

# QUARTERLY INVESTMENT REVIEW

## Alternative Allocation Fund

### Performance returns (USD)

ANNUALIZED RETURNS (QUARTER-END)	Quarter-End	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
Alternative Allocation Fund (net)	7.38	15.16	15.16	5.97	3.19	-	2.76
Alternative Allocation Fund (gross)	7.60	16.11	16.11	6.85	4.05	-	3.61
FTSE 3-Mo. TBill	1.02	4.40	4.40	5.03	3.31	-	2.78
Value Add	+6.35	+10.76	+10.76	+0.94	-0.12	-	-0.02

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](http://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.

### 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 (%)
<b>GMO Alternative Allocation (Net, Local Close)</b>			<b>7.4</b>
<b>GMO Alternative Allocation (Gross, Local Close)</b>			<b>7.7</b>
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
<b>Total</b>	<b>201</b>	<b>7.7</b>	<b>7.7</b>

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: 2.50%; Gross Expense Ratio: 2.70%** Net Expense Ratio reflects the reduction of expenses from fee reimbursements. The fee reimbursements will continue until at least June 30, 2026. 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 June 30, 2025.

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## 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 withing 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 Fund aims to generate positive total return while enhancing portfolio diversification through low correlation to traditional risk assets. The Fund offers broad exposure across multiple asset classes liquid alternative categories, including merger arbitrage/event-driven, equity market neutral, global macro, relative value quality, and volatility. We believe the Fund's success is 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

**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](http://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