

## EMERGING MARKETS EX-CHINA STRATEGY

## Quarterly Investment Review

ANNUALIZED RETURNS (USD, %) (QUARTER-END)

	Quarter-End	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
Emerging Markets ex-China Strategy (net)	5.23	5.23	41.64	19.07	-	-	4.53
Emerging Markets ex-China Strategy (gross)	5.41	5.41	42.63	19.92	-	-	5.29
MSCI Emerging Markets ex-China	3.16	3.16	41.30	18.55	-	-	8.12
Value Add	+2.07	+2.07	+0.34	+0.52	-	-	-3.59

## MAJOR PERFORMANCE DRIVERS

Global equity markets started the year with positive absolute returns across regions, then fell after the U.S. and Israel decided to attack Iran, ending the quarter with all regions posting negative returns. In January and February, emerging markets and developed markets outside the U.S. and China were the strongest performers. However, those markets were most directly exposed to disruptions in the trade of energy, commodities, and other critical products from the Middle East and were the worst performers in March.

Amid the market volatility, value outperformed growth in emerging markets outside of China. In this environment, our Value, Momentum, and Alerts signals all excelled at differentiating between attractive and unattractive names and contributed to the portfolio's outperformance.

Country allocation and stock selection decisions both contributed to the strong performance. Underweight positioning in India and overweight positioning in Thailand were notable contributors. Unattractive names held underweight were also among the top contributors in the quarter.

While the portfolio's overweight positioning to Indonesia was a significant detractor after MSCI announced potential changes to its treatment of the country at the end of January, this downside was largely offset by strong stock selection within the country. Underweight positioning in Korean Information Technology was also a challenge again this quarter, including the underweight toward SK Hynix, which continued to see strength from AI-related demand for its industry-leading memory chips.

Portfolio weights, as a percent of equity, for the positions mentioned were: SK Hynix (1.1%)

## RISKS

Risks associated with investing in the Strategy 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) 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; and (3) Currency Risk: fluctuations in exchange rates can adversely affect the market value of the Fund's non-U.S. currency holdings and investments denominated in non-U.S. currencies. This is not a complete list of risks associated with investing in the Strategy. Please contact GMO for more information.

Composite Inception Date: 31-Oct-21

**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.

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### PRODUCT OVERVIEW

The GMO Emerging Markets ex-China Strategy seeks total return by investing primarily in emerging (non-developed) market equities. The Strategy measures its performance against the MSCI Emerging Markets Index.

The Strategy's investment approach is grounded in the Systematic Equity team's belief that, in the short term, equity markets exhibit exploitable inefficiencies as a result of irrational investor actions, the imperfect flow of information, and the participation of non-economic actors, while in the long-term returns are ultimately driven by economic reality. The Strategy aims to take advantage of these inefficiencies by utilizing a multi-factor valuation model in conjunction with other methods, such as momentum and corporate alerts, to identify undervalued equity securities.

### IMPORTANT INFORMATION

**Benchmark(s):** The MSCI Emerging Markets ex China Index is an independently maintained and widely published index which captures large and mid cap representation within Emerging Markets (EM) countries, excluding China. 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.

For private bank intermediaries in Singapore and Hong Kong, these materials are intended for institutional and Accredited/Professional Investors Use Only.

### 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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