted, sometimes materially. Without this recovery, performance would have been lower in both absolute terms and relative to the benchmark. Additional information is available upon request.

# QUARTERLY INVESTMENT REVIEW

## MAJOR PERFORMANCE DRIVERS CONT.

Alternatives represented 12.9% on average through the quarter, which was all invested in the Alternative Allocation strategy. The Alternative Allocation strategy posted a return of -1.6% for the quarter, well behind the return of world equities, and also behind bonds. Within the Alternative Allocation strategy, Equity Dislocation and the long Quality/short Junk strategy detracted, while the Event-Driven and Emerging Market FX strategies contributed to performance. Our exposure to alternatives had a meaningful negative impact on performance against the asset allocation benchmark.

Fixed income represented 21.8% on average through the quarter, including 1.0% in asset-backed securities, 3.2% in Emerging Country Debt, 11.8% in the Multi-Sector Fixed Income strategy, and 5.7% in U.S. Treasury notes. Our fixed income strategies returned 1.5% for the quarter, ahead of the Bloomberg U.S. Aggregate index return of 1.2%. Asset-backed securities had a return of 1.5%, while Multi-Sector Fixed Income delivered 1.3%, and the U.S. Treasury was flat, posting 0.0% as the U.S. 10-year nominal yield finished the quarter more or less where it started, at 4.24%. Our Emerging Country Debt portfolio returned 4.7%, which was ahead of the EMBI Global Diversified index return of 3.3%. Our underweight to fixed income had a positive impact on performance against the asset allocation benchmark.

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## PRODUCT OVERVIEW

The GMO Global Asset Allocation Strategy seeks to achieve a total return greater than that of its benchmark of 65% MSCI All Country World Index and 35% Bloomberg U.S. Aggregate Index, over a complete market cycle, by allocating dynamically across asset classes.

The philosophy that underlies all of GMO's Asset Allocation investment strategies is the belief that, at times and in the short term, the pricing of asset classes can deviate from true intrinsic value, but mean reverts to appropriate valuation levels over a complete market cycle. GMO's proprietary 7-Year Asset Class Forecasts form the foundation of our investment process, providing a framework to assess the return opportunity embedded in different asset classes. We use that insight to allocate to what we believe are the most attractively priced asset classes. We also seek to add value through security selection within both traditional and alternative asset classes.

## IMPORTANT INFORMATION

**Benchmark(s):** The GMO Global Asset Allocation Index + is an internally maintained benchmark computed by GMO, comprised of (i) GMO blended benchmark of Global Asset Allocation Composite through 06/30/2014 and (ii) The GMO Global Asset Allocation (Blend) Index thereafter. The GMO blended benchmark of Global Asset Allocation Composite is comprised of a weighted average of account benchmarks; many of the account benchmarks consist of S&P 500, MSCI ACWI (MSCI Standard Index Series, net of withholding tax) and Bloomberg Aggregate or some like proxy for each market exposure they have. For each underlying account benchmark, the weighting of each market index will vary slightly. The index is internally blended by GMO and maintained on a monthly basis. The GMO Global Asset Allocation (Blend) Index is an internally maintained benchmark computed by GMO, comprised of 65% MSCI ACWI Index (MSCI Standard Index Series, net of withholding tax) and 35% the Bloomberg U.S. Aggregate Index. S&P does not guarantee the accuracy, adequacy, completeness or availability of any data or information and is not responsible for any errors or omissions from the use of such data or information. Reproduction of the data or information in any form is prohibited except with the prior written permission of S&P or its third party licensors. 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.

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.

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## 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

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