



YEAR-END LETTER FOR 2025

Asset Allocation Team: Multi-Asset Class

Dear Client,

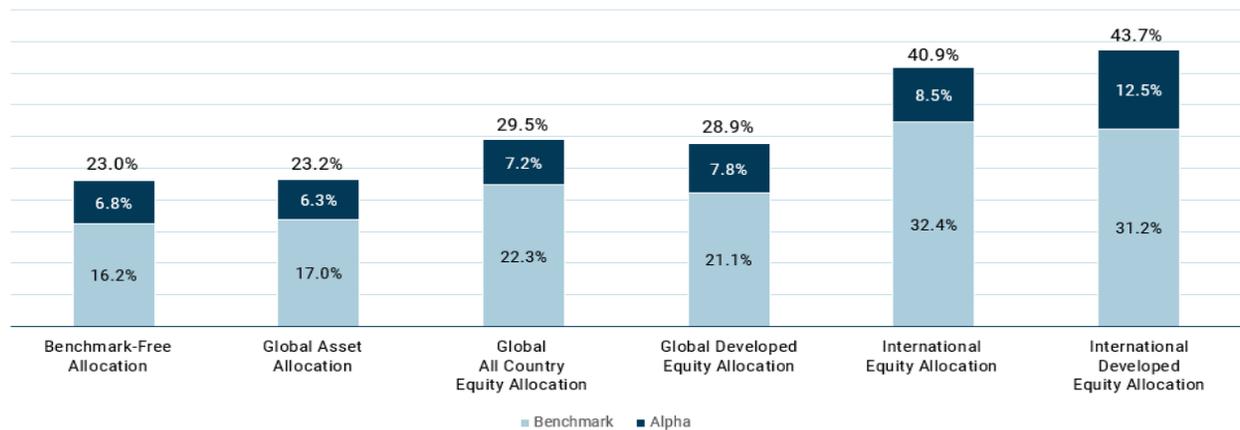
We hope this letter finds you, your family, and your colleagues healthy this New Year.

Amid policy volatility and increasing speculative fever, GMO Asset Allocation strategies delivered strong absolute and relative returns in 2025, without owning any of the most 'bubbly' assets such as unprofitable technology, meme stocks, or bitcoin-sensitive names. Our alpha across strategies was due to several key sources:

1. Overweight to non-U.S. stocks
2. Exposure to value and deep value equities
3. Terrific security selection across equity strategies¹
4. Strong performance from alternatives (both Equity Dislocation and Alternative Allocation) in multi-asset strategies
5. Fixed income allocations outperforming due to strong alpha in Emerging Country Debt

We were also excited to launch [GMO's first dynamic Asset Allocation ETF \(GMOD\)](#), designed to allow investors to benefit from top-down active allocation views and rebalancing, as well as from bottom-up security selection, in a tax-efficient vehicle.²

EXHIBIT 1: KEY ASSET ALLOCATION 2025 STRATEGY RETURNS VS. BENCHMARKS³



As of 12/31/25 | Source: GMO

We are pleased that valuation-sensitive investing was rewarded in the strong equity rally of 2025. Participating in robust markets while protecting capital in most bear markets has allowed us to produce attractive, risk-adjusted returns across GMO Asset Allocation strategies. Our flagship Benchmark-Free Allocation Strategy (BFAS), for instance, delivered 7.8% annualized

¹ For instance, 10 of the 13 underlying portfolios in GMO'S Global Equity Allocation Strategy delivered positive alpha in 2025.

² For more details, see [GMOD](#)

³ Benchmarks include: 60% MSCI ACWI/40% Bloomberg U.S. Aggregate, 65% MSCI ACWI/35% Bloomberg U.S. Aggregate, MSCI ACWI, MSCI World, MSCI ACWI ex USA, and MSCI EAFE, respectively. Please note, given Benchmark-Free seeks positive absolute returns irrespective of a benchmark, the use of the 60/40 benchmark is for illustrative purposes.

returns over the last five years, outperforming a balanced 60/40 allocation by 1.3%, but doing so with lower volatility. Benchmark-Free provided more return with less risk and thus a meaningfully higher Sharpe Ratio (0.56 vs. 0.32 for BFAS vs. 60/40, respectively). See “Performance Review” for more details.

