MULTI-ASSET CREDIT STRATEGY

Quarterly Investment Review

ANNUALIZED RETURNS (USD, %) (QUARTER-END)

	Quarter-End	*YTD*	*1-Year*	*3-Year*	*5-Year*	*10-Year*	*Since Inception*
Multi-Asset Credit Strategy (net)	0.49	0.49	-	-	-	-	6.76
Multi-Asset Credit Strategy (gross)	0.60	0.60	-	-	-	-	7.16
Multi-Asset Credit Blended Benchmark	-0.47	-0.47	-	-	-	-	6.45
Value Add vs. Multi-Asset Credit Blended Benchmark	+0.96	+0.96	-	-	-	-	+0.31
SOFR Index Plus 3%	1.63	1.63	-	-	-	-	5.92
Value Add vs. SOFR Index Plus 3%	-1.14	-1.14	-	-	-	-	+0.84

MAJOR PERFORMANCE DRIVERS

The GMO Multi-Asset Credit Benchmark (equal-weighted index comprised of Bloomberg U.S. High Yield, Bloomberg U.S. Corporate, Bloomberg U.S. Securitized, and J.P. Morgan EMBI Global Diversified indices) declined 0.5% over the period. Spreads over Treasury widened across credit sectors, while U.S. Treasury rates sold off, with 2-year Treasury yields rising 32 bps to 3.79%, and the 10-year Treasury yield increasing 15 bps to 4.32%.

Within corporate credit markets, High Yield (HY) underperformed Investment Grade (IG) on an excess return basis, posting -0.7% vs -0.5%, while both segments finished the period with equal total returns of -0.5%, reflecting the fact that assets like HY held in better when base rates increased. Emerging Debt delivered the weakest performance, generating an excess return of -1.5%, and underperforming both HY (-0.7%) and U.S. Securitized (0.2%), while also posting the lowest total return, -1.6%. In contrast, U.S. Securitized Credit had a strong quarter, outperforming IG by 0.7% in total return terms and by 0.9% on an excess return basis.

The portfolio outperformed the benchmark during the quarter, driven primarily by strong credit selection and credit allocation. Negative contributions from duration positioning were not sufficient to offset these gains.

Within the credit allocation category, the overweight in Securitized Credit, implemented via the Opportunistic Income Strategy, and the underweight in Emerging Debt, were the largest contributors to relative performance. Smaller positive contributions came from the opportunistic short position in leveraged loans, exposure to credit momentum, defensive positioning via U.S. Treasuries and credit hedges, and an underweight in High Yield. Conversely, the underweight in Investment Grade detracted from relative performance, though it only partially offset the portfolio's credit allocation gains.

RISKS

Risks associated with investing in the Strategy may include: (1) Credit Risk: the risk that the issuer or guarantor of a fixed income investment or the obligor of an obligation underlying an asset-backed security will be unable or unwilling to satisfy its obligation to pay principal and interest or otherwise to honor its obligations in a timely manner; (2) Market Risk-Asset-Backed Securities Risk: the market price of asset-backed securities, like that of other fixed income investments with complex structures, can decline for a variety of reasons, including investor uncertainty about their credit quality and the reliability of their payment streams. Payment streams associated with asset-backed securities held by the Fund depend on many factors (e.g., the cash flow generated by the assets backing the securities, deal structure, and creditworthiness of any credit-support provider), and a problem in any of these factors can lead to a reduction in the payment stream GMO expected the Fund to receive when the Fund purchased the asset-backed security; (3) Illiquidity Risk: low trading volume, lack of a market maker, large position size, or legal restrictions may limit or prevent the Fund from selling particular securities or closing derivative positions at desirable prices; and (4) Pooled Investment Vehicles Risk: Investments by a Fund in pooled investment vehicles may involve additional and/or a layering of fees, expenses, changes and other costs (including without limitation, purchase premiums and redemption fees, if any). This is not a complete list of risks associated with investing in the Strategy. Please contact GMO for more information.

