

# QUARTERLY INVESTMENT REVIEW

## Event-Driven Strategy

### RETURNS (%) (LOCAL)

	Cumulative (%)		Annualized (%)				
	QTD	YTD	1 Year	3 Years	5 Years	10 Years	ITD
Net of Fees (Composite)	3.99	7.27	7.27	3.94	5.37	-	5.00
Gross of Fees (Composite)	4.47	8.57	8.57	5.07	6.82	-	6.41
FTSE 3-Mo. T-Bill	1.41	5.26	5.26	2.25	1.91	-	1.67
Value Added (vs. FTSE 3-Mo. T-Bill)	2.58	2.01	2.01	1.69	3.46	-	+3.33

### Major Performance Drivers

The major contributors to returns in Q4 were Tower Semiconductor, the VMware-Broadcom spread, and Seagen.

Tower Semiconductor contributed to returns as it recovered from post-deal break lows. The VMware-Broadcom spread contributed to returns after the merger received Chinese regulatory approval and it closed. Seagen contributed to returns after the merger received FTC approval and it closed.

The major detractors from returns in Q4 were PNM Resources, Spirit Airlines, and Canaccord.

PNM Resources detracted from returns as the merger approached its expiration date without a required state regulatory approval in hand. Spirit Airlines detracted from returns amid the merger's antitrust trial against the DOJ. Canaccord detracted from returns in the aftermath of its failed management buyout.

Inception Date: 31-Jul-16

**Risks:** Risks associated with investing in the Strategy may include Merger Arbitrage Risks, Special Situation Investment Risks, Equities Risks, Options Risks, and Forward Contracts Risks. 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](http://www.gmo.com).

**Performance Returns:** 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](http://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. 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%.

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## PRODUCT OVERVIEW

The GMO Event-Driven Strategy seeks to generate absolute return by investing in opportunities that arise from significant corporate events where there is generally some uncertainty about the outcome of the event in question and where the outcome will be known relatively soon. In practice, the Fund's portfolio generally includes a heavy focus on merger arbitrage transactions, supplemented by other opportunities that exhibit similar risk, return, and time horizon characteristics. GMO's Event-Driven team approaches this opportunity set with a strong emphasis on expected value, assessing the likelihood and returns of each outcome and focusing on situations where the team's assessment of the expected value is greater than that implied by the market.

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## IMPORTANT INFORMATION

**Comparator Index(es):** 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.**

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## 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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