QUARTERLY INVESTMENT REVIEW

Equity Dislocation Investment Fund USD Class A

RETURNS (%) (LOCAL)

	Cumulative (%)		*Annualized (%)*				
	QTD	*YTD*	*1 Year*	*3 Years*	*5 Years*	*10 Years*	*ITD*
Net of Fees Fund (USD Class A)	-0.67	-2.85	-4.42	–	–	–	1.81
Gross of Fees Fund (USD Class A)	-0.13	-1.79	-2.30	–	–	–	4.13
FTSE 3-Mo. T-Bill	1.25	2.39	3.75	–	–	–	1.83
Value Added (vs. FTSE 3-Mo. T-Bill)	-1.92	-5.24	-8.16	–	–	–	-0.02

Major Performance Drivers

For the second quarter of 2023, MSCI ACWI returned 6.2%, with MSCI ACWI Value underperforming with a return of 3.0% and MSCI ACWI Growth outperforming with a return of 9.2%. The Equity Dislocation Investment Fund aims to be dollar and (broadly) beta neutral and, for the period, it had an average long exposure of 98.8% and an average short exposure of 100.0%. The long portfolio modestly outperformed MSCI Value, while the short book added meaningful alpha as it had worse performance than ACWI Growth. The second quarter return for the Equity Dislocation Investment Fund is considerably ahead of MSCI ACWI Value's -6.2% performance versus MSCI ACWI Growth for the quarter. Since inception, we are very pleased by the return profile compared to ACWI Value minus ACWI Growth. We believe that the opportunity set remains extremely compelling and the strong rebound by Growth so far in 2023 offers an attractive entry point to the portfolio.

For the quarter, stock selection within countries across the long book detracted -140 bps relative to MSCI ACWI, with the most notable impact coming from the U.S. (-230 bps) and the UK (-20 bps), while there were lots of modest contributors with the most significant being Canada (+30 bps). Stock selection in the short book had a total impact against MSCI ACWI of +50 bps. The biggest detractors were New Zealand (-20 bps) and Korea (-20 bps), while the biggest contributors were Japan (+60 bps) and the Netherlands (+20 bps). There were some modest country bets, although these are typically residuals driven by bottom-up security selection, and they had an aggregate -20 bps impact on performance for the second quarter.

We are prepared to run modestly larger sector bets, up to about 10% net long or short, and the two biggest positions in this regard over the quarter were a 4.8% net long position in Financials and a 4.4% net short position in Information Technology. Financials underperformed the broad market, while Information Technology massively outperformed and, in aggregate, our sector positioning detracted -50 bps from performance. Stock selection across the long book was negative in three of the eleven sectors, broadly flat in four sectors, and positive in four sectors and detracted -110 bps altogether. The biggest contributors were Financials (+40 bps) and Energy (+40 bps), while the biggest detractors were Information Technology (-100 bps) and Communication Services (-60 bps). Stock selection in the short book was positive in four of the eleven sectors, broadly flat in five sectors, and negative in the other two, with a total impact of +50 bps added to performance in aggregate. The biggest positive impacts came from Communication Services (+40 bps) and Financials (+40 bps), while the detractors were Materials (-40 bps) and Information Technology (-20 bps).

Inception Date: 10-May-21

QUARTERLY INVESTMENT REVIEW

Major Performance Drivers Cont.

Given the market's ongoing recovery, it was unsurprising that no long position featured in the top five biggest detractors at the total portfolio level. Three of the five biggest contributors were long positions including Meta (U.S. Communication Services), Mitsubishi (Japan Industrials), and Petrobras (Brazil Energy).

PRODUCT OVERVIEW

The GMO Equity Dislocation Investment Fund seeks high total return. It aims to own attractively valued equities while correspondingly shorting equities where we believe that valuations are reflective of implausible growth expectations. Currently, the Fund is long global Value, short global Growth, to take advantage of the exceptionally wide valuation spread between Value and Growth.

The eligible universe for both the long and short side spans the market capitalization spectrum and includes both developed and emerging markets. Utilizing GMO's proprietary Price to Fair Value model to actively select the cheapest and most expensive stocks, the portfolio is diversified across sectors, countries, and regions and is intended to be approximately beta neutral.

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.

AMSTERDAM | BOSTON | LONDON | SAN FRANCISCO | SINGAPORE | SYDNEY | TOKYO*

*Representative Office