

**GRANTHAM, MAYO, VAN OTTERLOO & Co. LLC**  
**53 State Street, Suite 3300**  
**Boston, Massachusetts 02109**

**(617) 330-7500**

**[www.gmo.com](http://www.gmo.com)**

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**This brochure provides information about the qualifications and business practices of Grantham, Mayo, Van Otterloo & Co. LLC (“GMO”). If you have any questions about the contents of this brochure, please contact GMO at (617) 330-7500. An investment adviser’s registration with the United States Securities and Exchange Commission (“SEC”) does not imply a certain level of skill or training. The information in this brochure has not been approved or verified by the SEC or by any state securities authority.**

**Additional information about GMO is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## **Item 2. Summary of Material Changes**

There have been no material changes (as defined in relevant SEC regulations) to GMO's brochure since GMO's last annual update on March 29, 2023.

The information contained in this brochure is as of March 28, 2024 unless otherwise noted.

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#### **Item 4. Advisory Business**

- A. Grantham, Mayo, Van Otterloo & Co. LLC (“GMO”) was founded in 1977 and furnishes investment advisory services to clients. GMO is a Massachusetts limited liability company that is controlled by active employee-members (“Members”). The Members, analogous to partners in other organizations, include senior individuals in the firm. No Member owns more than 25% of the membership interests in the firm.

GMO’s offices include its headquarters in Boston, Massachusetts, and a representative office in Tokyo. The offices of GMO’s affiliates are located in Amsterdam, London, Singapore, and Sydney. Please see Item 10, “*Other Financial Industry Activities and Affiliations*” for a more detailed discussion about GMO’s affiliates.

- B. GMO offers investment strategies in many of the major asset classes (*e.g.*, U.S., non-U.S., emerging and global equities and fixed income), as well as multi-asset class, absolute return, and alternative strategies. Within these strategies, a range of investment styles, market capitalizations, and types of securities may be represented. GMO’s investment strategies are implemented through pooled vehicles (*e.g.*, mutual funds, private funds or exchange-traded funds (ETF)) and/or primarily through discretionary advice provided to separately managed accounts, some of which use pooled vehicles. In certain instances, GMO also offers non-discretionary services through the delivery of model portfolios or other similar advice-only mandates. Please see Item 8, “*Methods of Analysis, Investment Strategies and Risk of Loss*” for more information regarding GMO’s investment strategies.

An independent wealth advisor may select GMO to manage a separate account for the wealth adviser’s clients and enter into the investment management agreement with GMO for the client’s account with GMO on the client’s behalf (“Manager Advised Separate Account”). In such cases, the wealth advisor selects an investment strategy on behalf of the client, and the wealth advisor and/or the wealth advisor’s client enters into an agreement with GMO for GMO to provide sub-advisory services to the client’s account. The wealth advisor may request certain customizations on behalf of the client’s account, such as restricting the account from holding certain securities. Clients participating in the Manager Advised Separate Account program should review the terms of the investment management agreement, investment guidelines, and fees selected by their wealth advisor. GMO generally allocates investment opportunities as described in Item 7 and follows the allocation and other brokerage practices, as set forth in Item 12. As further explained in Item 12, brokerage commissions or other costs for execution of transactions in the Manager Advised Separate Accounts may not be negotiated by GMO.

GMO may tailor its advisory services for clients investing through separately managed accounts. GMO may agree to manage the client’s assets against a particular benchmark or pursuant to investment guidelines discussed and agreed upon with the client. To the extent practicable and consistent with the intended investment strategy, GMO may agree to implement client-imposed limitations on GMO’s discretionary authority with respect to the securities to be bought or sold for an account including, but not limited to, diversification requirements, benchmark deviation, industry concentration, restrictions prohibiting the purchase of certain securities or securities of certain types of issuers, prohibiting investments

in certain countries or markets, limitations in relationships with counterparties, and/or prohibiting the employment of certain investment strategies or techniques (e.g., derivatives). Please see Item 16, “*Investment Discretion*,” which discusses these and other restrictions relating to GMO’s discretionary authority. Client accounts that are subject to such limitations may perform differently (and potentially less successfully) than other accounts with similar strategies managed by GMO that do not have such limitations.

