ALTERNATIVE ALLOCATION FUND

Quarterly Investment Review

Equity markets posted very strong returns during the second quarter of 2026. MSCI ACWI gained 14.9%, with the S&P up 15.2%. The dominant theme was a resurgence of the AI "picks and shovels" trade with semiconductors, memory, and AI hardware leading to an incredibly narrow rally. Notable examples include Samsung, SK Hynix, Micron, and Sandisk all up over 100% for the quarter. This was particularly acute in small caps with the Russell 2000 up 21.5% for the quarter and IT contributing about a third of the returns. Bonds were volatile. Yields rose on inflation concerns and Fed repricing but then partially retraced as oil prices reverted from de-escalation of the Iran conflict. Disappointingly, the GMO Alternative Allocation portfolio was down 2.6% for the quarter.

Exhibit 1: Second Quarter Contribution Summary

	Ending Weight (%)	Gross Return (%)	Contribution To Return (%)
GMO Alternative Allocation (Net, Local Close)			**-2.6**
GMO Alternative Allocation (Gross, Local Close)			**-2.7**
Equity Dislocation	34	-1.2	-0.4
Event-Driven	26	0.7	0.2
Quality Long/Short	31	-7.5	-1.2
World Market Neutral	30	-1.9	-0.6
Global Macro	35	-5.3	-2.0
Managed Volatility	16	3.0	0.5
Relative Value Credit	4	1.4	0.0
Emerging FX	10	4.1	0.3
Trend	15	1.3	0.2
Cash and Collateral			0.4
Total	**201**		**-2.6**

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.

MAJOR PERFORMANCE DRIVERS

Global Macro was the leading detractor in the second quarter. Losses have been driven by equities and commodities. Within equities, Taiwan and Korea have accounted for nearly all the underperformance. Short-term reversion signals left the models on the wrong side of the recent AI theme-short AI infrastructure and long hyperscalers. Given the extreme moves in these themes, the team has removed this signal from the model for the time being, resulting in more neutral positions. In commodities, soybean oil has been the leading contributor to losses. Last year, the EPA made changes requiring a higher percentage of biofuel in gasoline and aviation fuel. This has driven the price of soybean oil higher, yet the price of soybeans themselves has not increased by a proportional amount, resulting in the crush spread gapping wider. The portfolio maintains a short position in soybean oil vs long soybeans to take advantage of this spread contracting. Contributions have been positive from the rates and FX portions of the portfolio. The year-to-date drawdown in Global Macro has been significant; however, it is well within the anticipated bounds of our risk framework. We share the team's view that the current drawdown, influenced by large dislocations in the market, provides the conditions for a meaningful bounce-back.

Quality Long/Short also continued to struggle in the second quarter, accounting for -120 bps of contribution at the ALTA level. Quality as a factor massively underperformed, particularly within small caps. Positive security selection helped us outperform a passive implementation. Additionally, the month of June brought a reversal and positive contribution within both Quality/Junk and Small Cap Quality vs the Russell 2000. Frothier pockets of the market dramatically outperformed over the period. Goldman Sachs' Non-Profitable Tech basket was up 44% for the quarter. Their meme stock basket was up 23%. We would not expect Quality Long/Short to outperform in such an environment. Despite this backdrop, we remain confident in Quality's defensive properties as well as the alpha the fundamental security selection provides.

Equity Dislocation, which bets on deep value vs expensive growth, had a better-than-expected quarter before losing over 300 bps on the last two days of June. Year to date, we have seen extreme volatility in this spread. In total, the strategy was down about 120 bps in a quarter where ACWI Value lost to ACWI Growth by more than 9%. The story was more pronounced as you dug deeper. The most expensive quintile outperformed the rest of the expensive half of the market by 14%. That said, year to date the portfolio is still up 8.6%. Equity Dislocation has demonstrated the ability to profit from AI disruption through focusing on which businesses are trading at unsustainable multiples, rather than forecasting which business models are most vulnerable. For example, software has been a positive contributor YTD for the strategy.

On the positive side, our **Managed Volatility** book delivered positive performance across equity indices, single-name positions, and credit as implied volatilities broadly declined over the course of the quarter. The **Event-Driven** strategy continued to deliver solid returns across a diversified book, as did **Trend,** led by primarily by equity positioning. Finally, **EM FX** had a strong quarter, up 4.1%. We added some risk back into the portfolio after cutting the position following the closing of the Strait of Hormuz in March.

