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)	-1.62	2.34	2.34	–	–	–	3.48
Gross of Fees Fund (USD Class A)	-1.08	4.58	4.58	–	–	–	5.82
FTSE 3-Mo. T-Bill	1.41	5.26	5.26	–	–	–	2.54
Value Added (vs. FTSE 3-Mo. T-Bill)	-3.02	-2.92	-2.92	–	–	–	0.93

Major Performance Drivers

For the fourth quarter of 2023, MSCI ACWI returned 11.0%, with MSCI ACWI Value underperforming with a return of 9.2% and MSCI ACWI Growth outperforming with a return of 12.7%. The Equity Dislocation Investment Fund aims to be dollar and (broadly) beta neutral and, for the quarter, it had an average long exposure of 101% and an average short exposure of 101%. The long portfolio outperformed MSCI ACWI Value, but the short book detracted alpha as it had better performance than ACWI Growth. The fourth quarter net return for the Equity Dislocation Investment Fund is ahead of MSCI ACWI Value's -3.5% performance versus MSCI ACWI Growth for the quarter. Since inception, the portfolio is well 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 in 2023 offers an attractive entry point to the portfolio.

For the quarter, stock selection within countries across the long book added +150 bps relative to MSCI ACWI, driven by the U.S. (+110 bps), with no significant detractors. Stock selection in the short book had a total impact against MSCI ACWI of -340 bps. The biggest detractors were the U.S. (-210 bps), the UK (-60 bps), and Japan (-40 bps), while the biggest contributor was Korea (+30 bps). There were some modest country bets, although these are typically residuals driven by bottom-up security selection, and they had an aggregate -10 bps impact on performance for the fourth 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 5.1% net long position in Financials and a 4.1% net short position in Industrials. Our sector positioning detracted -30 bps from performance. Stock selection across the long book was positive in four of the eleven sectors and broadly flat in the other seven sectors, adding +240 bps altogether. The biggest contributors were Financials (+90 bps), Consumer Discretionary (+60 bps), and Energy (+50bps). Stock selection in the short book was negative in seven of the eleven sectors, broadly flat in three sectors and positive in the other one, with a total impact of -410 bps detracted from performance in aggregate. The biggest negative impacts came from Health Care (-80 bps), Information Technology (-80 bps), Financials (-70 bps), and Communication Services (-70 bps), while the sole contributor was Industrials (+20 bps).

Given the market's rebound, it was perhaps unsurprising that all of the top five biggest contributors at the total portfolio level were long positions. These included Expedia (U.S. Consumer Discretionary), Intel (U.S. Information Technology), Capital One (U.S. Financials), Builders FirstSource (U.S. Industrials), and Qualcomm (U.S. Information Technology). No long positions featured in the top five biggest detractors at the total portfolio level.

Inception Date: 10-May-21

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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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