ULTRA-SHORT INCOME STRATEGY

Quarterly Investment Review

PRODUCT OVERVIEW

The GMO Ultra-Short Income Strategy aims to generate current income while preserving capital. The Strategy invests in a portfolio of low-duration, high-quality fixed income securities, including U.S. Treasuries, collateralized loan obligations ("CLOs"), repurchase agreements, and other investment-grade assets.

Managed by GMO's Short Duration Strategies team, the Strategy aims to offer flexible and efficient cash management by strategically deploying capital to the most liquid, high-quality opportunities to seek to enhance returns with low volatility.

MAJOR PERFORMANCE DRIVERS

U.S. short-term fixed income yields moved higher during the third quarter. On September 16, the Federal Reserve raised the federal funds target range by 25 basis points to 3.75%–4.00%. Against a backdrop of sharply rising Treasury yields, high-quality floating-rate securitized assets were relatively resilient, benefiting from their limited interest-rate sensitivity. AAA-rated Collateralized Loan Obligations (CLOs) held up comparatively well on an excess-return basis, while fixed-rate short-term corporate credit was pressured by moderate spread widening toward the end of the quarter.

Against this backdrop, the portfolio kept pace with and slightly outperformed its benchmark, the FTSE 3-month Treasury bill, supported primarily by its exposure to high-quality credit.

The portfolio remained defensively positioned from an interest-rate perspective. Average duration stayed below 0.5 years throughout the quarter and ended the period at 0.3 years. Spread duration remained within a narrow range of 0.5 to 0.7 years, finishing the quarter at 0.6 years. The portfolio's average coupon and yield ended the period at 4.5% and 5.2%, respectively, providing a steady income profile while limiting overall duration risk.

During the quarter, we reallocated a portion of the portfolio's agency securities and U.S. Treasury note and bill exposure to U.S. Treasury floating-rate notes. In August, we also initiated a 3% position in U.S. Treasury repos to help smooth portfolio cash flows while maintaining liquidity and return potential.

Entering the fourth quarter of 2026, the portfolio remained concentrated in short-duration, high-quality assets. Approximately 70% was invested in AAA-rated CLOs, 20% in U.S. Treasury notes and bills, 6% in U.S. Treasury floating-rate notes, 3% in U.S. Treasury repos, and 1% in short-term U.S. TIPS.

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

	Quarter-End	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
Ultra-Short Income Strategy (net)	1.00	3.00	-	-	-	-	3.81
Ultra-Short Income Strategy (gross)	1.05	3.15	-	-	-	-	4.00
FTSE 3-Mo. T-Bill	0.97	2.86	-	-	-	-	3.54
Value Add	+0.03	+0.14	-	-	-	-	+0.27

RISKS

Risks associated with investing in the Strategy may include: (1) Market Risk - Fixed Income Investments: The market price of a fixed income investment can decline due to a number of market-related factors, including rising interest rates and widening credit spreads or decreased liquidity stemming from the market's uncertainty about the value of a fixed income investment (or class of fixed income investments); (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) 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. 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-25

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 does not yet have a GIPS-compliant report for this composite since it has not managed accounts in this strategy for a full year.**

IMPORTANT INFORMATION

Benchmark(s): The FTSE 3-Month Treasury Bill Index is an independently maintained and widely published index comprised of short-term U.S. Treasury bills.

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.

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*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