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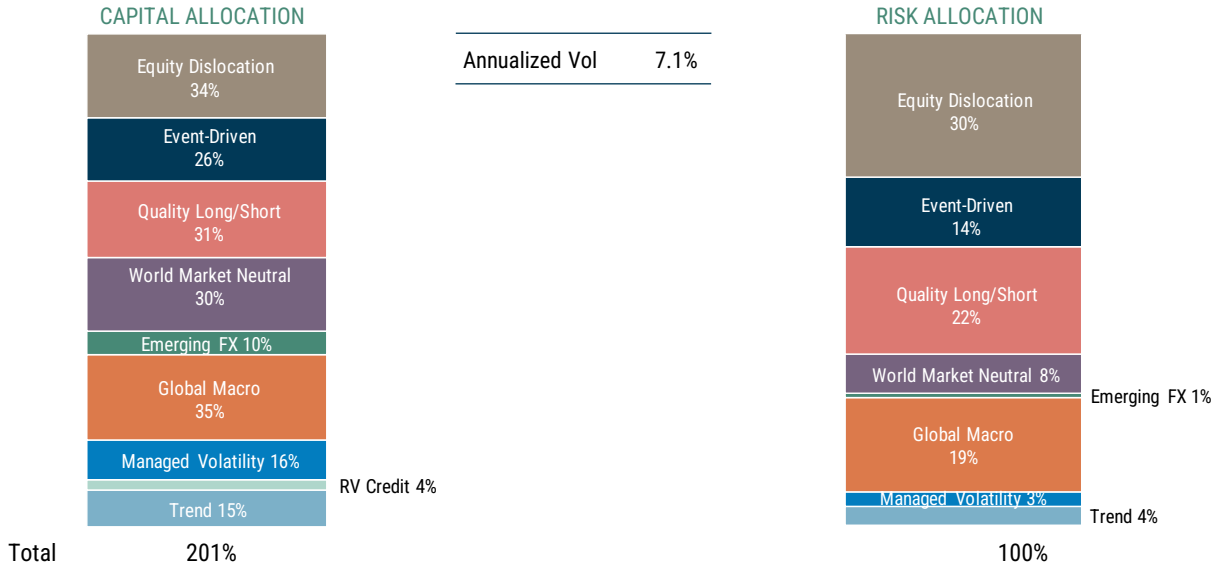
CLOSING THOUGHTS

The GMO Alternative Allocation portfolio is designed to provide diversifying, positive returns. ALTA had challenging, yet not disastrous performance, in the second quarter. The opportunity set, particularly within value, quality, and global macro, looks attractive. Consequently, Equity Dislocation, Quality Long/Short, and Global Macro remain the largest risks in the portfolio (Exhibit 2).

Exhibit 2: Second ALTA Capital and Risk Allocation



Despite the high volatility in the market, the portfolio's overall volatility has been stable, around 7% annualized. The portfolio has also maintained near-zero beta to other major risk factors as well (Exhibit 3).

Exhibit 3: Trailing 1yr Beta to Risk Assets

	S&P 500	EAFE	Emerging Equities	Commodities	U.S. Rates	DXY
BETA	**0.0**	**0.0**	**-0.1**	**0.0**	**0.1**	**-0.1**

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Equity performance in the second quarter was truly exceptional, driven by a very narrow set of stocks. While it was a tough quarter for some of the sub-strategies in the portfolio, ALTA's balanced risk-taking approach gives us confidence that the portfolio can deliver on its return objectives in 2026. Thank you for your continued support.

Exhibit 4: YTD Contribution Summary

	Ending Weight (%)	Gross Return (%)	Contribution To Return (%)
GMO Alternative Allocation (Net, Local Close)			**0.6**
GMO Alternative Allocation (Gross, Local Close)			**0.9**
Equity Dislocation	34	8.6	2.9
Event-Driven	26	2.6	0.6
Quality Long/Short	31	-7.5	-1.2
World Market Neutral	30	2.2	0.7
Global Macro	35	-10.9	-4.6
Managed Volatility	16	3.9	0.6
Relative Value Credit	4	0.2	0.0
Emerging FX	10	4.5	0.4
Trend	15	4.0	0.6
Cash and Collateral			0.9
Total	**201**		**0.9**

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

	Quarter-End	*YTD*	*1-Year*	*3-Year*	*5-Year*	*10-Year*	*Since Inception*
Alternative Allocation Fund (net)	-2.69	0.55	12.17	5.93	3.53	-	2.64
Alternative Allocation Fund (gross)	-2.49	0.96	13.10	6.81	4.39	-	3.50
FTSE 3-Mo. TBill	0.93	1.87	4.05	4.85	3.69	-	2.85
Value Add	-3.63	-1.33	+8.12	+1.08	-0.16	-	-0.20

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. **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.** 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. The performance information for all periods prior to January 31, 2025, was achieved prior to the change in the Fund's investment objective and principal investment strategies.

Inception Date: 1-May-19

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.

Risks: Risks associated with investing in the Fund 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) Derivatives and Short Sales Risk: the use of derivatives involves the risk that their value may not change as expected relative to changes in the value of the underlying assets, pools of assets, rates, currencies or indices. Derivatives also present other risks, including market risk, illiquidity risk, currency risk, credit risk, and counterparty risk; and (3) Leveraging Risk: the use derivatives and securities lending creates leverage. Leverage increases the Funds losses when the value of its investments (including derivatives) declines. For a more complete discussion of these and other risks, please consult the Fund's Prospectus. **Performance Returns:** Annualized Returns may include the impact of purchase premiums and redemption fees. The GMO Trust funds are distributed in the United States by Funds Distributor LLC. GMO and Funds Distributor LLC are not affiliated.

Net Expense Ratio: 2.74%; Gross Expense Ratio: 2.85% Net Expense Ratio reflects the reduction of expenses from fee reimbursements. The fee reimbursements will continue until at least 30 June 2027. Elimination of this reimbursement will result in higher fees and lower performance. Gross Expense Ratio is equal to the Funds Total Annual Operating Expenses set forth in the Funds most recent prospectus dated 30 June 2026.

IMPORTANT INFORMATION

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 funds prospectus. To obtain a prospectus please visit www.gmo.com. Read the prospectus carefully before investing.

Comparator Index(es): The FTSE 3-Month Treasury Bill Index is an independently maintained and widely published index comprised of short-term U.S. Treasury bills.

The GMO Trust funds are distributed in the United States by Funds Distributor LLC. GMO and Funds Distributor LLC are not affiliated.

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
**Representative Office