

# QUARTERLY INVESTMENT REVIEW

## Global Equity Allocation Investment Fund USD Class A

### Performance returns (USD)

ANNUALIZED RETURNS (QUARTER-END)	Quarter-End	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
Global Equity Allocation Investment Fund USD Class A (net)	10.75	13.87	17.10	18.88	15.23	8.94	8.96
Global Equity Allocation Investment Fund USD Class A (gross)	10.94	14.27	17.93	19.74	16.08	9.76	9.77
MSCI ACWI	11.53	10.05	16.17	17.34	13.65	9.99	10.05
Value Add	-0.78	+3.82	+0.93	+1.53	+1.58	-1.05	-1.09

Data Source: GMO

### MAJOR PERFORMANCE DRIVERS

- Top-down allocation had a limited impact on relative performance for the quarter, as performance was similar across regions.
- Security selection within regions was negative, as both Quality and Value lagged in the U.S.

Emerging market equities, with an emphasis on undervalued stocks, represented 18.4% of the total portfolio weight on average during the quarter. Our overweight position in emerging market equities had a small positive impact on relative performance as MSCI Emerging Markets returned 12.0% in USD terms, just ahead of the MSCI ACWI return of 11.5%. Security selection was positive, as the portfolio outperformed with a return of 14.5%. An overweight position in TSMC (Taiwan Information Technology) featured in the top five biggest individual contributors to relative performance at the total portfolio level, while no Emerging Markets names featured in the top five biggest individual detractors.

### RISKS

Risks associated with investing in the Fund may include: (1) 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; (2) Management and Operational Risk: the risk that GMO's investment techniques will fail to produce desired results, including annualized returns and annualized volatility; 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. For a more complete discussion of these and other risks, please consult the Fund's Prospectus.

Inception Date: 20-Oct-14

**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 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.** Net of all fees and expenses after reimbursement by the Manager, but not transaction costs, if any. If certain expenses were not reimbursed, performance would be lower. Gross of fees, expenses and transaction costs, if any. If these fees, expenses and costs were included, performance would be lower. A dilution adjustment may be applied on a subscription or redemption of shares to reflect the costs of dealing in the Fund's assets. The return on investment in the Fund may increase or decrease as a result of currency fluctuations if an investor's investment is made in a currency other than that used in the past performance calculation. If the Fund holds assets in currencies other than the base currency of the Fund and/or you invest in a share class that is denominated in a different currency than the base currency of the Fund, subject to any hedging at share class or Fund level, the value of your investment may be impacted by changes in the relative prices of the relevant currencies. The use of financial derivative instruments by the Fund may result in increased gains or losses within the Fund. Returns include a substantial, one-time litigation settlement recovery received on December 16, 2024. This event contributed 1.00% to 2024 annual performance. 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. The portfolio is actively-managed, is not managed relative to a benchmark and uses an index for performance comparison purposes only and, where applicable, to compute a performance fee.

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## MAJOR PERFORMANCE DRIVERS CONT.

U.S. equities accounted for 38.2% of the total portfolio on average through the quarter, comprising 30.1% in broad U.S. equities and the remainder in Quality equities. This leaves the portfolio 25.7% underweight U.S. equities in total; this had a small positive impact on relative performance for the quarter as the MSCI USA index returned 11.3%, trailing MSCI ACWI. Security selection in the U.S. was challenging as, in aggregate, our U.S. portfolio returned 8.0%. Underweight positions in Apple (Information Technology) and Berkshire Hathaway (Financials) featured in the top five biggest individual contributors to relative performance for the quarter. On the flipside, underweight positions in NVIDIA (Information Technology), Broadcom (Information Technology), Microsoft (Information Technology), and Netflix (Communication Services) featured in the top five biggest individual detractors from relative performance at the total portfolio level.

Core European equities accounted for an average weight of 24.3% of the portfolio for the quarter, although the actual exposure is a little higher than this, allowing for the domicile of some of the Quality holdings. Our overweight position in Europe had no material impact on relative performance as the MSCI Europe index returned 11.4%, broadly in line with the MSCI ACWI return. Security selection within Europe was excellent, and the portfolio returned 15.2%. Overweight positions in Deutsche Bank (Germany Financials) and Heidelberg Materials (Germany Materials) featured in the top five biggest individual contributors, while an overweight position in Sanofi (France Health Care) featured in the top five biggest individual detractors from relative performance for the quarter.

Japanese equities accounted for 8.4% of the total portfolio on average through the quarter. This is a moderate overweight position against the benchmark and had no material impact on relative performance as MSCI Japan performed in line, returning 11.4% for the quarter. However, our stock selection in Japan was negative relative to this, delivering a 9.7% return. The portfolio held 6.7% on average in the remaining catch-all "other international." In aggregate, across allocation and stock selection, this had no impact on relative performance for the quarter.

Portfolio weights, as a percent of equity, for the positions mentioned were: TSMC (1.9%), Berkshire Hathaway (0.1%), Broadcom (0.2%), Netflix (0.0%), Apple (2.1%), Heidelberg Materials (0.7%), NVIDIA (0.3%), Deutsche Bank (1.1%), Microsoft (2.1%), and Sanofi (0.9%).

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## PRODUCT OVERVIEW

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. Using GMO's 7-Year Asset Class Forecasts, the Fund seeks to allocate to areas of the global equity markets we believe are most attractively valued. Our approach combines the best of GMO's top-down Asset Allocation views and bottom-up equity research to identify mispricings at both the asset class and individual security levels. The Fund allocates to equity strategies that are actively managed by other GMO investment teams with expertise and experience in security selection within their respective markets.

**This is a marketing communication and a financial promotion. Past performance does not predict future returns.**

## IMPORTANT INFORMATION

**This is a marketing communication and a financial promotion. This is not a contractually binding document. An investor should consider all of the Fund's characteristics including the investment objectives, risks, charges and expenses before investing. This and other important information can be found in the Fund's prospectus and the KIID/PRIIPs KID. To obtain a prospectus and the KIID/PRIIPs KID please visit [www.gmo.com](http://www.gmo.com). Read the prospectus and the KIID/PRIIPs KID carefully before investing and do not base any final investment decision on this communication alone.**

**Comparator Index(es):** 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 Fund is a sub-fund of GMO Funds plc, an umbrella fund with segregated liability between sub-funds, which is authorised by the Central Bank of Ireland (the "Central Bank") as a UCITS pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011, as amended. The authorisation of GMO Funds plc is not an endorsement or guarantee of GMO Funds plc by the Central Bank. Neither the Central Bank nor the UK's Financial Conduct Authority has approved and or takes responsibility for the contents of this document or for the financial soundness of the Fund or for GMO Funds plc. GMO Funds plc is an EEA UCITS scheme which is recognised under Part 6 of The Collective Investment Schemes (Amendment etc.) (EU Exit) Regulations 2019, as amended.

GMO UK Limited Authorised and Regulated by the Financial Conduct Authority Registered no 4658801 England. GMO Netherlands is registered with the AFM.

The 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.

Investors and potential investors can also obtain the prospectus and key investor information, and a summary of investor rights and information on access to collective redress mechanisms, in English and local languages where the Fund is registered, under the Literature section 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 the management company of the Fund may decide to terminate the arrangements made for the marketing of the Fund 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 prospectus and in the KIID/PRIIPs KID, available at: <https://www.gmo.com/europe/product-index-page/equities/global-all-country-equity-allocation-strategy/global-equity-allocation-investment-fund---dgeaf/>

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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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