Additionally, pursuant to a licensing agreement with Nebo Wealth Solutions LLC (a GMO affiliate), GMO also offers an asset management software platform to assist independent investment advisers (each, an “Adviser”, collectively “Advisers”) in constructing portfolios for their advisory clients (the “Allocation Platform”). The Allocation Platform utilizes a shortfall optimization engine to generate portfolio asset allocations tailored to each client’s personal financial circumstances and goals based on information provided by Advisers.

GMO offers the Allocation Platform on a standalone basis or as part of a turnkey asset management services platform (“TAMP”). GMO’s TAMP includes administrative services, reporting, trading oversight and other services in addition to use of the Allocation Platform. The Allocation Platform generates customized portfolio allocations based on information provided by Advisers, and Advisers remain responsible for reviewing and approving all portfolio allocations and investments for their clients. Advisers utilizing GMO’s TAMP instruct GMO, or a third party engaged by the Adviser, to trade client accounts to maintain parity with the Adviser-approved portfolio allocations and investments in accordance with defined parameters.

GMO does not exercise investment discretion with respect to the investments selected for clients of Advisers using the Allocation Platform, and GMO does not maintain any relationship (whether contractual or otherwise) with the underlying clients of those Advisers. Advisers remain solely responsible for selecting and approving portfolio allocations, investments and trading parameters on behalf of their clients and for determining the suitability of any allocations, investments and strategies for their clients.

- C. GMO does not participate in wrap-fee programs.
- D. As of December 31, 2023, GMO managed US\$58 billion on a discretionary basis for its clients. These figures reflect GMO’s net assets under management, as contrasted with the assets required to be reported in Part 1A of Form ADV as GMO’s “regulatory assets under management.”

GMO may provide investment advice to certain clients on a non-discretionary basis. Those services include securities analysis, model portfolio delivery, portfolio risk analysis and specific investment recommendations. As of December 31, 2023, GMO managed US\$1.7 billion on a non-discretionary basis for its clients.

## Item 5. Fees and Compensation

- A. The rate of GMO's advisory (or management) or service fee varies with the type of service, product or asset class being managed, the investment strategy being employed, and the vehicle type in which the strategy is being implemented. GMO's fees are generally asset-based and calculated at an annual rate as a percentage of the value of the net assets in the account. GMO may charge flat or tiered licensing or sub-licensing fees (in addition to or as an alternative to asset-based fees) to users of the Allocation Platform.

In some cases, GMO is paid a combination of an asset-based fee and a performance fee. The performance fee may take the form of a special allocation of profit to GMO, or an affiliate, from a GMO pooled vehicle. (Special allocations and performance-based fees or performance fees are referred to interchangeably throughout this brochure.) The performance fee may be calculated in a variety of ways depending on multiple factors including, but not limited to, the nature of the strategy, relevant performance benchmarks and performance hurdles, and is generally calculated based on both realized and unrealized amounts. Please see Item 6, "*Performance-Based Fees and Side-by-Side Management*" for more information.

Under appropriate circumstances, in GMO's discretion and where permitted by applicable law, the terms of an investment advisory contract, including fee schedules, terms of payment and termination provisions, may be negotiable. The asset-based fees paid to GMO by clients with discretionary separately managed accounts generally range from 0.20% to 1.00%. The asset-based management fee rate for a separately managed account will typically begin at a higher rate than a pooled investment vehicle managed in the same strategy.

With respect to accounts in the Manager Advised Separate Account program, GMO agrees on the advisory fee payable with the client's wealth advisor. As stated above, for those accounts, an independent wealth advisor selects an investment strategy on behalf of a client, and the wealth advisor and/or the wealth advisor's client enters into an agreement with GMO for GMO to provide sub-advisory services to the client's account. The advisory fees payable for a Manager Advised Separate Account may change based on certain factors, including the aggregate amount of assets (i) in client accounts that belong to the same household or (ii) the wealth advisor's clients, or clients of the wealth advisor's service providers, have invested in GMO funds or strategies, including the Manager Advised Separate Accounts. Advisory fees for clients in Manager Advised Separate Accounts can differ as a result of the client's wealth advisor and the wealth advisor's relationship with GMO, these fees may also be payable in advance.

