GMO

YEAR-END LETTER FOR 2025

Asset Allocation Team: Alternative Allocation

Dear Client,

The GMO Alternative Allocation Strategy (ALTA) had a strong year, finishing **up 15.1%, significantly exceeding the Strategy's return objective of cash +4%-6%, with low correlation to traditional assets.** While both stocks and bonds performed remarkably well, ALTA's performance was driven by alpha across a breadth of diversified return sources. Importantly, **ALTA received positive contribution from the majority of its underlying components**.

EXHIBIT 1: 2025 PERFORMANCE

	Ending Weight (%)	Gross Return (%)	Contribution to Return (%)
GMO Alternative Allocation Strategy (Net, Local Close)			**15.1**
GMO Alternative Allocation Strategy (Gross, Local Close)			**15.9**
Equity Dislocation	36	12.6	4.6
Event-Driven	24	13.2	3.0
Quality Long/Short	33	-4.7	-0.7
World Market Neutral	25	-1.9	-0.4
Global Macro	41	7.8	3.3
Managed Volatility	15	3.0	0.9
RV Credit	5	1.8	0.2
Emerging FX	12	14.8	1.8
Trend	10	3.2	0.7
Cash and Collateral			2.5
Total	**201**	15.9	15.9

As of 12/31/25 | Source: GMO

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.

Recent Strategy Enhancements Added Value

In February of this year, we implemented major changes to Alternative Allocation, **adding several strategies and increasing expected volatility**. These changes were the result of extensive work and research across many investment teams at GMO. The goals of these enhancements were to:

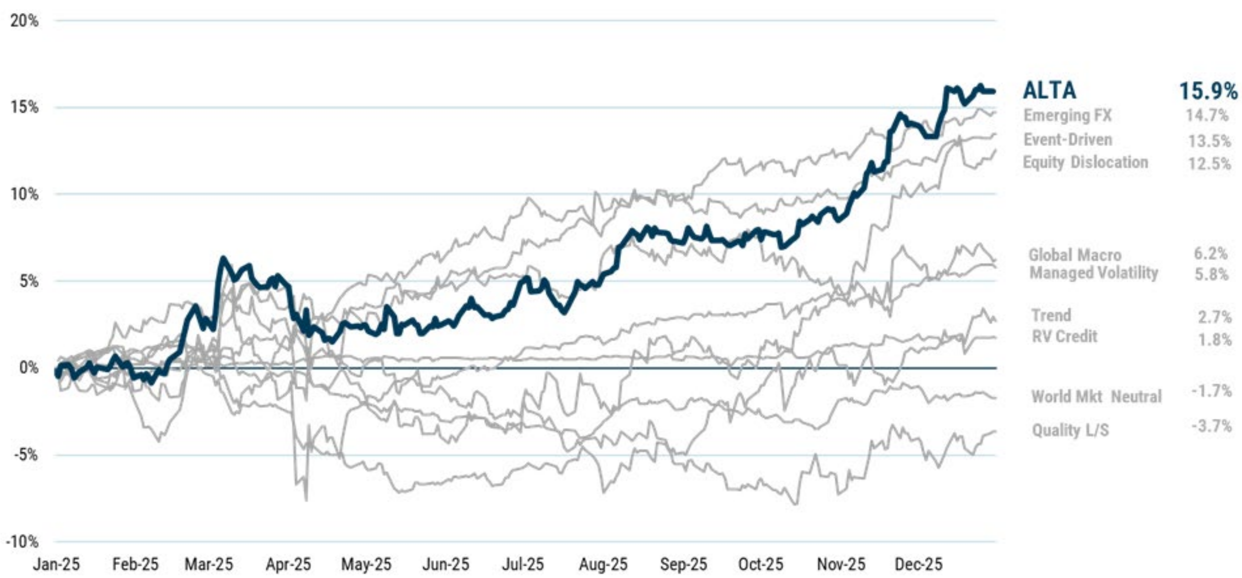
1. Improve the Strategy's expected returns
2. Provide balanced exposure to a more diverse set of return drivers
3. Responsibly increase leverage and volatility through capital-efficient packaging
4. Maintain low correlation to traditional risk assets

The Alternative Allocation Strategy successfully executed these goals in 2025. Reviewing them one at a time:

1. **Seven out of the nine sub-strategies finished in positive territory.** Even though ALTA seeks to be a diversifier, we are not looking to provide portfolio insurance or simple downside protection. We invest in alternative strategies with positive expected returns. The portfolio delivered on its overall return goal of cash +4%-6%.

2. Each of the underlying strategies followed a different path, indicating **exposure across a diverse set of return drivers**. Exhibit 2 tracks ALTA's performance and each of its underlying components for the year.[1] Event-Driven and Emerging FX posted the most consistent returns throughout the year, yet still performed independently with a realized correlation of 0.2. During the Liberation Day tariff shock, Managed Volatility predictably suffered while Quality Long/Short provided a positive return. Many alternative investment strategies naturally exhibit negative skew. **One benefit of a multi-strategy approach is the ability to construct a diversified portfolio where sub-strategies are exposed to different risks. The realized correlation among the nine components in Alternative Allocation was 0.09 for the year.** This is by design. This diversification allowed the top-level strategy to have a better Sharpe ratio than most of its component parts.

