BENCHMARK-FREE ALLOCATION STRATEGY

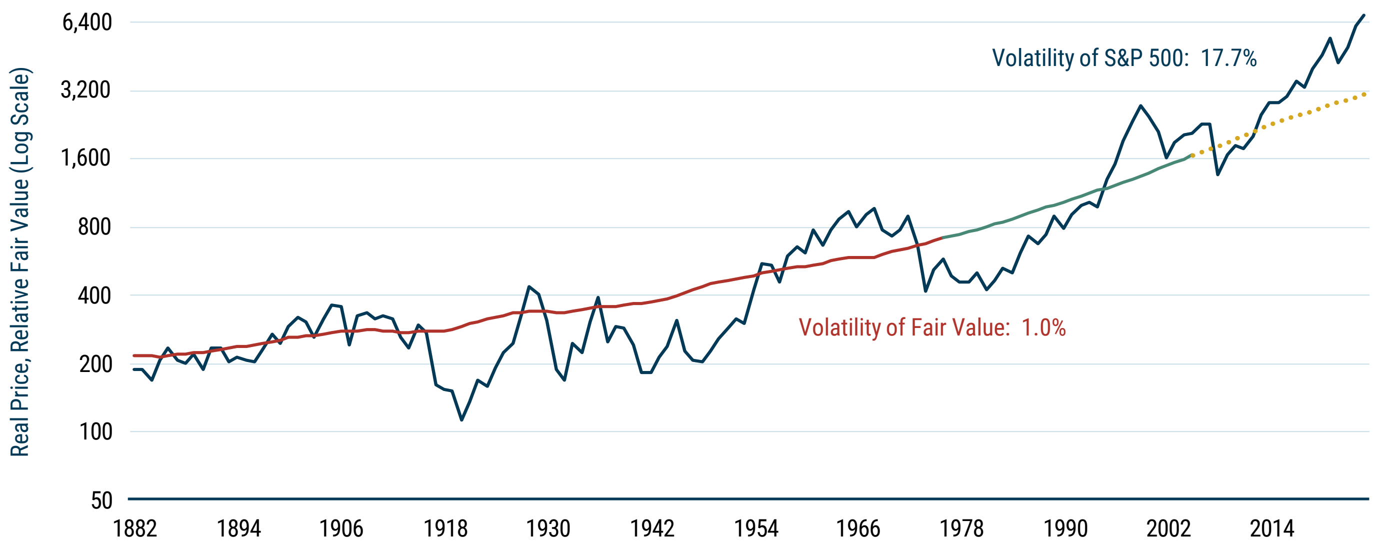
The Opportunity

Markets are inefficient and asset prices are often far removed from their long-term fair value. When asset prices are not at extreme levels, we advocate building diversified portfolios, but when warranted, we are prepared to take a contrarian view. This willingness to embrace so-called career risk allows GMO to avoid capital-destroying bubbles and take advantage of attractively priced bargains. Dynamically shifting portfolio allocations commensurate with expected returns creates an opportunity set that would not otherwise exist in static portfolios.

INVESTORS CONTINUALLY MISPRICE ASSET CLASSES

Short run prices fluctuate around stable, long term fair value*

S&P500 Clairvoyant Fair Value



As of 3/31/2026 | Source: Robert Shiller, GMO

*Clairvoyant fair value based on next 50 years of dividends and earnings. Green series is approximation of clairvoyant value given shorter history. Gold series is our estimate as to what fair value has been over the past 20 years.

S&P does not guarantee the accuracy, adequacy, completeness or availability of any data or information and is not responsible for any errors or omissions from the use of such data or information. Reproduction of the data or information in any form is prohibited except with the prior written permission of S&P or its third-party licensors. Please visit https://www.gmo.com/americas/benchmark-disclaimers/ to review the complete benchmark disclaimer notice.

Although fundamental fair value acts as an anchor over time, in the short term markets are driven by investor sentiment, whether through fear, greed, or simply herding. Most investors are unwilling or unable to accept the career risk associated with acting independently from their peers for sustained periods of time and, consequently, have become increasingly tied to benchmarks. We believe we can take advantage of this behavior by taking bold, unconventional positions within our portfolios and, if necessary, holding them longer than the pain threshold of most other market participants. Indeed, it is often when an asset class is out of favor that it trades at its most attractive pricing.