GMO may, for fee calculation purposes, agree to aggregate the assets of related accounts that are being managed for the same client even if such account(s) is/are managed by an affiliate of GMO. In those circumstances, the aggregate accounts may receive the benefit of a lower effective fee due to the combined level of assets. Certain clients from time to time seek to include most favored nation ("MFN" and such client an "MFN Client") clauses in their investment management agreements with GMO. GMO considers agreeing to an MFN clause in view of a number of factors, which may include the client's overall relationship with GMO. These clauses generally require GMO to notify the MFN Client if GMO has entered into, or subsequently enters into, a more favorable fee arrangement with a comparable client

and offer the MFN Client the same fee arrangement or notify the MFN Client of such fee arrangement. Whether an account will be considered comparable will depend upon the language of the client's agreement with GMO. The agreement may provide for consideration of factors including, but not limited to, the size of the account, scope and type of relationships with GMO, restrictions on account, level of services required for the account, investment strategy, investment objectives and discretionary character of the account. GMO does not agree to MFN clauses in all circumstances and has sole discretion over whether to grant an MFN clause.

The GMO Trust mutual funds (each a "GMO Trust Fund" and collectively, "GMO Trust Funds") pay, directly or indirectly, management, service, and/or supplemental support fees to GMO. The total net annual expenses of the GMO Trust Funds generally range from 0.08% to 1.70%. Total net annual expenses are charged to and deducted from the GMO Trust Funds in arrears. Additional information on each GMO Trust Fund's fees and expenses are described in their respective prospectuses, as supplemented and/or amended from time to time.

The stated asset-based fee rates for each private pooled product advised by GMO excluding GMO Trust Funds and GMO-advised ETFs (collectively, the "GMO Private Funds"), are set forth in detail in each GMO Private Fund's offering documentation. The asset-based fee rates for the GMO Private Funds generally ranges from 0.20% to 3.675%. Note that the universe of GMO Private Funds contemplated in this brochure may be broader than the list of "private funds" required to be reported in Item 7.B of Part 1A of Form ADV. With respect to the fees charged by GMO Private Funds the general partner, investment adviser or board of directors of such vehicles, as the case may be, has discretion to waive, modify or calculate differently, or rebate a portion of the asset-based fees and/or performance fees for any period for some or all investors and admit investors or accept additional subscriptions from existing investors subject to such other fee arrangements as each of them deems appropriate and generally without notice to or consent from other investors subject to applicable, law, rule or regulation.

In consideration for the services GMO provides to each GMO-advised ETF and for GMO's agreement to pay all of the expenses incurred by the ETF (with certain exceptions), GMO is paid an investment advisory fee based on the average daily assets of the ETF. GMO Private Funds, the GMO Trust Funds and GMO-advised ETFs are collectively referred to as GMO Funds throughout this document. For some clients, including some of the GMO Trust Funds, GMO is given authority to allocate (and reallocate) a client's assets among GMO Trust Funds and, in some cases, other pooled vehicles, on a discretionary basis. Often, GMO receives no direct fee for advising or performing the allocation but will receive fees from the underlying pooled vehicles to which it allocates. In such cases, GMO will earn a higher total fee to the extent a client's assets are allocated among pooled vehicles that have higher fees payable to GMO. Therefore, a conflict of interest exists because GMO has an incentive to allocate client assets into pooled vehicles that produce the greatest fees for GMO.