Composite Inception Date: 31-May-25

Performance Returns: 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. To obtain performance information to the most recent month-end, visit www.gmo.com. **Performance data quoted represents past performance and is not predictive of future performance.** Net returns are presented after the deduction of a model advisory fee and incentive fee if applicable. These returns include transaction costs, commissions and withholding taxes on foreign income and capital gains and include the reinvestment of dividends and other income, as applicable. Fees paid by accounts within the composite may be higher or lower than the model fees used. Gross returns are presented gross of management fees and any incentive fees if applicable. These returns include transaction costs, commissions, withholding taxes on foreign income and capital gains and include the reinvestment of dividends and other income, as applicable. If management and incentive fees were deducted performance would be lower. For example, if, before fees, the strategy were to achieve a 10% annual rate of return above its hurdle rate each year for ten years, and an annual advisory fee of 1% and incentive fee of 20% of net returns above the hurdle rate were charged during that period, the resulting average annual net return (after the deduction of management and incentive fees) would be approximately 7.20%. **GMO does not yet have a GIPS-compliant report for this composite since it has not managed accounts in this strategy for a full year.**

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MAJOR PERFORMANCE DRIVERS CONT..

Within the credit selection category, our position in Emerging Debt added the most to relative returns. Gains were overwhelmingly driven by an overweight position in Venezuela. Security selection in Venezuela, Peru, and Brazil was positive, while positions in Colombia and Mexico detracted. In addition, the securitized credit sleeve also contributed positively as selection in non-Agency MBS, Student loans, CLOs, and CMBS outperformed the benchmark.

Duration positioning contributed negatively over the period. The portfolio targets lower interest rate duration compared to the blended benchmark, which averaged 5.3 years during the period vs. the portfolio's average of 4.0 years. Although this positioning helped outperform the benchmark with respect to duration returns as rates sold off and curves flattened, the overall duration exposure modestly detracted from relative performance over the full period.

During the quarter, we reduced the portfolio's exposure to Agency MBS in early January following strong performance in that market. We also closed out our tactical short position in leveraged loans, implemented via total return swaps (TRS), as the sector significantly underperformed amid weakness in the software sector and broader concerns surrounding weak underwriting. In addition, we increased the effective exposure to Emerging Debt by reducing the portfolio's beta hedge through credit derivatives in late January, while beginning to de-risk the credit momentum sleeve as spreads widened.

Overall, the portfolio remains conservatively positioned with underweights in long spread duration and higher risk credit sectors. At the same time, we continue to hold a maximum allocation of approximately 45% to the Opportunistic Income Strategy, which we view as the lowest risk component of the portfolio.

At quarter end, approximately 65% of the portfolio was rated Investment Grade (BBB or higher), 45% of the portfolio was invested in Securitized credit, 15% in High Yield, 10.0% in Investment Grade Corporates, 7.3% in Emerging Debt (including CDX hedge), 3.1% in Agency MBS, and 10.0% in U.S. Treasuries and ultra-short income investments.

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PRODUCT OVERVIEW

The GMO Multi-Asset Credit Strategy seeks to maximize alpha potential by harvesting the most attractively priced credit risk premia through a dynamic allocation process across the credit spectrum. Our team utilizes a robust research framework that combines top-down and bottom-up analysis along with fundamental and quantitative techniques across various fixed income markets, including Emerging Country Debt, Structured Products, High Yield, Investment Grade, Loans, and Mortgages. Our investment process places a strong emphasis on relative value analysis, allowing us to employ a benchmark agnostic investment style that sets us apart. We have the agility to capitalize on fleeting relative value opportunities across fixed income markets, ensuring we stay ahead of market dynamics. Our Strategy maintains a balanced approach between risk and return by focusing on capital preservation during market downturns, and avoiding premium priced securities in overvalued markets.

IMPORTANT INFORMATION

Benchmark(s): The Multi-Asset Credit Blended Benchmark is an internally maintained benchmark computed by GMO, comprised of (i) 25% Bloomberg U.S. Securitized Index, (ii) 25% Bloomberg U.S. Corporate High Yield Index, (iii) 25% Bloomberg U.S. Corporate Index, and (iv) 25% J.P. Morgan EMBI Global Diversified.

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.