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)	0.72	0.72	4.95	6.10	3.80	4.28	4.59
Opportunistic Income Strategy (gross)	0.86	0.86	5.53	6.68	4.37	4.85	5.09
Bloomberg U.S. Securitized+	0.40	0.40	5.75	4.26	0.54	1.63	1.29
Value Add	+0.32	+0.32	-0.80	+1.84	+3.26	+2.65	+3.30

MAJOR PERFORMANCE DRIVERS

Securitized products posted positive total and excess returns in the first quarter of 2026, with excess returns versus swaps positive across sectors. Credit Risk Transfer (CRT) deals on residential mortgages earned 0.2%–0.8% excess return, with senior tranches lower and subordinate upper. Non-Agency Residential Mortgage-Backed Securities (RMBS) posted 0.2%–1.3% excess and 1.1%–2.2% total returns, led by legacy prime fixed, Alt-A, and option-ARM bonds. Single Family Rental (SFR) securities delivered 0.3%–1.1% excess and 0.8%–1.6% total returns. Commercial Mortgage-Backed Securities (CMBS) generated a 1.3% excess return, with AAA tranches outperforming BBB. Fixed-Rate Asset-Backed Securities (ABS) returned 0.8% excess, while floating-rate ABS, such as Student Loans, gained 0.5%. The Collateralized Loan Obligation (CLO) market produced 0.2% excess return, led by AAA and A tranches. U.S. Treasury rates had a volatile quarter, selling off significantly amid rising uncertainty; the 2s/10s curve flattened, and the belly of the curve, including the 10-year point, sold off between 15 and 32 bps.

The GMO Opportunistic Income portfolio delivered positive absolute performance for the quarter, generating a net return of 72 bps. The main contributors to performance were Commercial Mortgage-Backed Securities (CMBS), Student Loans, and Residential Mortgage-Backed Securities (RMBS), which together added 61 bps, while defensive positions in U.S. Treasuries contributed an additional 23 bps. Credit hedges provided a further 12 bps, and smaller exposures to other segments of consumer credit added 15 bps. The primary detractor was the portfolio's duration overlay positions, which subtracted 30 bps as U.S. Treasury rates sold off during the period.

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 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 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.

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MAJOR PERFORMANCE DRIVERS CONT..

The portfolio’s risk profile remained conservative and stable over the quarter, with spread duration skewed toward the lower end of its historical range and relative to other credit risk sectors. This positioning helped mitigate mark-to-market volatility as credit spreads widened during the period. By contrast, our view on interest rate duration remains constructive, and following the sell-off in rates, the portfolio’s interest rate duration continues to screen at the upper end of its historical range, ending the quarter at 2.2 years.

During the quarter, the portfolio saw several notable trades and shifts in sector exposures. The team reduced the Mortgage Basis trade, monetizing gains as interest rate volatility declined in January, and closed out the short position in the leveraged loan index following underperformance in the software sector. Exposure to short, AAA Collateralized Loan Obligations (CLOs) was increased, focusing on structures with deleveraging features and those out of their reinvestment period. The portfolio trimmed risk in CMBS, while adding to Student Loans and Prime Auto Asset-Backed Securities (ABS).

Entering 2026, the portfolio's credit quality continues to be tilted higher, with 77% of assets rated single-A or higher, including 43% in AAA-rated securitized credit and approximately 21% allocated to U.S. Treasury securities. Sector allocations are 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 5%, and Autos at 3%.

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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 relatively unconstrained approach to risk diversification, sub-sector allocation, and security selection is designed to identify and benefit from those opportunities.

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.

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