In other cases, a client that has granted such asset allocation authority to GMO will be assessed an account-level fee which may consist of an asset-based fee or a combination of an asset-based fee and a performance fee. To the extent that such a separately managed account

is invested in GMO Trust Funds, GMO generally will credit against the account-level fee payable to GMO the amount of any management and shareholder service fees paid to GMO by the GMO Trust Funds in respect of such account's investment in the GMO Trust Funds. To the extent a separately managed account is invested in a GMO Private Fund, GMO generally reduces the GMO Private Fund's advisory or management fee to zero with respect to such account's investment in the GMO Private Fund. In all these cases, GMO has a conflict of interest because GMO can earn the same amount (and therefore earns a higher fee for its allocation services) when a client's assets are allocated among products that have a lower average fee. In addition, a conflict of interest exists when GMO is allocating assets among pooled products when GMO is also considering whether to close to new investment pooled products with limited capacity but whose investors may pay GMO fees. GMO has an incentive to accept additional investments in those GMO Funds with higher fees even if a larger asset base may be more difficult to manage. GMO, in its sole discretion, may permit investment by GMO Funds in other GMO Funds that are otherwise closed to unaffiliated investors and may restrict investment by GMO Funds in other GMO Funds that remain open to unaffiliated investors. GMO, on behalf of GMO Private Funds, may also, in its sole discretion, reduce all or a portion of the management fee or performance fee or bear other costs and expenses related to investments held by GMO, its affiliates, and their respective Members and employees.

- B. For accounts that are pooled vehicles, fees are generally accrued daily or monthly and paid in arrears. For accounts that are separately managed, asset-based fees are typically billed and payable quarterly in arrears, although such accounts may be billed more or less frequently. Fees in connection with the Allocation Platform are generally paid on a monthly or quarterly basis in arrears. Performance fees for separately managed accounts and certain pooled products, if applicable, are typically billed annually but GMO and a client may agree to billing based on an initial, partial calendar year or to a more or less frequent billing cycle. From time to time, a client, whether in a separately managed or asset allocation account, may provide a standing instruction to GMO in its investment management agreement to redeem shares of GMO Funds held in its account to the extent necessary to pay their base (or advisory) fee and any performance fee owed to GMO. For all accounts, the amount of the asset-based fee is prorated if GMO provides advisory services for periods of less than a full payment cycle (e.g., at the beginning or end of GMO's engagement to provide advisory services). For accounts investing in a class of a GMO Fund's shares that charges performance fees, accrued performance fees are generally payable at the time of each redemption from such GMO Fund and at the end of other performance measurement periods (typically, annually). In all cases, and even if a contract is silent, GMO requires that fees billed from January through November be paid by March 15 of the following year (except for certain corporations and non-US clients who must remit payment by the end of the calendar year in which they were billed) and, with respect to fees billed as of December 31 of each year, no later than December 31 of the following year.
- C. Clients that have a separately managed account will incur brokerage costs, third-party execution costs (if any) and other transaction costs associated with GMO's management of the accounts' portfolio securities. Please see Item 12, "*Brokerage Practices*" for a description of GMO's brokerage practices. Advisers using the Allocation Platform are solely responsible for their operational and brokerage costs (including commissions, custody and

other transaction and administrative costs). For Advisers using GMO's TAMP, fees could include, but may not be limited to, coordinating with custodians, client billing services and account reconciliation, providing access to certain investment options and other administration and support services costs.

In addition to advisory (or management) fees and brokerage and transaction costs, clients invested in the GMO Trust Funds will, either directly or through a separately managed account, bear the other fees and expenses paid by the GMO Trust Funds, as applicable, including shareholder service, and/or supplemental support fees paid by the GMO Trust Funds to GMO and other fees and expenses paid by the GMO Trust Funds (to the extent not otherwise waived or reimbursed by GMO), which include but are not limited to, expenses of the independent Trustees and their independent counsel fees and expenses of underlying funds (including GMO Trust Funds) in which the GMO Trust Fund's invest, fees and expenses for legal, fund accounting, transfer agency, custodial, tax and auditing services, insurance premiums, fees of proxy advisory firms, securities lending fees and expenses, interest expense, transfer taxes, and other investment-related costs (including investment-related legal expenses and overdraft charges), governmental, regulatory, licensing, filing or registration fees; hedging transaction fees, extraordinary or non-recurring and expenses not incurred in the ordinary course of the GMO Trust Fund's business (e.g., taxes, litigation, judgments and indemnification expenses). Some GMO Trust Funds also charge purchase premiums and/or redemption fees, which are paid by the investor to the relevant GMO Trust Fund (not to GMO) upon purchases into, or redemptions, from such GMO Trust Fund. Some GMO Trust Funds may be subject to other expenses including distribution and/or administration service fees payable to sub-transfer agents or record-keepers. Information about the foregoing, and the total net annual operating expenses of each GMO Trust Fund are described in the GMO Trust Funds' prospectus, as supplemented from time to time. The information in the GMO Trust Funds' prospectus shall govern in all instances and in some cases may be more current than that included in this brochure.

