

# LIQUID ALTERNATIVES

## *Diversifiers that Actually Diversify*

*Rick Friedman and Catherine LeGraw* | September 25, 2025

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### OVERVIEW

In this webcast, Catherine and Rick made the case for diversifiers and shared GMO's approach to designing a comprehensive liquid alternatives solution.

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### KEY POINTS

#### *The Case for Diversifiers*

- **Portfolios Need More Than Stocks and Bonds**

While a balanced stock/bond portfolio has produced decent returns with moderate volatility, a balanced portfolio can experience stagnant returns for multiple consecutive years. Neither stocks nor bonds deliver in a stagflation scenario. During the 1970s, both stocks and bonds delivered negative real returns for a full decade. With the economy weakening and inflation remaining stubbornly high, investors' fears of stagflation have increased.

- **Some Alternatives Don't Truly Diversify**

With the democratization of private assets, many investors are excited to add these strategies to their mix. While private equity may offer excellent alpha opportunities, investors are bearing more levered equity risk with less liquidity.

- **Liquid Alternatives Provide Access to Diversifying Return Sources in an Efficient Package**

Liquid alternatives draw on multiple sources of return, including compensation to underwrite risk (fundamental declines and drawdowns) and the exploitation of behavioral anomalies. These are implemented through long/short strategies that include market neutral, event-driven, macro, trend, and multi-strategy portfolios. With daily liquidity, these strategies are ideally suited to enable effective rebalancing within a multi-asset allocation.

#### *GMO's Solution: GMO Alternative Allocation*

Because diversifiers are a critical component of the GMO Asset Allocation team's investment universe, we designed a customized strategy to fit our needs. GMO Alternative Allocation is our solution to accessing the benefits of liquid alternatives in a single, convenient portfolio.

1. GMO Alternative Allocation ("ALTA") seeks to deliver **equity-like returns with sensible and competitive fees**, allowing for realistic return forecasts and prudent risk management. At current cash rates, a return competitive with stocks and bonds is feasible.
2. ALTA has delivered true diversification with **consistently** low correlation across market environments.
3. ALTA is a **complete solution** offered via a U.S. mutual fund. ALTA is accessible with daily liquidity, is extremely capital efficient, and benefits from a competitive flat fee structure.

**Rick Friedman**

Mr. Friedman is a member of GMO's Asset Allocation team and a partner of the firm. Prior to joining

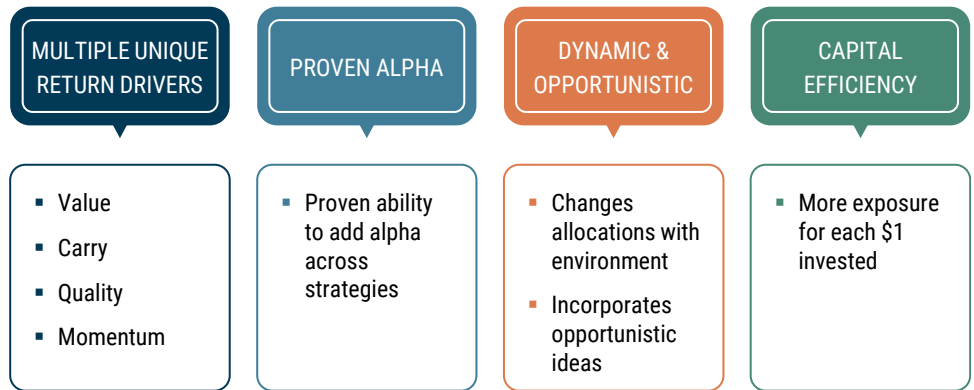
GMO in 2013, he was a senior vice president at AllianceBernstein. Previously, he was a partner at Arrowpath Venture Capital and a principal at Technology Crossover Ventures. Mr. Friedman earned his bachelor's degree in Economics from the University of Pennsylvania and his MBA from Harvard Business School.

**Catherine LeGraw**

Ms. LeGraw is a member of GMO's Asset Allocation team and a partner of the firm. Prior to joining GMO in

2013, she worked as a director at BlackRock. Previously, Ms. LeGraw was an analyst at Bear, Stearns & Co. She received her BA and her BS in Economics from the University of Pennsylvania. She is a CFA charterholder..

## ALTA ATTEMPTS TO MAXIMIZE LIKELIHOOD OF MEETING RETURN TARGET



## RELATED STRATEGIES

Please click on the links below to access strategies related to this event.

- [GMO Alternative Allocation Strategy](#)

## RELATED RESEARCH

Please click on the links below to access research related to this event.

- [Time to Take Another Look at Alternatives](#)

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