

# GLOBAL DEVELOPED EQUITY ALLOCATION FUND

## Investment Review: Quarter Ending December 31, 2022

### OVERVIEW

The GMO Global Developed Equity Allocation Fund seeks total return greater than that of its benchmark, the MSCI World Index.

### PERFORMANCE (%)

Net of Fees, Class III, Fair Value, USD	+14.15
Gross of Fees, Class III, Local Close, USD	+14.00
MSCI World <sup>1</sup>	+9.77
<b>Value Added</b>	<b>+4.24</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 the tailwind of a good quarter for Value in Developed Markets.

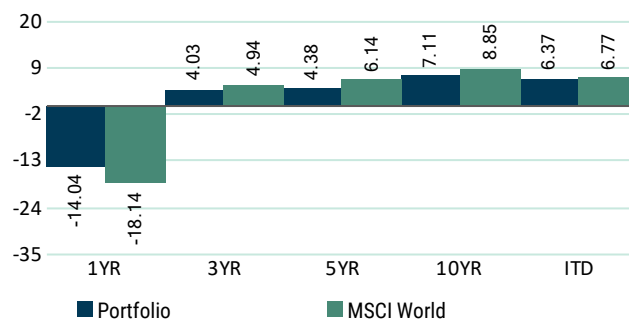
Emerging Market equities, with an emphasis on undervalued stocks within attractively valued countries/sectors, represented 9.2% of the total portfolio weight on average during the quarter. Our overweight position in emerging equities had limited impact on relative performance as the MSCI Emerging Market index returned 9.7%, broadly in line with the MSCI World return of 9.8%. Security selection was positive, as the Emerging Market ex-China portfolio returned 12.5%, well ahead of both the MSCI Emerging ex-China index return of 8.0% and the MSCI Emerging ex-China Value index return of 8.4%.

U.S. equities accounted for 41.4% of the total portfolio on average through the quarter, made up of 4.6% in U.S. Small Cap Value equity, 5.0% in U.S. Small Cap Quality equity, 17.6% in broad U.S. equity, 2.8% in a newly established allocation to U.S. Opportunistic Value equity, and the remainder in the Quality and Quality Cyclical strategies. This left the portfolio 27.4% underweight U.S. equities in total, adding to relative performance for the quarter as the MSCI USA index returned 7.0%, well behind the MSCI World index. Security selection in the U.S. was also positive as all the underlying strategies outperformed – in aggregate, our U.S. portfolio returned 11.0%. Underweight positions in Tesla (Consumer Discretionary), Amazon (Consumer Discretionary), Apple (Information Technology), and Alphabet (Communication Services) featured in the five biggest individual 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.

Developed ex-U.S. equities accounted for an average weight of 47.7% of the portfolio for the quarter, including the dedicated Japan Value position and some exposure from the Quality and Quality Cyclical strategies. This overweight position in Developed ex-U.S. had a strong positive impact on relative performance as the MSCI EAFE index returned 17.3%, well ahead of MSCI World – largely because of a softening U.S. dollar enhancing returns. Security selection within Developed was also positive for the quarter. An overweight position in Banco Bilbao (Spain Financials) featured in the top five biggest individual contributors to relative performance at the total portfolio level. On the flipside, an overweight position in Roche (Switzerland Health Care), Canon (Japan Information Technology), and KDDI Corporation (Japan Communication Services), along with an underweight position in Novo Nordisk (Denmark Health Care) featured in the five biggest detractors from relative performance for the quarter.

**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). Gross Expense Ratio of 0.58% is equal to the Funds Total Annual Operating Expenses set forth in the Funds most recent prospectus dated June 30, 2022.**

### ANNUALIZED RETURN (%) AS OF 12/31/2022



Inception date: 06/16/2005

Includes purchase premiums and redemption fees impact if applicable.

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Portfolio weights, as a percent of equity, for the positions mentioned were: Tesla (0.0%), Amazon (0.4%), Apple (1.5%), Alphabet (1.0%), JPMorgan Chase (0.1%), Banco Bilbao (1.1%), Roche (1.8%), Cannon (0.9%), KDDI Corporation (1.1%), and Novo Nordisk (0.0%).

**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.**

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 Fund of Funds Risk. For a more complete discussion of these risks and others, please consult the Fund's prospectus. The GMO Trust funds are distributed in the United States by Funds Distributor LLC. GMO and Funds Distributor LLC are not affiliated.

<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.