In addition to advisory fees, clients invested in GMO Private Funds, whether directly or through a separately managed account, will bear the fees and expenses paid by the GMO Private Funds (to the extent not otherwise waived or reimbursed by GMO), including but not limited to custody fees, brokerage commissions (including research costs), third-party execution fees and similar transaction costs, if any; investment-related legal, tax, and certain other expenses, (which may include interest and commitment fees on debit balances and borrowings, borrowing charges on securities sold short, fees of legal and other professional advisors and consultants relating to investments or prospective investments, other investment monitoring expenses), third-party expenses relating to systems and software used in connection with the operations of the GMO Private Funds and investment-related activities (including without any limitation, any accounting, risk management, trading and administrator-like functions that GMO performs in-house); administration; legal; governmental, regulatory, licensing, filing or registration fees; accounting; insurance premiums, fees of proxy advisory firms, certain other fees and expenses extraordinary or non-recurring and expenses not incurred in the ordinary course of the GMO Trust Fund's business (e.g., taxes, litigation, judgments and indemnification expenses). Some GMO Private Funds also charge purchase premiums and/or redemption fees, which are paid by the investor to the relevant GMO Private Fund (not to GMO) upon purchases into, or



redemptions from such GMO Private Fund. The information in a GMO Private Fund's offering documents shall govern in all instances and in some cases may be more current than that included in this brochure.

Some GMO Funds invest in other GMO Funds and other pooled investment vehicles not advised by GMO, and therefore may also bear the indirect expenses associated with their investment (if any) in underlying funds. In general, GMO has agreed to waive or reduce, but not below zero, the management fee that it charges each GMO Fund and the shareholder service fee that it charges each class of shares of a GMO Fund to the extent necessary to offset the management and shareholder service fees indirectly borne by the GMO Fund as a result of its direct or indirect investment in other GMO Funds. To the extent a GMO Fund is invested in a GMO Private Fund, GMO generally reduces the GMO Private Fund's advisory or management fee to zero with respect to the GMO Fund's investment. Investors should refer to the relevant prospectus for the GMO Trust Funds and/or the current offering memoranda for the GMO Private Funds for a more detailed description of any underlying fund's fees and expenses.

GMO has contractually agreed to bear some of the operational expenses for many of the GMO Funds it advises, (e.g., accounting and transfer agency expenses). The extent to which GMO bears those expenses varies by GMO Fund. Therefore, when negotiating those expenses with third-party service providers (which are often negotiated for all pools at the same time), GMO has an economic incentive to favor a fee structure that shifts expenses from GMO Funds for which GMO has a greater reimbursement obligation to those GMO Funds for which GMO has a lesser (or no) reimbursement obligation. Further, to the extent that GMO has discretion to allocate a client's assets among GMO Funds, it has an incentive to allocate to GMO Funds where GMO has a less (or no) reimbursement obligation.

Clients with separately managed accounts typically engage a custodian to custody their assets managed by GMO and are responsible for custodial fees and other expenses charged by their custodian which are paid directly by the clients to their custodians, including, without limitation, relevant trading, and brokerage expenses which are paid directly by the clients to their custodians. Separate account clients who engage futures commission merchants, derivatives clearing merchants or prime brokers are similarly responsible for the fees charged by those service providers.

- D. Clients in the Manager Advised Separate Account program may pay their fees in advance.
- E. Neither GMO nor any of its supervised persons accept compensation for the sale of securities or other investment products.