The U.S. exceptionalism story turned into an outright AI bubble

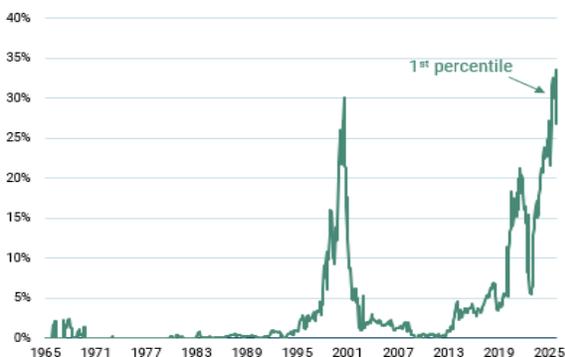
While 2024 was defined by the narrative of U.S. exceptionalism, 2025 saw that theme pushed to the extreme, resulting in what appears to be a classic investment bubble centered around AI. Valuations in AI-related and other speculative areas have soared, accompanied by unmistakable signs of exuberance. We’ve observed massive capital expenditures (and more announced spending) with the hyperscalers shifting from historically capital-light models to capital-intensive operations with lower free cash flow margins. Debt issuance has surged, fueled by a wave of novel conduit financing arrangements and circular investment deals. Some companies with sky-high valuations have yet to bring a viable product to market, while the broader productivity impact of AI remains promising but uncertain. These indicators suggest that the enthusiasm for AI has outpaced fundamentals, echoing the hallmarks of previous bubbles.

The strong run of performance for broad U.S. equities and the more speculative groups has elevated valuations to precarious levels. Both the percentage of U.S. market capitalization and the number of companies trading at or above 10x Price/Sales have skyrocketed to levels at or near the dangerous peaks in 2000 and 2021.

EXHIBIT 2: S&P 500 ONCE AGAIN CONCENTRATED IN EXPENSIVE NAMES

% stocks with Price/Sales > 10x is at an extreme even after adjusting for select number of mega-caps

MARKET CAP WEIGHTED



EQUAL WEIGHTED



As of 12/31/25 | Source: GMO

The S&P 500 is trading at valuation levels only seen during the Internet Bubble, and on some measures, is even more expensive now than it was then. The S&P 500’s current CAPE ratio of 42x stands nearly 46% above its long-term average. U.S. equities look similarly rich on a more friendly Price/Forward Earnings basis, while developed ex-U.S. and emerging stocks trade at nearly the widest discounts to the U.S. that we’ve seen in the 21st century.

Outlook and positioning

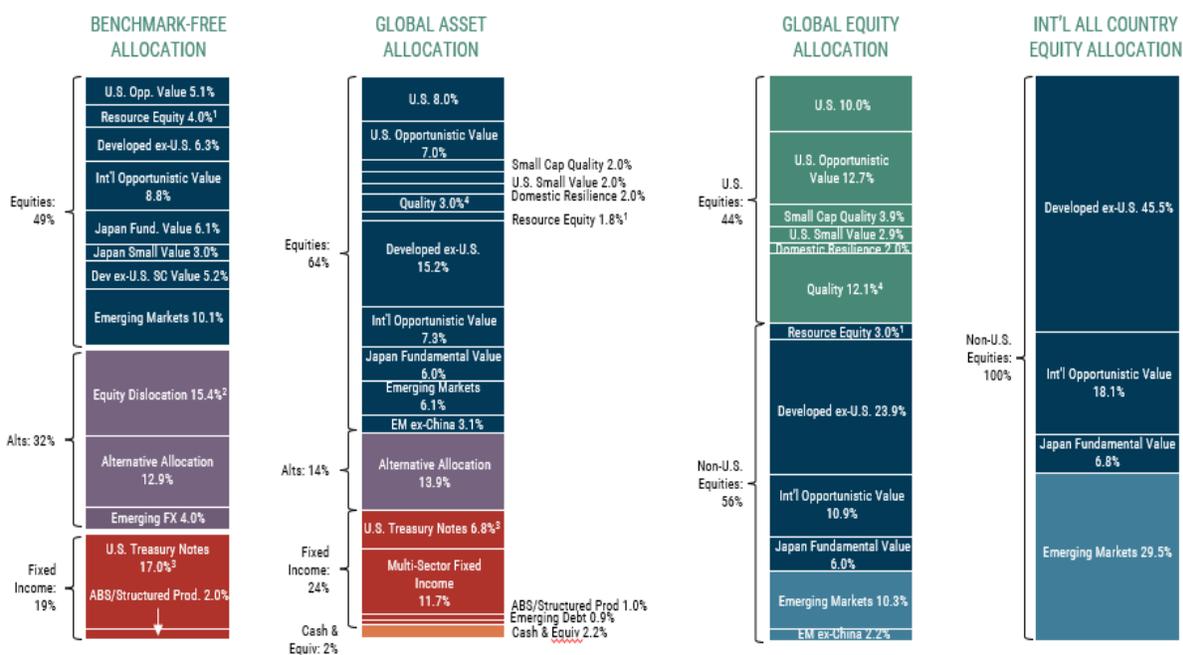
Unlike past episodes such as the 2008 Everything Bubble or the 2021 Duration Bubble, today’s environment most closely resembles the 2000 Internet Bubble—where a prudent investor could still construct a portfolio with a sensible risk/reward profile by avoiding the one expensive outlier, U.S. large-cap equities, in favor of numerous other overlooked opportunities. Please see the Appendix for our 7-Year Asset Class Forecasts.

