EVENT-DRIVEN STRATEGY

The Opportunity

The Event-Driven universe consists of investment opportunities arising from significant corporate events, where there is generally some uncertainty around the outcome of the event, and the outcome will be known relatively soon. These situations include mergers, strategic reviews, restructurings, spins, litigation, liquidations, and other corporate events.

We believe an event-driven strategy has three primary appeals: positive expected returns, low correlation to equities, and relatively short duration. The challenge is achieving each attribute without sacrificing the others.

Our Solution

GMO's Event-Driven Strategy focuses primarily on merger arbitrage and supplements that with other event-driven situations that exhibit similar risk, return, and duration characteristics. We approach this opportunity set through an expected-value framework: We assess the probability and return of each potential outcome and invest in situations where our assessment of expected value is greater than what is implied by the market.

Our edge is not simply choosing the right events to invest in. It is also sizing, structuring, and updating positions as facts change. Each position reflects our view of the probability of deal closure, the downside if the deal breaks, and the likely path in between. Expected value and downside determine whether and how much we own, while the likely path informs how we structure the position using the tools that best express the risk and reward. As new information emerges, we update our assessment and may adjust position size or structure if the expected value changes.

FOCUS ON VALUE

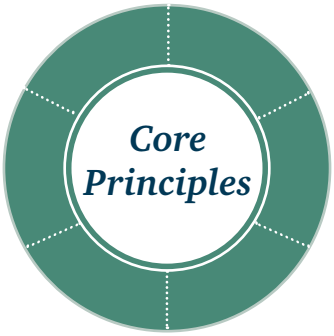
- Target situations where GMO's probability differs from the market implied probability. The goal is not maximum activity, but disciplined selectivity.

SIZE TO THE DOWNSIDE

- Start by considering how much we are willing to lose if the deal breaks. Event-driven payoffs are often asymmetric, with losses disproportionate to gains, so position sizing begins with downside rather than upside.

BE DYNAMIC

- Do not own every merger, and do not hold every position the same way throughout its life. Update probability, sizing, and structure as facts change.



STRUCTURE MATTERS

- Use equities, short exposure, options, and other tools where appropriate to improve expected value or manage risk.

LEVERAGE EXPERIENCE

- Draw on decades of event-driven experience, complemented by GMO's long-term value orientation and willingness to stand apart from consensus.

The Client Fit

The GMO Event-Driven Strategy can serve as a complementary allocation within a broader alternatives or equity portfolio. Because the Strategy focuses on corporate events whose outcomes are generally driven by company-specific considerations, it may provide an alternative return stream with lower sensitivity to broad equity-market direction, market valuation levels, and interest-rate duration than many traditional asset classes.

We believe the Strategy is most useful for clients seeking positive expected returns, low correlation to equities, and relatively short duration in a single allocation. The Strategy is designed to access those attributes through a disciplined expected-value process, focusing on situations where GMO believes the market has mispriced probability, downside, or path.

The Team

The Event-Driven Strategy is managed by Doug Francis and Cole Weppner. In addition to Doug and Cole, Jenny Wang joined the team as an analyst in October 2025. The team combines decades of event-driven experience with a research process focused on probability assessment, downside sizing, dynamic position management, and implementation discipline.

The team also benefits from GMO's broader investment platform, particularly when corporate events overlap with companies or sectors covered by other GMO investment teams. In those situations, we can draw on the firm's fundamental research capabilities, sector expertise, and long-term perspective to better understand the companies and strategic issues involved.

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.

RISK

Risks associated with investing in the Strategy may include Merger Arbitrage Risks, Special Situation Investment Risks, Equities Risks, Options Risks, and Forward Contracts Risks.

Information as of October 2026 | **GMO LLC © 2026**