> "The market gets increasingly inefficient as investors become more reluctant to bet against the benchmark…As the opportunities to add value increase so does the personal risk, the career risk, and the business risk, until finally there will be incredible opportunities to make money and reduce risk that no one will dare to take advantage of. We would like at least to be the last ones trying…"
>
> – Jeremy Grantham, Q1 2001

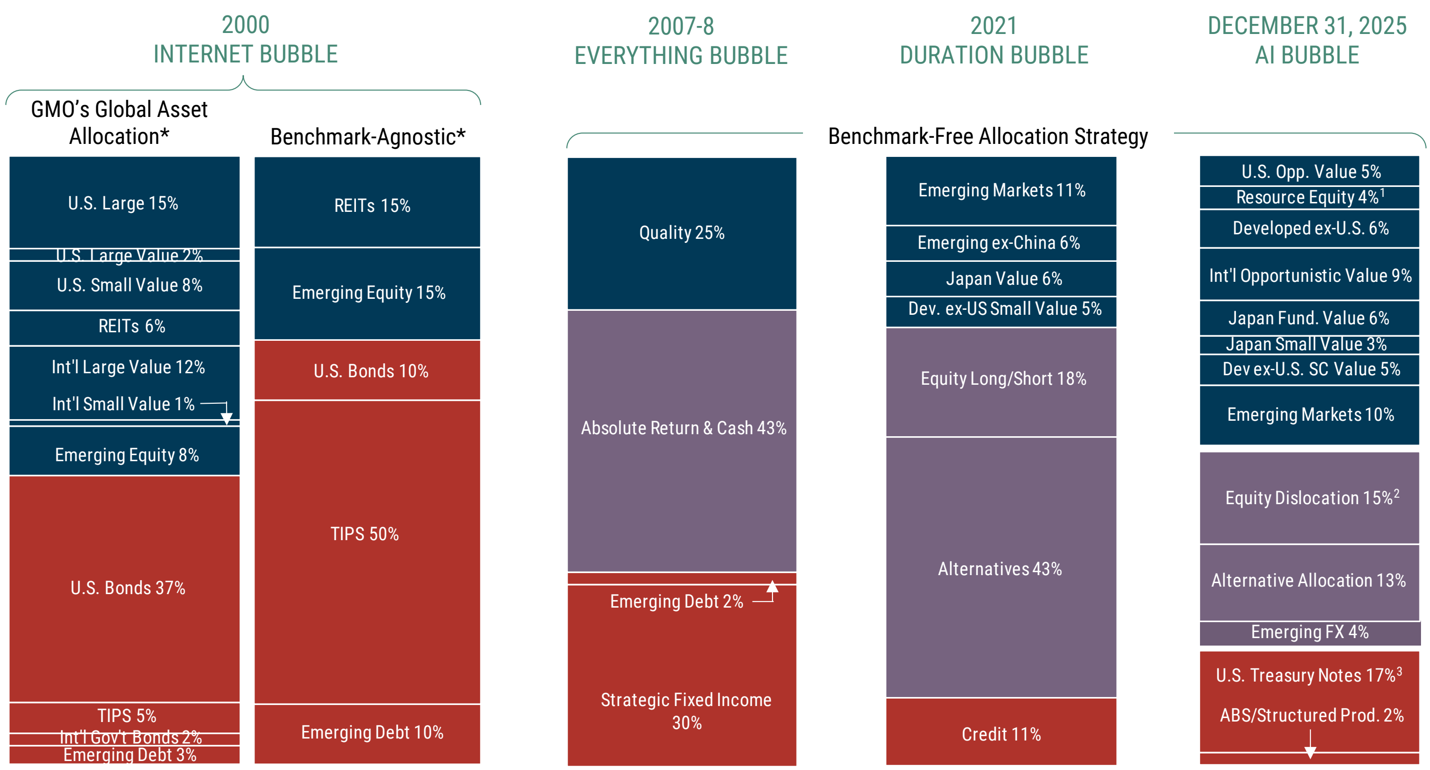
The GMO Solution

We maintain an objective and disciplined view of asset prices around the world. Using the framework of our proprietary 7-Year Forecasts as a basis for valuation, we identify those assets which are priced to deliver attractive long-term returns versus those assets which are trading at a premium relative to their intrinsic fair value.

It is first and foremost our assessment of valuation that serves as the foundation for GMO's Benchmark-Free Allocation Strategy. We are not trying to manage the portfolio relative to a benchmark – we reference tracking error and volatility only as secondary measures. While we construct forecasts for over 50 different assets to inform our asset allocation decisions internally, we don't aim to have a view on everything. Instead, we focus on what we do best: getting the big picture right by anchoring to valuation.

We actively allocate assets across a broad opportunity set, build portfolios containing assets that we believe offer adequate compensation for any risks inherent in owning them, and avoid assets that appear expensive. As valuations change, so does our portfolio positioning. Because of this approach, the portfolio composition can look very unconventional at times. However, we are unafraid to hold portfolios that look nothing like those of our peers or a traditional benchmark.