EXHIBIT 2: CUMULATIVE PERFORMANCE



As of 12/31/25 | Source: GMO

3. The time-weighted return for the **Alternative Allocation Strategy finished the year ahead of each one of its underlying components**. The structure of the Strategy takes advantage of capital efficiency to utilize leverage responsibly and help boost returns.

4. Liquid alternatives should play a diversifying role in portfolios, so it is important not to take increased market risk in service of higher returns. Exhibit 3 demonstrates success in goal #4. The realized beta continued to be low across all major risk assets in 2025.

[1] The end performance numbers will not exactly tie out for the underlying strategies as the new version of ALTA did not start until February, and ALTA adjusted top-down allocations throughout the year.

EXHIBIT 3: DIVERSIFYING RETURNS

Low Beta to Major Risk Factors

	S&P 500	EAFE	Emerging Equities	Commodities	U.S. Rates	DXY
ALTA	0.1	0.0	0.0	0.1	0.1	0.0
Equity Dislocation	-0.1	0.0	0.0	0.0	0.1	0.0
Event-Driven	0.2	0.0	0.0	0.2	-0.1	0.1
Quality Long/Short	-0.1	0.0	-0.1	-0.1	0.2	-0.2
World Market Neutral	0.0	0.0	0.0	0.0	0.0	0.1
Emerging FX	0.0	0.3	0.2	0.2	0.0	-0.5
Global Macro	0.0	0.0	0.0	0.0	0.0	0.0
Managed Volatility	0.4	0.0	0.0	0.3	-0.2	0.1
RV Credit	0.0	0.0	0.0	0.0	0.0	0.0
Trend	0.1	0.2	0.1	0.2	-0.1	-0.2

= less than 0.20   = between 0.2 and 0.5   = greater than 0.5

As of 12/31/25 | Source: GMO

Key 2025 Performance Drivers

Following an up-and-down first three quarters of the year, **Equity Dislocation** had an excellent fourth quarter, returning 12.1%. The market-neutral strategy benefited from value beating growth in developed markets outside the U.S., as well as a cooling of some of the high-flying, unprofitable tech and AI-themed names toward the end of the year. Though spreads narrowed in Europe over the course of 2025, they have widened in the U.S. This means tha**t even after a year of solid returns, Equity Dislocation remains a high-conviction, opportunistic position for ALTA**.

Despite a muted fourth quarter, **Global Macro** had a strong year, up 7.8% and contributing 3.3% to the portfolio. The biggest contributors throughout the year were equities and currencies. **The portfolio relied on alpha from capturing spreads, rather than taking directional positions**. On the currency side, the portfolio benefited from being long Norwegian krona and Brazilian real while being short Swiss franc and the euro for most of the year. Positioning was more dynamic throughout the year in equities, as the portfolio traded in and out of several markets. Ultimately, the biggest areas of contribution came from the U.S., Hong Kong, and Japan.

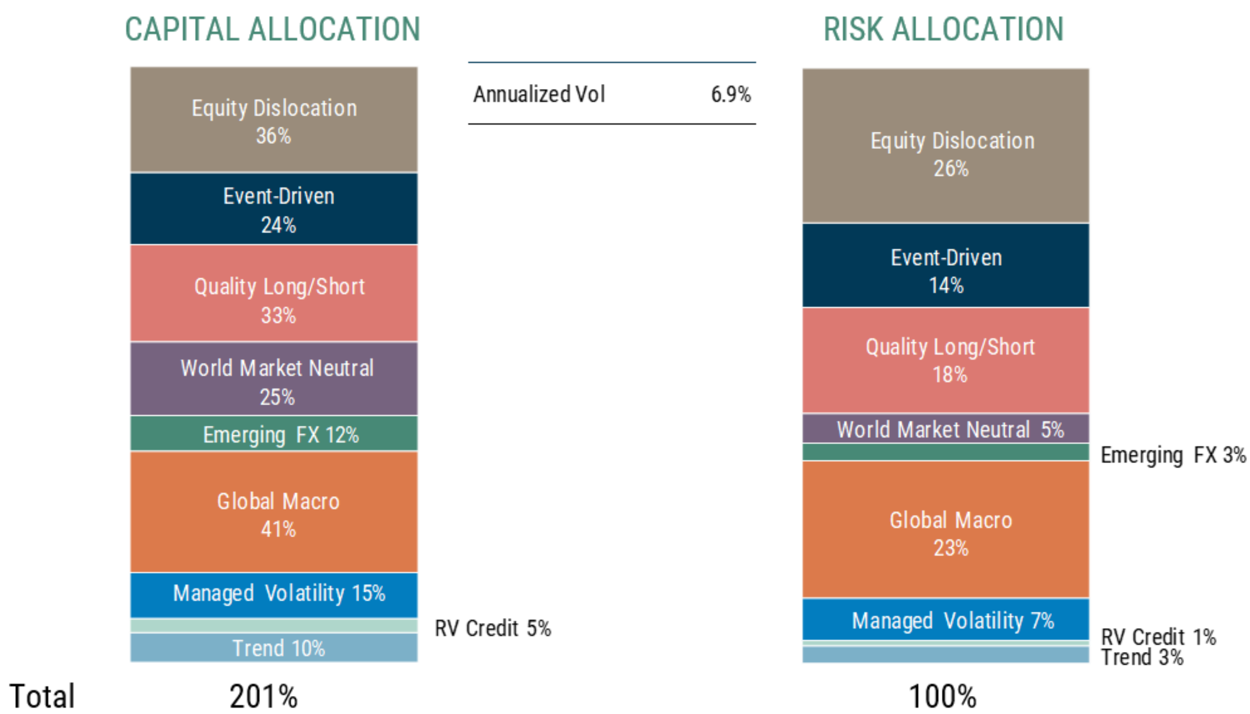
The **Event-Driven** portfolio was up 13.2% for the year, contributing 300 bps at the ALTA level. In hindsight, 2025 ended up relatively uneventful (no pun intended) for the space. As any Event investor will tell you, we will happily take a year without big headlines or any broken deals in our portfolio. That said, it is important to remember that there was a large uncertainty heading into the year with a new administration, as well as a good deal of turbulence following Liberation Day. Our team added alpha over peers (HFRX Merger Arb Index returned 9.6% in 2025) by following their disciplined, value-driven process.

