

# QUARTERLY INVESTMENT REVIEW

## Alternative Allocation Strategy

RETURNS (%) (LOCAL)	Cumulative (%)		Annualized (%)				
	QTD	YTD	1 Year	3 Years	5 Years	10 Years	ITD
Net of Fees (Composite)	4.57	5.17	10.17	2.00	–	–	1.39
Gross of Fees (Composite)	4.82	5.92	11.23	2.98	–	–	2.35
FTSE 3-Mo. T-Bill	1.38	3.80	4.71	1.78	–	–	1.64
Value Added (vs. FTSE 3-Mo. T-Bill)	3.19	1.37	5.47	0.22	–	–	-0.26

### Major Performance Drivers

The Alternative Allocation portfolio had positive returns for 3Q 2023.

Over the course of the quarter, the total capital at work increased by a few percentage points in aggregate. At the end of September 2023, the portfolio was allocated broadly: 30% in Systematic Global Macro, 28% in Event-Driven, 28% in Equity Dislocation, 9% in Credit & Relative Value Credit, 12% in Fixed Income Absolute Return, 15% in Asset Allocation Long/Short, and 8% in Put Selling.

Equity Dislocation was the biggest contributor to total performance as it is one of the larger allocations and enjoyed a 6.5% return for the quarter. This was a strong result as MSCI ACWI Value beat MSCI ACWI Growth by a smaller 3.0%. We are pleased the strategy has delivered positive returns this year against the brutal backdrop for Value and consider that the opportunity set remains extremely compelling.

Event-Driven, another sizeable allocation, also enjoyed a strong quarter and its 5.1% return contributed to overall performance. There was a string of regulatory and anti-trust wins, with the highest profile one being the hurdles to Microsoft's takeover of Activision being removed. Helpfully, the other large allocation to Systematic Global Macro also had a decent quarter, up 3.1%, boosting total portfolio performance with gains in currency and fixed income positions.

Fixed Income Absolute Return was up 3.5%, adding to overall performance, whereas the Asset Allocation Long/Short positions, the Credit positions, and the Put Selling strategy all had limited impact for the quarter.

Inception Date: 1-May-19

**Risks:** Risks associated with investing in the Strategy may include: Management and Operational Risk, Leveraging Risk, Derivatives and Short Sales Risk, Market Risk - Equities, and Market Risk - Fixed Income. 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 Returns:** 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%. **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. **A Global Investment Performance Standards (GIPS®) Composite Report is available on [GMO.com](http://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. The portfolio is not managed relative to a benchmark. References to an index are for informational purposes only. A Global Investment Performance Standards (GIPS®) Composite Report is included in the Important Information section at the back of this presentation. 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 Alternative Allocation Strategy seeks to generate positive total return by investing in a diversified portfolio of underlying alternative strategies, all run by GMO teams. Underlying strategies will include but are not be limited to: merger arbitrage/event-driven, global macro, fixed income absolute return, asset allocation long/short, long/short and market neutral equities, high yield, and systematic put writing strategies.

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## 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.**

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## 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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