

OPPORTUNISTIC INCOME FUND

Quarterly Investment Review

PRODUCT OVERVIEW

The GMO Opportunistic Income Fund seeks capital appreciation and current income by investing in what we believe are the most attractively priced sectors and securities in the structured finance marketplace. The Structured Products team utilizes both top-down and bottom-up security selection methods to identify what we believe are the best opportunities from a pure risk/return perspective.

The structured finance asset class offers a range of opportunities due to both its inherently fragmented nature and the inefficiencies caused by market segmentation and structural anomalies. We believe that the marketplace's complexity, volatile historical performance, and very high number of discrete investment opportunities create considerable potential for alpha generation. Our unconstrained approach to risk diversification, sub-sector allocation and security selection is designed to identify and benefit from those opportunities.

MAJOR PERFORMANCE DRIVERS

Securitized products delivered broadly positive results in the second quarter of 2026, with positive excess returns versus swaps across major sectors. Residential mortgage Credit Risk Transfer (CRT) posted excess returns of 0.2%–1.0%, with senior tranches at the lower end of the range and subordinate tranches leading performance. Non-Agency Residential Mortgage-Backed Securities (RMBS) were a standout, generating 0.2%–2.2% excess returns and 0.7%–3.1% total returns, driven by strength in legacy prime fixed-rate, Alt-A, and option-ARM bonds. Single Family Rental (SFR) securities also contributed positively, adding 0.6%–0.9% in excess returns and 0.5%–0.9% in total returns. Commercial Mortgage-Backed Securities (CMBS) produced 0.6% excess return, with BBB tranches outperforming AAA tranches by 1.1% versus 0.6%. Fixed-rate Asset-Backed Securities (ABS) returned 0.5% excess, while floating-rate ABS, including Student Loans, delivered 0.3%. The Collateralized Loan Obligation (CLO) market added 0.7% excess return, led by BB and BBB tranches. Treasury yields moved higher across the curve, with 2-year, 5-year, and 10-year yields rising 38 bps, 28 bps, and 15 bps, respectively. The Federal Reserve left its target rate unchanged at 3.50%–3.75%, but its messaging turned more hawkish as policymakers continued to emphasize persistent inflation risks.

The GMO Opportunistic Income portfolio delivered a positive return in the second quarter of 2026, generating approximately 60 bps net of fees. Results were supported by broad-based contributions from securitized credit, with Commercial Mortgage-Backed Securities (CMBS), Student Loans, and Residential Mortgage-Backed Securities (RMBS) together adding 72 bps. U.S. Treasuries contributed 23 bps, other areas of consumer credit added 14 bps, and Collateralized Loan Obligations (CLOs) contributed 13 bps. These gains were partly offset by duration overlay positions, which reduced returns by roughly 30 bps, and credit hedges, which detracted approximately 20 bps. Overall, the quarter reflected the portfolio's ability to capture income and relative value opportunities across core securitized markets while maintaining a disciplined approach to risk.

The portfolio remained positioned with moderately elevated interest rate exposure, ending the quarter near the upper end of the stated 2.5-year range. Interest rate duration rose by 0.2 years over the period to 2.4 years, while spread duration was largely unchanged at approximately 1.0 year.

Portfolio activity during the period remained selective and valuation driven. Across the opportunity set, private student loans stood out as a particularly compelling area. In CLOs, we reinvested paydowns but did not increase the overall allocation, as the sector remains less attractive outside of shorter, out-of-reinvestment-period AAA tranches. We also added to the mortgage basis as valuations cheapened during the April spike in rate volatility, while maintaining discipline around coupon selection and relative value. Elsewhere, we increased risk in the Commercial Mortgage-Backed Securities (CMBS) book through senior Single-Asset Single-Borrower (SASB) deals backed by high-quality properties and initiated a small position in second-lien Residential Mortgage-Backed Securities (RMBS).

Entering the third quarter, the portfolio remained positioned with a higher-quality bias: 77% of assets were rated single-A or higher, including 48% in AAA-rated securitized credit, and 23% in U.S. Treasury securities. Sector allocations were led by CMBS at 20%, followed by RMBS at 18%, Student Loans at 17%, CLOs at 12%, Small Balance Commercial at 5%, other ABS at 4%, and Autos at 3%.

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

	Quarter-End	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
Opportunistic Income Fund (net)	0.59	1.34	4.22	5.94	3.86	4.26	4.57
Opportunistic Income Fund (gross)	0.71	1.58	4.73	6.45	4.36	4.75	5.01
Bloomberg U.S. Securitized+	0.58	0.98	5.12	4.68	0.56	1.66	1.30
Value Add	+0.01	+0.36	-0.89	+1.26	+3.30	+2.60	+3.27

Net of all fees and expenses after reimbursement by the Manager, but not transaction costs, if any. If certain expenses were not reimbursed, performance would be lower. Gross of fees, expenses and transaction costs, if any. If these fees, expenses and costs were included, performance would be lower. **Performance data quoted represents past performance and is not indicative of future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance data may be lower or higher than the performance data provided herein. To obtain performance information to the most recent month-end, visit www.gmo.com.** The portfolio is actively-managed, is not managed relative to a benchmark and uses an index for performance comparison purposes only and, where applicable, to compute a performance fee.

Inception Date: 3-Oct-11

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.

Risks: Risks associated with investing in the Fund 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; and (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. For a more complete discussion of these and other risks, please consult the Fund's Prospectus. **Performance Returns:** Annualized Returns may include the impact of purchase premiums and redemption fees. The GMO Trust funds are distributed in the United States by Funds Distributor LLC. GMO and Funds Distributor LLC are not affiliated.

Net Expense Ratio: 0.49%; Gross Expense Ratio: 0.51% Net Expense Ratio reflects the reduction of expenses from fee reimbursements. The fee reimbursements will continue until at least 30 June 2027. Elimination of this reimbursement will result in higher fees and lower performance. Gross Expense Ratio is equal to the Funds Total Annual Operating Expenses set forth in the Funds most recent prospectus dated 30 June 2026.

IMPORTANT INFORMATION

An investor should consider the fund's investment objectives, risks, charges and expenses before investing. This and other important information can be found in the funds prospectus. To obtain a prospectus please visit www.gmo.com. Read the prospectus carefully before investing.

Comparator Index(es): The Bloomberg U.S. Securitized + Index is an internally maintained benchmark computed by GMO, comprised of (i) the J.P. Morgan U.S. 3 Month Cash through 12/30/2016 and (ii) the Bloomberg U.S. Securitized thereafter.

The GMO Trust funds are distributed in the United States by Funds Distributor LLC. GMO and Funds Distributor LLC are not affiliated.

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.

*GMO's West Coast Hub is comprised of members of Investment, Global Client Relations, and other teams located in and around the Greater San Francisco area

**Representative Office