

QUARTERLY INVESTMENT REVIEW

Alternative Allocation Strategy

Performance returns (USD)

ANNUALIZED RETURNS (QUARTER-END)	Quarter-End	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
Alternative Allocation Strategy (net)	7.34	15.10	-	-	-	-	15.10
Alternative Allocation Strategy (gross)	7.60	16.11	-	-	-	-	16.11
FTSE 3-Mo. TBill	1.02	4.00	-	-	-	-	4.00
Value Add	+6.32	+11.11	-	-	-	-	+11.11

MAJOR PERFORMANCE DRIVERS

While equity markets continued to rally in the fourth quarter, there was increased concern over a possible bubble within the most speculative areas of Artificial Intelligence, which caused some of the frothiest areas of the market to cool. This drove underperformance for short positions in unprofitable growth stocks as well as the junk portfolio. The Alternative Allocation portfolio ("ALTA") had strong performance across the board in the fourth quarter, with a particular tailwind from those areas.

Exhibit 1: Performance and contribution

	Ending Weight (%)	Gross Return (%)	Contribution To Return (%)
GMO Alternative Allocation (Net, Local Close)			7.4
GMO Alternative Allocation (Gross, Local Close)			7.7
Equity Dislocation	36	12.1	4.2
Event-Driven	24	4.1	1.0
Quality Long/Short	33	7.2	1.2
World Market Neutral	25	0.6	0.1
Global Macro	41	-1.3	-0.5
Managed Volatility	15	2.1	0.4
Relative Value Credit	5	1.1	0.1
EM FX	12	2.8	0.3
Trend	10	4.1	0.4
Cash and Collateral			0.5
Total	201	7.7	7.7

RISKS

Risks associated with investing in the Strategy 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) Leverage Risk: the use derivatives and securities lending creates leverage. Leverage increases the Funds losses when the value of its investments (including derivatives) declines; and (3) 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. This is not a complete list of risks associated with investing in the Strategy. Please contact GMO for more information.

Composite Inception Date: 31-Jan-25

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. **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 does not yet have a GIPS-compliant report for this composite since it has not managed accounts in this strategy for a full year.** 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.

QUARTERLY INVESTMENT REVIEW

MAJOR PERFORMANCE DRIVERS CONT.

Equity Dislocation had a tremendous quarter, returning over 12%. Both the long and short sides of the portfolio contributed positively as value beat growth globally. This phenomenon was even more pronounced outside of the U.S. mega-caps that dominate the indices.

Our Quality Long/Short portfolio also outperformed, led by Quality vs. junk. The junk portfolio is short several expensive names in AI and unprofitable tech, and benefited as those wobbled. At the same time, it is important to note the portfolio is not short the overall AI theme. Alphabet and Lam Research were two of the largest contributors for the quarter. Quality/junk benefited from strong alpha over the period, as the broad Quality Factor lost. Our position in Small Cap Quality underperformed the Russell 2000 Index.

The Event-Driven portfolio continued its strong and steady run, contributing another 1% to ALTA over the quarter and finishing the year without a single broken deal. That is certainly not something we can count on every year. The widely held perception is that the regulatory environment for merger deals has become more benign. Our team believes that there will continue to be politicized and broken deals in this environment; however, they note that the length of review has reverted to more historically consistent timelines.

Trend saw strong performance throughout the quarter as well. Equity and credit markets broadly continued their rally as did many commodities, particularly precious metals.

The largest detractor for the quarter was Global Macro, which lost roughly 125 bps. The strategy was basically flat in rates and commodities. Within equities, short positions in Taiwan and Korea were the largest detractors, while long JPY detracted with the currency book.

Closing Thoughts

It was a strong quarter for GMO Alternative Allocation portfolio. We were especially pleased to see the portfolio receive positive performance from eight out of nine component strategies. An explicit goal of the changes we made to the portfolio in February was to diversify the sources of return. Our year-end letter provides more retrospective on those changes as well as broader commentary for 2025.

Portfolio weights, as a percent of total net assets, for the positions mentioned were: Alphabet (1.2%) and Lam Research (1.0%)

PRODUCT OVERVIEW

The GMO Alternative Allocation Strategy aims to generate positive total return while enhancing portfolio diversification through low correlation to traditional risk assets. The Strategy offers broad exposure across multiple asset classes and liquid alternative categories, including merger arbitrage/event-driven, equity market neutral, global macro, relative value quality, and volatility. We believe the Strategy's success will be driven by the following key features:

The GMO Asset Allocation team allocates capital based on risk and opportunity at the portfolio level. This is especially true at valuation extremes, when investors need risk management the most. The underlying investment strategies dynamically alter exposures and risk levels in an alpha-proportional manner.

IMPORTANT INFORMATION

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 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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