

ULTRA-SHORT INCOME STRATEGY

The Opportunity

The short-duration bond universe encompasses a range of government, agency, corporate, and securitized credit securities, leading to a variety of fixed income funds with distinct exposures and risk characteristics. Ultra-short bond portfolios tend to have an interest rate duration of less than one year and can complement investors' traditional cash investments by balancing liquidity and capital preservation while potentially generating higher returns. By strategically allocating across U.S. Treasuries and AAA Collateralized Loan Obligation (CLOs), GMO aims to offer investors a high-quality and liquid cash alternative that outperforms U.S. Treasury bills.

The GMO Solution

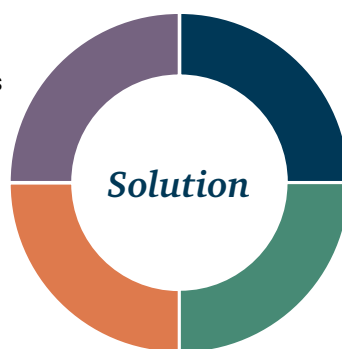
Grounded in decades of sophisticated liquidity management experience and robust credit process expertise, GMO's Ultra-Short Income Strategy seeks to offer an optimal investment pairing of AAA CLOs and U.S. Treasuries that can generate additional income while maintaining a high-quality, highly liquid, loss-remote investment profile.

ROBUST CREDIT SELECTION

- We have a strong preference for seasoned pools with de-levering structures within the AAA/AA tranches.
- Short-duration AAA CLOs are structurally cheap to full duration (5-7 years) profiles found in competitor portfolios. We believe at similar spreads and prices, short-duration AAA CLOs offer less mark-to-market return volatility.

RISK CONTROL

- We target interest rate and spread duration of less than one year to maintain liquidity and minimize volatility.
- We invest in loss-remote, short-duration AAA CLOs that benefit from several credit enhancement features, including front pay/amortizing advantage.



STRATEGIC MIX OF AAA CLOS AND U.S. TREASURIES

- As an optimal pairing to U.S. Treasury exposure, short-duration AAA CLOs offer compelling characteristics – high income and liquidity with limited drawdown compared to other credit alternatives such as short IG Corporates, ABS, Agency MBS, and Emerging Markets bonds.
- Treasury exposure with 0–2-year max maturity allows for exposure free from redemption gates, constraints, and liquidity fees.

EXPERIENCED TEAM

- Stable and tenured team with more than 22 average years of industry experience managing and trading U.S. Treasuries and Structured products.
- Experienced in navigating supply/demand imbalances caused by calendar date rebalancing and political concerns, such as the debt ceiling.

The Client Fit

We believe the GMO Ultra-short Income Strategy provides a solution for investors with low tolerance for mark-to-market volatility and a preference for high liquidity and quality. Our unique approach can be used in the following ways:

- As an alternate solution for traditional cash management.
- As part of sophisticated liquidity programs that seek to enhance cash efficiency and add value by laddering short-duration assets.
- Alongside broader fixed income programs to provide income and liquidity.

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

GMO's Ultra-short Income Strategy team is managed by GMO's Short Duration Team, led by Tracey Keenan (Head of Short Duration), Joe Auth (Head of Developed Fixed Income), and supported by a deep bench of investment professionals, quantitative researchers, and portfolio operations staff. Given our emphasis on exploiting pricing inefficiencies in cash markets, we believe that the optimal portfolio management structure is comprised of a small, cohesive team of experienced investors with clearly defined roles working in a collaborative fashion.

RISK

Risks associated with investing in the Strategy may include Market Risk-Fixed Income Investments, Market Risk-Asset-Backed Securities Risk, and Credit Risk.