Today, we are finding numerous places to deploy capital as wide valuation spreads across asset classes make this an ideal environment for active allocation. GMO favors:

- **Value equities:** Value is deeply dislocated, offering extraordinary returns during a reversion. Our equity exposures, particularly deep value and the Equity Dislocation Strategy, stand to benefit. Equity Dislocation is a market neutral strategy seeking to capitalize on the extraordinary dislocation between the valuation of value and growth stocks. We estimate that value needs to beat growth by roughly 50% globally to return to median relative valuations.
- **International stocks:** Non-U.S. stocks offer attractive valuations, improving relative fundamental stories, and a potential currency tailwind.
- **Japan equities (especially small value):** Japanese stocks are attractively priced and benefiting from more than a decade of corporate reforms. Japan small value stocks carry our highest forecasted returns (inclusive of the expected appreciation of the yen).
- **Alternatives:** Wide valuation disparities both within equities, as noted above, and across asset classes such as currencies and commodities, plus reasonable real cash rates, set up alternatives to be helpful diversifying return sources.

Detailed positioning across our core strategies is as follows:

EXHIBIT 3: PORTFOLIO POSITIONING ACROSS ASSET ALLOCATION STRATEGIES



As of 12/31/25 | Source: GMO

¹Includes GMO's Resources and Climate Change strategies.

²Total allocation to Equity Dislocation is 20.0% inclusive of exposure within Alternative Allocation.

³The 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.

⁴Quality is predominantly U.S. but does hold some Developed ex-U.S. and Emerging.

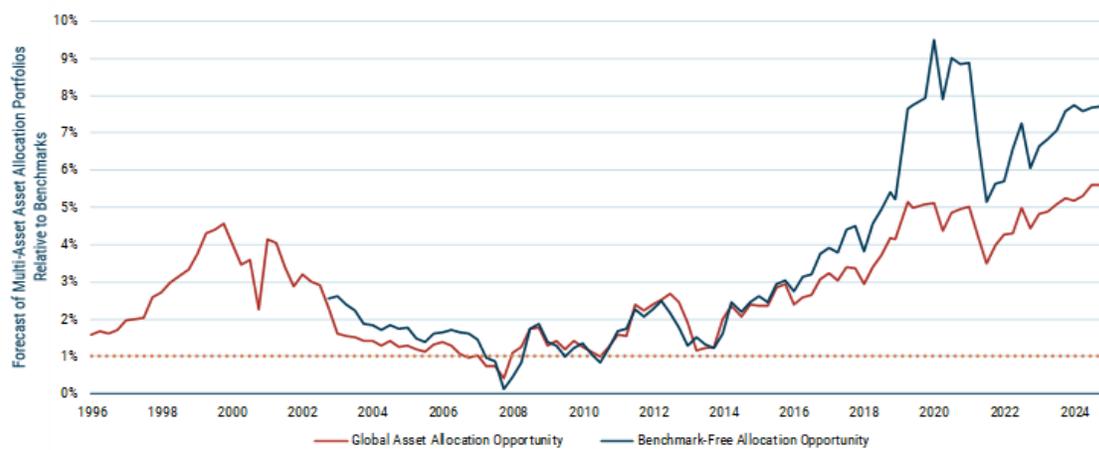
The above information is based on a representative account in the Strategy selected because it has the fewest restrictions and best represents the implementation of the Strategy. Weightings are as of the date indicated and are subject to change. The groups indicated above represent exposures determined pursuant to proprietary methodologies and are subject to change over time.