WILLING TO BE DYNAMIC AND UNCONVENTIONAL



*GMO's Global Asset Allocation Strategy has a 65% MSCI ACWI/35% Bloomberg U..S Aggregate benchmark. Benchmark-Free Allocation Strategy was incepted in the Fall of 2001. Benchmark Agnostic portfolio represents the portfolio proposed to clients in Fall of 1999.

[1]Includes GMO's Resources and Climate Change strategies [2]Total allocation to Equity Dislocation is 20.0% inclusive of exposure within Alternative Allocation [3]The headline exposure to U.S. Treasury Notes should not be considered in isolation of the portfolio's overall duration profile inclusive of collateral and other exposures 4Combination of Alpha Only Fund and other private vehicles.

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. The groups indicated above represent exposures determined pursuant to proprietary methodologies and are subject to change over time.

As investors who take a long-term view, we use patience to our advantage by bearing risk only when we believe we will be adequately rewarded for doing so. We believe the best way to avoid the risk of a permanent impairment of capital is to avoid overpaying for an asset. If you are beholden to a fully invested benchmark or a tracking error target, it may be unpalatable – or even impossible – to avoid overpaying for an asset in overpriced markets. By avoiding expensive assets and significant drawdowns, our valuation-based approach allows us to attempt to compound wealth over the long-term with an emphasis on controlling investment risk, as opposed to relative risk or career risk.

Our strong conviction in this approach is supported by the strategy's track record and the results we have delivered over the long run. However, it is important to note that while valuation is a very helpful tool in identifying mispriced assets, it does not inform on timing. Reversion of an asset's price to fair value can take an uncertain – and often extended – period of time, and can try the patience of even high conviction investors. While valuation-based investing can be uncomfortable, that is likely part of the reason it has shown the potential of generating long-term returns. As a privately held firm, GMO is not subject to shareholders or a parent company fixated on short-term profitability. Instead, our private partnership structure affords us the luxury of truly focusing on generating successful outcomes for our clients over the long run.

The Client Fit

There are several ways that our clients have incorporated the Benchmark-Free Allocation Strategy into their portfolios. The most common approaches are:

- **"Swing"/Opportunistic/Dynamic Lever Portfolio:** This usage goes by many different names, but it is getting at the same issue. Investment committees and advisors with a static, model, or strategic benchmark employ the Benchmark-Free Allocation Strategy as a way to make asset allocation bets that their otherwise fairly slow-moving portfolio would not be able to make. These committees/advisors also use the Strategy in an opportunistic fashion during large dislocations. Finally, it is used in target date structures as a dynamic lever.
- **Hedge Fund Alternative:** Some of our clients employ the Benchmark-Free Allocation Strategy as a hedge fund replacement, using it as a component of a hedge fund or Global Tactical Asset Allocation (GTAA) strategy. In this regard, GMO is often paired with other managers that employ absolute return and risk parity strategies.
- **Core Holding:** The Benchmark-Free Allocation Strategy can also be used as something akin to an outsourced CIO, managing a significant portion of an investor's overall portfolio (perhaps split with one or two other multi-asset managers). We often see this with smaller institutions that are philosophically aligned with the strategy's approach of compounding wealth over the long term while viewing risk as the permanent impairment of capital (rather than volatility or lagging the benchmark).
- **LDI Program – The Growth Portfolio:** A Liability-Driven Investment (LDI) program for defined benefit plans typically combines the liability-hedging portfolio (often duration-matched bonds) with a risk-seeking growth portfolio. The Benchmark-Free Allocation Strategy fits well into that growth bucket, as its historical volatility (ranging 5% to 10%) is more appealing than a pure equity beta play, which can create unwanted volatility relative to funding status.

Who We Are

Founded in 1977, GMO is a private partnership whose sole business is investment management. The firm manages global portfolios with offices and clients around the world. Investment offerings include equity, fixed income, multi-asset class, and alternative strategies. GMO is known for blended fundamental and quantitative investment research expertise and a long-term orientation toward value opportunities.

The Team

Asset allocation is not a subset of GMO's offering; it is a principal competency of the firm. We have been managing broad-based asset allocation portfolios formally since 1988 and have developed a specialty in valuing asset classes. We seek to provide positive absolute returns by focusing on what we believe are the most attractively priced asset classes and aiming to avoid the most over-priced asset classes. We have built a broad and deep team with diverse areas of expertise.

RISK

Risks associated with investing in the Strategy may include Management and Operational Risk, Market Risk - Equities, Non-U.S. Investment Risk, Market Risk - Fixed Income Investments, and Derivatives and Short Sales Risk.