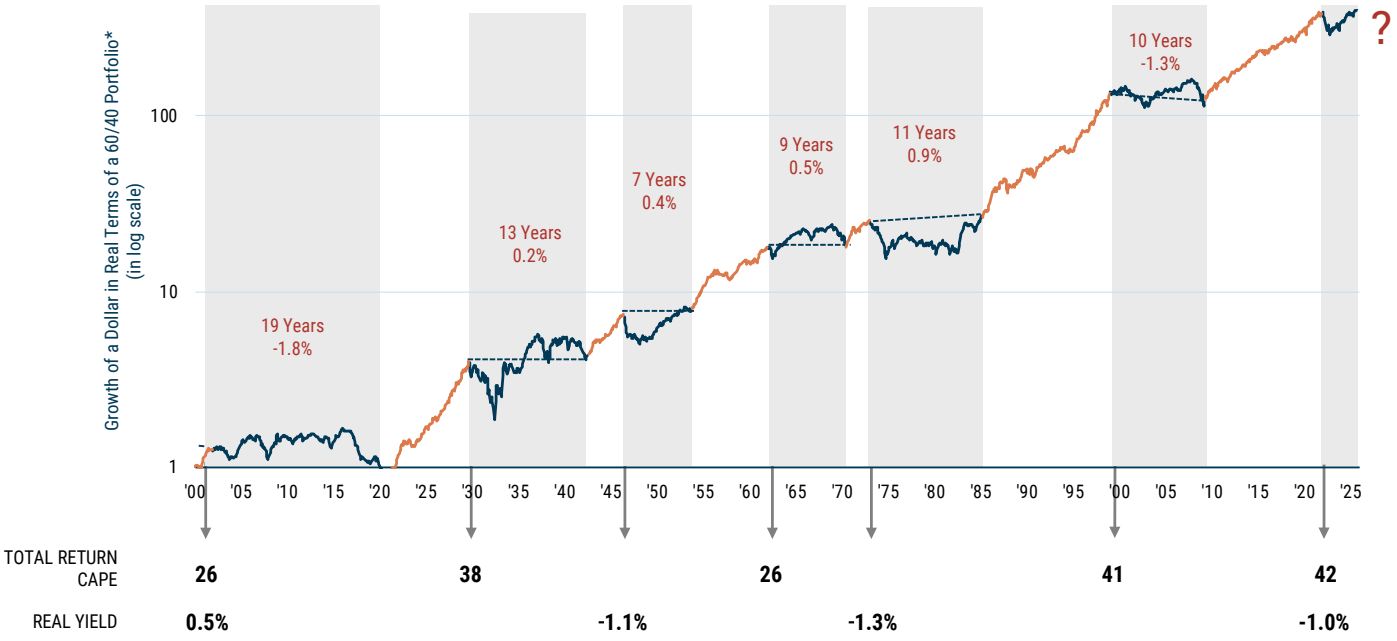
ALTERNATIVE ALLOCATION STRATEGY

The Opportunity

Diversification is vital to constructing balanced portfolios that are robust across multiple market outcomes. Balanced portfolios typically achieve diversification through investing in a mix of equities and bonds across industries and geographies. Unfortunately, this approach is not always sufficient. Bonds are typically a stabilizing offset to stocks during large drawdowns, but the correlation between stocks and bonds is far from constant. The double-digit declines that both stocks and bonds delivered in 2022 are a stark example. Furthermore, the traditional 60/40 portfolio can endure extended periods of middling performance as seen in the display below.

60/40: "LOST DECADES" ARE MORE COMMON THAN YOU THINK

Most started with either high valuations on stocks or bonds



As of 12/31/2025 | *60% U.S. Equities (S&P 500), 40% U.S. Bonds (U.S. Treasuries) rebalanced monthly.
Sources: Bloomberg, Global Financial Data (early history), Factset (S&P500 returns and CPI), J.P. Morgan (J.P. Morgan GBI United States Traded), Shiller data, Federal Reserve Bank of Philadelphia (U.S. Treasury Yields and Long-term Inflation Expectations). Real yield is the yield on the 10-Year U.S. Treasury minus Philly Fed Long-Term Inflation Expectations (1992-present) or the 12-month trailing CPI (early history). Current CAPE = 42 and Real Yield = 1.8%. Figures quoted represent past performance, which is not indicative of future results. S&P does not guarantee the accuracy, adequacy, completeness or availability of any data or information and is not responsible for any errors or omissions from the use of such data or information. Reproduction of the data or information in any form is prohibited except with the prior written permission of S&P or its third-party licensors. Please visit https://www.gmo.com/americas/benchmark-disclaimers/ to review the complete benchmark disclaimer notice.

