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)	7.07	4.02	6.41	–	–	–	4.56
Gross of Fees Fund (USD Class A)	7.65	5.72	8.73	–	–	–	6.94
FTSE 3-Mo. T-Bill	1.38	3.80	4.71	–	–	–	2.22
Value Added (vs. FTSE 3-Mo. T-Bill)	5.70	0.22	1.70	–	–	–	2.34

Major Performance Drivers

For the third quarter of 2023, MSCI ACWI returned -3.4%, with MSCI ACWI Value outperforming with a return of -1.8% and MSCI ACWI Growth underperforming with a return of -4.9%. The Equity Dislocation Investment Fund aims to be dollar and (broadly) beta neutral and, for the quarter, it had an average long exposure of 99.8% and an average short exposure of 98.8%. The long portfolio modestly outperformed MSCI Value, and the short book also added meaningful alpha as it had worse performance than MSCI ACWI Growth. The third quarter return for the portfolio was nicely ahead of MSCI ACWI Value's 3.1% performance versus MSCI ACWI Growth for the quarter. Since inception, the portfolio is ahead of ACWI Value minus ACWI Growth, and we are very pleased by the strong return profile. We believe that the opportunity set remains extremely compelling and the strong rebound by Growth thus far in 2023 offers an attractive entry point to the portfolio.

For the quarter, stock selection within countries across the long book added +240 bps relative to MSCI ACWI, with notable impacts coming from Japan (+100 bps), Switzerland (+30 bps) and the Netherlands (+30 bps), while the most significant detractor was China (-30 bps). Stock selection in the short book had a total impact against MSCI ACWI of +380 bps. The biggest detractor was the UK (-30 bps), while the biggest contributors were the U.S. (+240 bps), Germany (+50 bps), and Japan (+40 bps). There were some modest country bets, although these are typically residuals driven by bottom-up security selection, and they had an aggregate +30 bps impact on performance for the third 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 5.6% net long position in Financials and a 4.9% net short position in Industrials. Financials outperformed the broad market, while Industrials underperformed and, in aggregate, our sector positioning added +60 bps to performance. Stock selection across the long book was negative in three of the eleven sectors, broadly flat in three sectors, and positive in five sectors and added +210 bps altogether. The biggest contributors were Industrials (+110 bps), Information Technology (+90 bps), and Materials (+50 bps), while the biggest detractors were Financials (-30 bps) and Consumer Discretionary (-30 bps). Stock selection in the short book was positive in six of the eleven sectors, broadly flat in three sectors and negative in the other two, with a total impact of +380 bps added to performance in aggregate. The biggest positive impacts came from Health Care (+180 bps), Financials (+80 bps), Consumer Discretionary (+80 bps), and Communication Services (+50 bps), while the detractors were Industrials (-40 bps) and Information Technology (-30 bps).

Inception Date: 10-May-21

Major Performance Drivers Cont.

Given the market's decline, it was perhaps unsurprising that only one long position, Inpex (Japan Energy), featured in the top five biggest contributors at the total portfolio level. Three of the five biggest detractors were long positions including Discover Financial (U.S. Financials), Ford (U.S. Consumer Discretionary), and Canadian Tire (Canada Consumer Discretionary).

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.

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