Totals may vary due to rounding.

By tilting away from the most speculative names toward well-priced segments, we believe our portfolios may be able to deliver solid absolute returns and provide some protection in potential large drawdowns. Further, we think our portfolios are poised to deliver stronger relative returns than we have seen in decades, given our avoidance of the most aggressively priced assets.

EXHIBIT 4: ONE OF THE BEST OPPORTUNITY SETS SINCE 2000

Balanced and unconstrained portfolios both look better than we've seen in 20 years



As of 12/31/25 | Source: GMO

Opportunity is difference between forecast return of portfolio and benchmark given GMO forecasts at the time. 10-year forecasts are translated to '7-year equivalent' by multiplying by 10/7. Dotted lines are our long-term expectations of likely achievable alpha from asset allocation. Benchmark-Free Asset Allocation is compared to a 60% MSCI ACWI / 40% Bloomberg U.S. Aggregate portfolio. MSCI data may not be reproduced or used for any other purpose. MSCI provides no warranties, has not prepared or approved this report, and has no liability hereunder. Please visit <https://www.gmo.com/americas/benchmark-disclaimers/> to review the complete benchmark disclaimer notice.

Conclusion

Amid a growing AI bubble, GMO adds a rigorous and cautious assessment of fundamentals and our prudent valuation discipline to your portfolio. We remain stoic in the face of animal spirits and elevated enthusiasm for new technologies. In these exciting times, GMO's Asset Allocation strategies offer:

- **Diversification:** Our strategies focus on assets that are unloved and perhaps underrepresented elsewhere in your portfolio (for example, today, Japanese equities). Further, in multi-asset strategies, we add diversification through the [GMO Alternative Allocation Strategy](#), a portfolio of nine underlying alternative strategies that tap into various uncorrelated return drivers across assets through a capital-efficient, liquid, and transparent vehicle.
- **Opportunistic investments:** When we have a high conviction idea, we will build a strategy to fully capitalize on it. To make the most of the value dislocation, the [GMO Equity Dislocation Strategy](#) and deep value equity portfolios ([GMO International Opportunistic Value Strategy](#) and [GMO U.S. Opportunistic Value Strategy](#)).
- **Dynamism:** As the environment changes, our position adapts to the current opportunity set. We are well-positioned to exploit market volatility through rebalancing and reallocation.

Thank you always for the trust you put in GMO.

Warm regards,



Ben Inker
 Co-Head of the GMO Asset Allocation Team



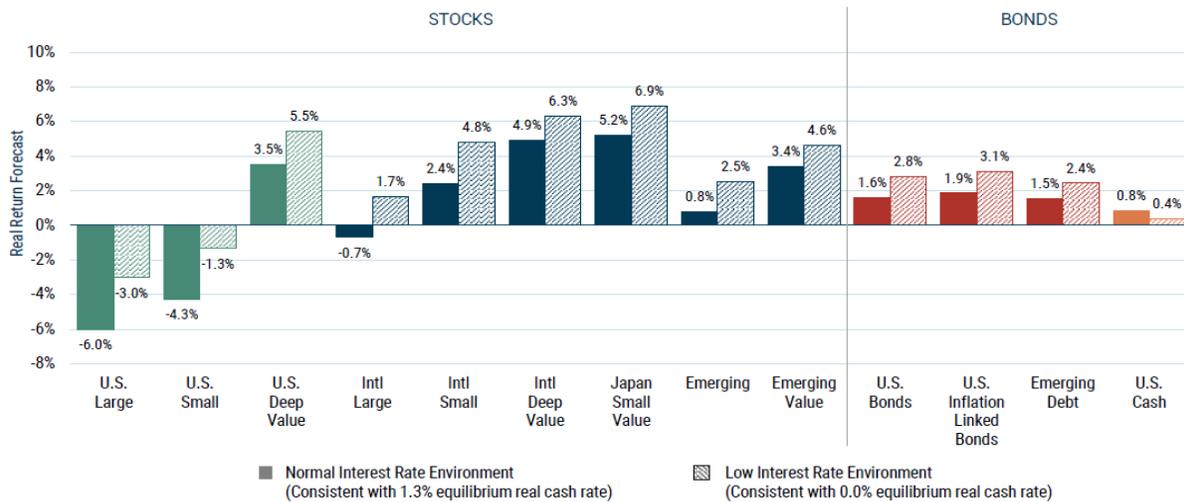
John Thorndike
 Co-Head of the GMO Asset Allocation Team

