QUARTERLY INVESTMENT REVIEW

Equity Dislocation Strategy

RETURNS (%) (LOCAL)

	Cumulative (%)		*Annualized (%)*				
	QTD	*YTD*	*1 Year*	*3 Years*	*5 Years*	*10 Years*	*ITD*
Net of Fees (Composite)	-0.61	-3.02	-4.47	–	–	–	10.36
Alternate Net of Fees (Composite)	-0.21	-2.24	2.55	–	–	–	9.65
Gross of Fees (Composite)	-0.08	-2.01	-2.44	–	–	–	12.70
FTSE 3-Mo. T-Bill	1.25	2.39	3.75	–	–	–	1.48
Value Added (vs. FTSE 3-Mo. T-Bill)	-1.86	-5.41	-8.22	–	–	–	8.88
Alternate Net Value Added (vs. FTSE 3-Mo. T-Bill)	-1.46	-4.63	-6.30	–	–	–	+8.17

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 portfolio aims to be dollar and (broadly) beta neutral and, for the period, it had an average long exposure of 100.2% and an average short exposure of 101.3%. 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 portfolio is considerably ahead of MSCI ACWI Value's -6.2% 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 so far in 2023 offers an attractive entry point to the portfolio.

For the quarter, stock selection within countries across the long book detracted -160 bps relative to MSCI ACWI, with the most notable impact coming from the U.S. (-240 bps) and the UK (-30 bps), while there were many modest contributors with the most significant being Canada (+30 bps). Stock selection in the short book had a total impact against MSCI ACWI of +70 bps. The biggest detractor was New Zealand (-20 bps), while the biggest contributors were Japan (+70 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 first 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 5.3% net long position in Financials and a 4.3% net short position in Information Technology. Financials underperformed the broad market, while Information Technology massively outperformed and, in aggregate, our sector positioning detracted -40 bps from performance. Stock selection across the long book was negative in four of the eleven sectors, broadly flat in four sectors, and positive in three sectors and detracted -140 bps altogether. The biggest contributors were Financials (+40 bps) and Energy (+30 bps), while the biggest detractors were Information Technology (-100 bps) and Communication Services (-70 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 +70 bps added to performance in aggregate. The biggest positive impacts came from Communication Services (+50 bps) and Financials (+40 bps), while the detractors were Materials (-40 bps) and Information Technology (-30 bps).

Inception Date: 23-Oct-20

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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 Molson Coors (U.S. Consumer staples).

PRODUCT OVERVIEW

The GMO Equity Dislocation Strategy 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 Strategy 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.

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.