#### **Item 6. Performance Based Fees and Side-by-Side Management**

GMO may be paid an asset-based fee or a combination of an asset-based fee and a performance fee. Please see Item 5, "*Fees and Compensation*" and the related Schedules for more information about GMO's fees. To the extent GMO charges a performance fee, the client must be eligible, and the performance fee must generally comply with the requirements of Section 205 of the Investment Advisers Act of 1940, as amended ("Advisers Act") and

Rule 205-3 thereunder. In situations where GMO has entered into a performance fee arrangement, it may have an economic incentive to make riskier investments, pursue riskier strategies, seek less downside risk when a GMO Fund has outperformed its benchmark and allocate superior investment ideas to those accounts capable of generating higher performance-related compensation than it might otherwise. In addition, because many of GMO's investment personnel manage accounts with only asset-based fees and accounts with an asset-based fee and a performance fee component, they face conflicts of interest in that they may have an incentive to favor accounts for which GMO receives a base and performance fee.

GMO's compensation program for its investment professionals is designed to align compensation of the investment professionals managing an account to such accounts' performance over various periods. Importantly, we emphasize maintaining a long-term view, which we believe best aligns our rewards system with our clients' interests. An investment team's compensation pool for the year generally is determined by the team's investment performance over the measurement periods (using 5-year, 3-year and 1-year, where available) versus their benchmark and peer universe (as applicable) and the firm's performance. Additional considerations include, among other things, product fee structures and maturity, talent and experience levels, collaboration with other teams and contributions to firm-wide research. Individual awards are discretionary and determined based on a number of factors, which can include, among other things, investment performance (over multi-year periods), conducting innovative research, rigorously pursuing new investment concepts, participating constructively in the vetting of ideas and their ultimate incorporation into our portfolios, as well as how an individual exhibits attributes that are aligned with GMO's investment philosophy, values, competencies and culture. In limited circumstances (specifically the Systematic Global Macro Team employed by GMO's Australian subsidiary), GMO uses a formulaic approach that includes a portion of revenues from base and performance fees.

As a result, individual investment professionals may have some or all the same economic incentives that GMO itself may have when GMO is eligible to earn a performance fee. Specifically, whether or not GMO is earning or is eligible to earn a performance fee, individual investment professionals may have compensation-related incentives to make riskier investments, pursue riskier strategies, seek less downside risk when a GMO Fund has outperformed its benchmark and allocate superior investment ideas to those accounts capable of generating higher performance-related compensation than they might otherwise.

GMO may also have an incentive to favor accounts in which it and/or its Members and employees may own a substantial interest. GMO maintains firm-wide trade allocation standards, and GMO's trading desk has specific allocation procedures designed to allocate investment opportunities fairly and equitably over time. Information regarding these procedures is provided under Item 12, "*Brokerage Practices*."

To manage further the potential conflicts of interest associated with side-by-side management of accounts and funds with performance fees and those that have solely asset-based fees, dispersion among accounts employing similar investment strategies is

periodically reviewed to ensure that any material divergence in expected performance is adequately understood.

GMO may also have conflicts of interest related to engaging in short sales of, or taking a short position in, an investment owned or being purchased by other client accounts managed by GMO or vice versa.

See also Item 11, “*Code of Ethics, Participation in Client Transactions and Personal Trading: Conflicts Related to Advisory Activities*” for additional information on potential conflicts.

## **Item 7. Types of Clients**

GMO provides investment advice to a wide variety of clients, including, but not limited to, endowments, foundations; employee benefit, pension and contribution plans; governmental and supranational entities; family offices; high net worth individuals; taxable entities; investment companies; pooled investment vehicles; trusts; other institutions (including financial intermediaries) and individuals (including individual retirement accounts). The minimum account size for investment in certain share classes of the GMO Trust Funds varies but generally requires at least a \$5 million commitment. For the GMO Private Funds, the minimum account size varies depending on the vehicle, but is generally at least \$5 million and there are generally legal and/or regulatory based limitations on the types of eligible investors. Minimum account size requirements are waived for Members and employees and for other investors at GMO’s discretion. GMO may waive a Fund’s investment minimum for certain clients in certain circumstances (e.g., for clients whose investment consultant has full discretion or exercises substantial influence over its clients’ assets and where the relationship meets the investment minimum). The minimum account size for separately managed accounts varies by investment strategy. GMO also provides Allocation Platform-related services to Advisers and does not typically require a minimum investment amount.