Appendix

GMO 7-Year Asset Class Forecasts

EXHIBIT 5: 7-YEAR ASSET CLASS REAL RETURN FORECASTS*

As of December 31, 2025

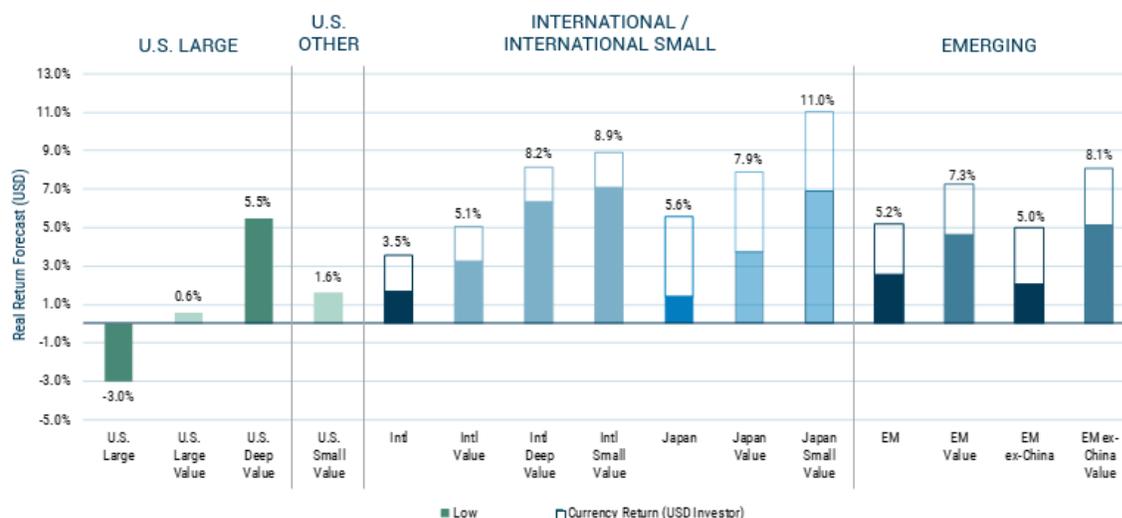


Source: GMO

* *The chart represents real return forecasts for several asset classes and not for any GMO fund or strategy. These forecasts are forward-looking statements based upon the reasonable beliefs of GMO and are not a guarantee of future performance. Forward-looking statements speak only as of the date they are made, and GMO assumes no duty to and does not undertake to update forward-looking statements. Forward-looking statements are subject to numerous assumptions, risks, and uncertainties, which change over time. Actual results may differ materially from those anticipated in forward-looking statements.

EXHIBIT 6: 7-YEAR GLOBAL REAL RETURN FORECASTS* (USD)

As of December 31, 2025 – Low Scenario



*The chart represents real return forecasts for several asset classes and not for any GMO fund or strategy. These forecasts are forward-looking statements based upon the reasonable beliefs of GMO and are not a guarantee of future performance. Forward-looking statements speak only as of the date they are made, and GMO assumes no duty to and does not undertake to update forward-looking statements. Forward-looking statements are subject to numerous assumptions, risks, and uncertainties, which change over time. Actual results may differ materially from those anticipated in forward-looking statements.