Quality Long/Short was up 7.2% in the fourth quarter yet remained the largest detractor on the year, costing the portfolio about 70 bps. **Given the defensive role the strategy plays within ALTA, we can live with these results during a highly speculative period where the market was caught up in the euphoria over the promise of artificial intelligence.** We have been careful both within Quality/Junk and at the ALTA level not to take too big a directional bet on certain speculative themes like Artificial Intelligence, Quantum Computing, or cryptocurrency-related stocks. Our portfolio is by no means short AI, though it will either avoid or sell short unprofitable companies whose valuations are divorced from the fundamentals.

Looking Ahead

Given the magnitude of returns from risk assets in 2025, the opportunity set for a traditional equity/bond portfolio is unquestionably worse as we start 2026. There were also a lot of things that went right for Alternative Allocation in 2025, which provided a tailwind to performance: value beat growth in equities outside the U.S., an overvalued dollar declined vs. cheap emerging currencies, and realized volatility was low. However, unlike traditional risk assets, alternatives are not exposed to the same valuation risk we see in equities and credit today. **ALTA's exposure to diversifying return sources across nine underlying strategies can serve as an important tool to improve risk-adjusted returns in portfolios dominated by traditional stock and bond risks, particularly in today's environment where valuations are so stretched.**

EXHIBIT 4: 12/31/2025 POSITIONING



As of 12/31/25 | Source: GMO

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. Weightings are as of the date indicated and are subject to change. The groups indicated above represent exposures determined pursuant to proprietary methodologies and are subject to change over time.

Totals may vary due to rounding.

The opportunity set is attractive for liquid alternatives in general and specifically, our strategy. Valuation spreads remain extreme within U.S. equity markets as well as between the U.S. and the rest of the globe. The dynamic nature of our underlying strategies ensures that we are constantly rotating into the best opportunities. Investment teams across GMO have a deep research agenda, and we remain committed to continued innovation in the alternatives space. We are excited for the year ahead and look forward to building on the momentum created in 2025.

As always, thank you for the trust you have placed in us.

Sincerely,

Robert Brannan
Portfolio Manager

Ben Inker
Co-Head of GMO Asset Allocation

John Thorndike
Co-Head of GMO Asset Allocation

Annualized Returns as of 12/31/2025 (Net, USD)	Inception	QTD	YTD	1-Yr	3-Yr	5-Yr	ITD
GMO Alternative Allocation Strategy	1/31/2025	7.34%	15.10%	N/A	N/A	N/A	15.10%
FTSE 3-Month T-Bill		1.02%	4.00%	N/A	N/A	N/A	4.00%

Returns shown for periods greater than one year are on an annualized basis.

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. **GMO LLC claims compliance with the Global Investment Performance Standards (GIPS®). A Global Investment Performance Standards (GIPS®) Composite Report is available on 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.**

Risks

Risks associated with investing in the Strategy may include: (1) Management and Operational Risk: the risk that GMO's investment techniques will fail to produce desired results, including annualized returns and annualized volatility; (2) Leveraging Risk: the use derivatives and securities lending creates leverage. Leverage increases the Funds losses when the value of its investments (including derivatives) declines; and (3) Derivatives and Short Sales Risk: the use of derivatives involves the risk that their value may not change as expected relative to changes in the value of the underlying assets, pools of assets, rates, currencies or indices. Derivatives also present other risks, including market risk, illiquidity risk, currency risk, credit risk, and counterparty risk. This is not a complete list of risks associated with investing in the Strategy. Please contact GMO for more information.