OPPORTUNISTIC INCOME STRATEGY

Quarterly Investment Review

PRODUCT OVERVIEW

The GMO Opportunistic Income Strategy 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 mixed total returns and mixed excess returns in the third quarter of 2026. Credit Risk Transfer (CRT) deals on residential mortgages delivered positive excess return across tranches, ranging from 0.1% to 0.9%, while total returns spanned 1.0% to 1.8%. Non-Agency Residential Mortgage-Backed Securities (RMBS) showed wide dispersion, with total returns between -2.1% and 1.2% and excess return from -2.5% to 1.3%, led by RPL and Alt-A bonds. Single Family Rental (SFR) securities were uniformly positive, recording total returns of 0.5% to 1.0% and excess returns of 1.6% to 2.1%. Commercial Mortgage-Backed Securities (CMBS) generated a 0.2% excess return overall, with BBB tranches outperforming AAA tranches at 0.5% versus 0.2%. Fixed-Rate Asset-Backed Securities (ABS) produced a 0.4% excess return, while floating-rate ABS, including Student Loans, ranged from 0.2% to 0.4%. The Collateralized Loan Obligation (CLO) market returned a 0.5% excess return, led by BBB and BB tranches.

U.S. Treasury rates repriced sharply in September following strong PMI data in the U.S. and globally, despite a 25-bp increase by the Federal Reserve. Over the quarter, the 2-year Treasury yield rose by 71 bps, and the 10-year yield increased by 82 bps. The move weighed on longer-duration assets, including investment-grade corporate bonds and U.S. Agency MBS, while high-quality floating-rate securities performed comparatively well, particularly AAA-rated CLOs.

Against this backdrop, the portfolio remained constructive on rates, with interest-rate duration near the upper end of the stated range at 2.5 years. At the same time, we continue to keep spread duration at the short end of our range, at approximately 1.0 year, reflecting a more measured stance toward credit risk.

From a performance perspective, the portfolio delivered a negative return in the third quarter of 2026. The duration overlay was the primary detractor during the period, reducing portfolio returns by approximately 125 bps, while credit sectors generated positive returns that were insufficient to offset the impact of the rates repricing higher. RMBS positions generated a negative total return of 52 bps, detracting roughly 11 bps from portfolio performance; within the sector, recent additions to closed-end second-lien and non-QM securities held up better than prime and subprime RMBS. Elsewhere, CMBS, student loans, and CLOs generated positive total returns ranging from 120 to 140 bps and together contributed approximately 60 bps to portfolio returns. Additionally, liquidity reserves, credit hedges, and relative-value credit trades contributed positively during the quarter, providing partial offsets to losses from the portfolio's duration exposure. Overall, the quarter reflected the persistent diversification benefits of the investment process amid a challenging interest rate environment.

Portfolio activity remained selective, focusing on areas where volatility created more attractive entry points. In September, we added to the Agency MBS basis as rate volatility increased, duration profile extended, and the basis cheapened by 5–10 bps. In August, we added non-QM and closed-end second-lien positions in the RMBS book. Closed-end seconds are generally fixed-rate, fully amortizing second-lien mortgage loans secured by accumulated home equity. We believe the sector is supported by strong borrower home-equity positions, generally small loan balances, and a favorable convexity profile, with less prepayment sensitivity when rates decline. High-quality AAA-rated issues also offered an attractive spread pickup relative to investment-grade corporate bonds. In CMBS, we continue to be biased toward high-grade properties.

Entering the fourth quarter, the portfolio remained positioned with a higher-quality bias: 82% of assets were rated single-A or higher, including 42% in AAA-rated securitized credit and 20% in Short Term Securities. Sector allocations were led by CMBS at 20%, followed by non-Agency RMBS at 18%, Student Loans at 15%, CLOs at 11%, Agency MBS at 6%, Small Balance Commercial at 5%, Other ABS at 4%, and Autos at 2%.

OPPORTUNISTIC INCOME STRATEGY

Quarterly Investment Review

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

	Quarter-End	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
Opportunistic Income Strategy (net)	-0.48	0.84	2.14	5.41	3.58	3.86	4.44
Opportunistic Income Strategy (gross)	-0.34	1.25	2.70	5.99	4.15	4.43	4.95
Bloomberg U.S. Securitized+	-4.06	-3.12	-1.49	4.59	-0.28	1.22	1.01
Value Add	+3.58	+3.96	+3.63	+0.82	+3.87	+2.65	+3.43

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; 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. This is not a complete list of risks associated with investing in the Strategy. Please contact GMO for more information.

Composite Inception Date: 31-Oct-11

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 indicative of future results.** 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 LLC claims compliance with the Global Investment Performance Standards (GIPS®). A Global Investment Performance Standards (GIPS®) Composite Report is available at www.gmo.com by clicking the GIPS® Composite Report link in the documents section of the strategy page. GIPS® is a registered trademark owned by CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein. Actual fees are disclosed in Part 2 of GMO's Form ADV and are also available in each strategy's Composite Report.** 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.

IMPORTANT INFORMATION

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 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.

For private bank intermediaries in Singapore and Hong Kong, these materials are intended for institutional and Accredited/Professional Investors Use Only.

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.

AMSTERDAM | BOSTON | LONDON | SAN FRANCISCO* | SINGAPORE | SYDNEY | TOKYO**

*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