2025 Performance Review

Our portfolios delivered positive absolute returns with the benchmark-agnostic Benchmark-Free Allocation and Global Allocation Absolute Return (GAAR) strategies delivering net returns of 23.0% and 22.6%, respectively, meaningfully outperforming their CPI+5% benchmarks and traditional balanced portfolios (by 6.8% and 6.3%, respectively). Equities, alternatives, and fixed income all rallied strongly, contributing to returns while outperforming their respective benchmarks. Equities led by rising 35.5% in BFAS, outperforming the MSCI ACWI by 13.1% with similar results in GAAR. Overweights to non-U.S. equities (and value in Developed ex-U.S.) were additive relative to the ACWI, and security selection in Developed ex-U.S., Japan Fundamental Value, Japan Small Value, International Opportunistic Value, and Developed ex-U.S. Small Cap Value was particularly strong. Alternatives, driven by a 16.5% gain in ALTA, delivered solid gains while fixed income rose 7.7%, with gains across all underlying strategies, particularly in Emerging Debt, which outperformed.

Our benchmark-sensitive Global Asset Allocation (GAAS) and Real Return Global Balanced Asset Allocation (RRGBAL) strategies generated net returns of 23.2% and 23.0%, respectively, beating their respective benchmarks by 6.3% and 8.2%. Both strategies benefited from strong gains in equities, alternatives, and fixed income. Equities in GAAS rose a strong 29.8% in 2025, outperforming the MSCI ACWI by 7.4% (with similar results in RRGBAL). Overweights to non-U.S. equities (and value in Developed ex-U.S.) were additive relative to the ACWI, and security selection in Developed ex-U.S., U.S. core, International Opportunistic Value, Japan Fundamental Value, Emerging Markets, and U.S. Small Cap Value was particularly strong. Alternatives, driven by a 15.9% gain in ALTA, delivered solid gains while fixed income rose 10.1% with gains across all underlying strategies, particularly in Multi-Sector Fixed Income and Emerging Debt, which both outperformed.

Launched in mid-October, our multi-asset ETF, GMO Dynamic Allocation (NYSE: GMOD), delivered 4.1% and outperformed its benchmark by 1.7% in the two and a half months since inception.

Our equity allocation strategies, Global All Country Equity Allocation and Global Developed Equity Allocation, rose strongly by 29.5% and 28.9%, respectively, as equities rallied. They both outperformed (by 7.2% and 7.8%, respectively) due to strong allocation effect, including overweight exposures to non-U.S. equities (primarily value and deep value exposures) and security selection in U.S., International Opportunistic Value, Developed ex-U.S., Japan Fundamental Value, and U.S. Small Value.

Our international equity allocation strategies fared well with International All Country Equity Allocation and International Developed Equity Allocation rising 40.9% and 43.7%, respectively, outpacing their benchmarks by 8.5% and 12.5%.

<i>Annualized Returns as of 12/31/2025 (Net, USD)</i>	<i>Inception</i>	<i>1-Year</i>	<i>3-Year</i>	<i>5-Year</i>	<i>10-Year</i>	<i>ITD</i>
GMO Benchmark-Free Allocation Composite	7/31/2001	23.00%	13.38%	7.84%	5.81%	7.96%
CPI Index		2.63%	3.03%	4.49%	3.20%	2.52%

<i>Annualized Returns as of 12/31/2025 (Net, USD)</i>	<i>Inception</i>	<i>1-Year</i>	<i>3-Year</i>	<i>5-Year</i>	<i>10-Year</i>	<i>ITD</i>
GMO Global Allocation Absolute Return Composite	7/31/2001	22.56%	12.25%	7.20%	5.35%	7.09%
CPI Index		2.63%	3.03%	4.49%	3.20%	2.52%

<i>Annualized Returns as of 12/31/2025 (Net, USD)</i>	<i>Inception</i>	<i>1-Year</i>	<i>3-Year</i>	<i>5-Year</i>	<i>10-Year</i>	<i>ITD</i>
GMO Global Asset Allocation Composite	6/30/1998	23.22%	14.46%	6.95%	7.08%	8.53%
GMO Global Asset Allocation Index +		16.97%	14.90%	7.15%	8.44%	7.95%