Liquid alternatives are often hedge fund strategies, such as equity long-short or global macro, managed with an emphasis on risk control and liquidity. An essential feature of these strategies is consistently low correlation to traditional assets such as stocks, bonds, commodities, credit, and currencies.

Liquid alternatives are a useful portfolio management tool if they meet the following criteria:

- True diversification through uncorrelated returns to stock and bond risk
- Positive expected returns
- Liquidity, which is critical to rebalancing into risk assets during periods of stress

The GMO Solution

The GMO Alternative Allocation Strategy ("ALTA") seeks to deliver positive expected returns through:

- **Casting a wide net to generate returns:** ALTA invests in nine strategies that tap into **alternative return drivers** (Value, Carry, Momentum, and Quality) across multiple asset classes, creating a balanced portfolio designed to withstand various market environments and hedge fund categories.
- **Skill:** GMO has the proven ability to deliver alpha on top of factor-based returns. Alpha significantly increases total return without increasing correlations.
- **A dynamic and opportunistic approach:** Changing allocations and bringing in new ideas.
- **Capital efficiency:** The Strategy has roughly twice the exposure for every dollar invested – your capital is working harder.

Finally, the GMO Alternative Allocation Strategy delivers true diversification, maintaining a low correlation and beta to traditional assets.

ALTA OFFERS TRUE DIVERSIFICATION

Low beta to major risk factors

	S&P 500	EAFE	Emerging Equities	Commodities	U.S. Rates	DXY
ALTA	-0.1	-0.1	-0.1	0.0	-0.2	0.3
Equity Dislocation	-0.3	-0.1	-0.1	0.0	-0.2	0.3
Event-Driven	0.2	0.1	0.0	0.1	0.2	-0.1
Quality Long/Short	-0.2	0.0	-0.1	-0.2	-0.1	0.2
World Market Neutral	-0.1	0.0	0.0	0.0	-0.3	0.1
Emerging FX	0.2	0.3	0.1	0.2	0.3	-0.6
Global Macro	0.1	-0.1	-0.1	0.0	0.0	0.1
Managed Volatility	0.3	0.1	0.0	0.1	0.3	-0.3
RV Credit	0.0	0.0	0.0	0.0	0.0	0.0
Trend	0.3	0.1	0.1	0.3	-0.3	0.0

As of 9/30/2026

The Client Fit

We believe the GMO Alternative Allocation Strategy is an excellent addition to balanced portfolios, providing diversification beyond traditional risk assets. The Strategy provides daily liquidity to dynamically rebalance your portfolio, particularly following a market correction. ALTA does not have lockups, which are common to other diversifiers.

There are two main approaches to incorporating the Alternative Allocation Strategy into your portfolio:

- **Strategic:** A constant allocation to liquid alternatives can improve the Sharpe ratio of your overall portfolio, and with the potential for positive returns when traditional risk assets are underperforming.
- **Tactical:** It makes sense to overweight alternatives when equities and/or bonds are overvalued.

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.

The Team

Asset allocation is not a subset of GMO's offering; it is a principal competency of the firm. We have been managing broad-based, multi-asset class portfolios - both traditional and alternatives - since 1988 and have developed a specialty in valuing asset classes. Moreover, GMO has over 20 years of experience in managing individual alternative strategies and packaging them together into multi-strategy solutions. We have built a broad and deep team, with diverse areas of expertise.

RISK

Risks associated with investing in the Strategy may include: Management and Operational Risk, Leveraging Risk, Derivatives and Short Sales Risk, Market Risk - Equities, and Market Risk - Fixed Income.

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