<i>Annualized Returns as of 12/31/2025 (Net, USD)</i>	<i>Inception</i>	<i>1-Year</i>	<i>3-Year</i>	<i>5-Year</i>	<i>10-Year</i>	<i>ITD</i>
GMO Real Return Global Balanced Asset Allocation Strategy	6/30/2004	23.03%	13.42%	7.80%	6.74%	6.24%
GMO Real Return Global Balanced Asset Allocation Blended Index +		14.88%	14.51%	7.97%	8.30%	6.58%

<i>Annualized Returns as of 12/31/2025 (Net, USD)</i>	<i>Inception</i>	<i>1-Year</i>	<i>3-Year</i>	<i>5-Year</i>	<i>10-Year</i>	<i>ITD</i>
GMO Global All Country Equity Allocation Composite	12/31/1993	29.52%	20.34%	10.81%	10.35%	8.90%
MSCI ACWI ++		22.34%	20.65%	11.19%	11.72%	8.44%

<i>Annualized Returns as of 12/31/2025 (Net, USD)</i>	<i>Inception</i>	<i>1-Year</i>	<i>3-Year</i>	<i>5-Year</i>	<i>10-Year</i>	<i>ITD</i>
GMO Global Developed Equity Allocation Composite	3/31/1987	28.87%	20.68%	12.37%	11.13%	9.45%
MSCI World +		21.09%	21.16%	12.15%	12.17%	8.42%

<i>Annualized Returns as of 12/31/2025 (Net, USD)</i>	<i>Inception</i>	<i>1-Year</i>	<i>3-Year</i>	<i>5-Year</i>	<i>10-Year</i>	<i>ITD</i>
GMO International All Country Equity Allocation Composite	2/28/1994	40.90%	22.44%	9.93%	8.99%	7.26%
MSCI ACWI ex USA +		32.39%	17.33%	7.91%	8.41%	6.06%

<i>Annualized Returns as of 12/31/2025 (Net, USD)</i>	<i>Inception</i>	<i>1-Year</i>	<i>3-Year</i>	<i>5-Year</i>	<i>10-Year</i>	<i>ITD</i>
GMO International Developed Equity Allocation Composite	11/30/1991	43.73%	24.34%	13.32%	9.95%	8.17%
MSCI EAFE ++		31.22%	17.22%	8.93%	8.18%	6.55%

<i>Annualized Returns as of 12/31/2025 (Net, USD)</i>	<i>Inception</i>	<i>YTD</i>	<i>1-Year</i>	<i>5-Year</i>	<i>10-Year</i>	<i>ITD</i>
GMO Dynamic Allocation ETF	10/13/2025	4.08%	n/a	n/a	n/a	4.08%
60%MSCI ACWI/40%Bloomberg U.S. Aggregate Blend		2.39%	n/a	n/a	n/a	2.39%

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

Prior to January 1, 2012, the accounts in the GMO Benchmark-Free Allocation Composite served as the principal component of a broader real return strategy. Beginning January 1, 2012, accounts in the composite have been managed as a standalone investment.

Returns include a substantial, one-time litigation settlement recovery received on December 16, 2024. This event contributed 2.29% to Q4 2024 and 2.45% to 2024 annual performance for the GMO Benchmark-Free Allocation Composite; 0.84% to Q4 2024 and 0.90% to 2024 annual performance for each of the GMO Global Allocation Absolute Return and GMO Real Return Global Balanced Asset Allocation Composites; 0.73% to Q4 2024 and 0.80% to 2024 annual performance for the GMO Global Asset Allocation Composite; 1.12% to Q4 2024 and 1.28% to 2024 annual performance for the GMO Global All Country Equity Allocation Composite; 1.23% to Q4 2024 and 1.42% to 2024 annual performance for the GMO Developed Equity Allocation Composite; 2.20% to Q4 2024 and 2.51% to 2024 annual performance for the GMO International All Country Equity Allocation Composite; and 3.24% to Q4 2024 and 3.75% to 2024 annual performance for the GMO International Developed Equity Allocation Composite based on each composite's respective representative account. Performance for other periods, including this date, was also positively impacted, sometimes materially. Without this recovery, performance would have been lower in both absolute terms and relative to the benchmark. Additional information is available upon request.

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. The portfolio is not managed relative to a benchmark. References to an index are for informational purposes only.

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