## **Item 8. Methods of Analysis, Investment Strategies and Risk of Loss**

A. GMO investment professionals may employ a variety of tools in providing investment advice to GMO clients including, but not limited to, proprietary techniques used to research and evaluate securities based on historical and forecasted financial information, as well as fundamental investment analysis. GMO believes that material environmental, social and corporate governance (“ESG”) factors can, in many cases, be helpful in assessing future risks and prospects of the companies and countries which it invests, and by integrating ESG into the investment processes of certain strategies GMO can improve long-term risk-adjusted returns. For example, ESG may help GMO identify issuers who are working to address underappreciated ESG risks and, in turn, enhance their long-term profitability and command a higher premium into the future. The weight that ESG criteria are given, overall or individually, for a particular investment decision is dependent upon GMO’s assessment of their materiality and relevance to that investment decision. The consideration of ESG criteria as part of a strategy’s investment process does not mean that the strategy pursues a specific “ESG” investment strategy, and, depending on the strategy, GMO may make investment decisions that are based on other (non-ESG) material financial information or risk

considerations. GMO’s incorporation of ESG criteria into its investment process for a particular strategy does not mean that every investment or potential investment undergoes an ESG review, and GMO may not consider ESG criteria for every investment a strategy makes (such as, for example, in cases where ESG-related data for a company is unavailable). GMO believes that active engagement can help to better assess key ESG risks and opportunities and, critically, how these matters support or risk hurting long-term investment results. For many strategies, GMO uses engagement and proxy voting practices to understand how issuers are addressing key ESG risks and to encourage behavior that supports positive long-term results.

GMO offers investment strategies in many of the major asset classes (e.g., U.S., non-U.S., emerging and global equities and fixed income), as well as multi-asset class, absolute return, and alternative strategies. Please refer to *Appendix A* for a general description of each of GMO’s investment strategies as of the date of this brochure. Descriptions of strategies offered through pooled investment vehicles are qualified in their entirety by the information contained in the relevant vehicle’s offering materials. Descriptions of strategies offered through separately managed accounts are qualified in their entirety by reference to the applicable investment advisory agreement and related investment guidelines; and this brochure shall govern to the extent the contract is silent.

Investing in securities involves risk of loss that clients should be prepared to bear. Please note that ‘invested in’ as used in this brochure includes both direct and indirect investments and long and short positions unless otherwise indicated. When used herein the terms ‘bonds,’ ‘fixed income investments,’ and ‘fixed income securities,’ include (a) obligations of an issuer to make payments on future dates of principal, interest (whether fixed or variable) or both and (b) synthetic debt instruments created by GMO through the use of derivatives (e.g., a futures contract, swap contract, currency forward or option).

B. The following chart identifies the material risks associated with the strategies described in *Appendix A*. Risks not marked for a particular strategy, may, however, still apply to some extent to that strategy at various times. All strategies could be subject to greater or additional risks due to the types of investments they make and changing market conditions over time. Where exposures are achieved using derivatives, the risks of owning the reference assets still apply, in addition to the risks of the derivatives themselves. This summary of the material risks is supplemented by the information contained in a GMO Fund’s offering materials, if any.

Some clients may request variations on the strategies described in *Appendix A*. For those separately managed accounts, such variations may subject the accounts to risks in addition to the material risks identified below.

	<b>Equities</b>	<b>Fixed Income</b>	<b>Multi-Asset Class</b>	<b>Alternative</b>
Borrowing and Leverage Risk	•	•	•	•
Commodities Risk	•	•	•	•
Convertible Securities Risk	•	•	•	•
Counterparty Risk	•	•	•	•

	<b>Equities</b>	<b>Fixed Income</b>	<b>Multi-Asset Class</b>	<b>Alternative</b>
Credit Market Illiquidity Risk	•	•	•	•
Credit Risk	•	•	•	•
Currency Risk	•	•	•	•
Custodial Risk	•	•	•	•
Derivatives Risk	•	•	•	•
Event Driven Risk	•	•	•	•
Focused Investment Risk	•	•	•	•
Focused Investment Risk – Climate Change and Natural Resources	•			
Illiquidity Risk	•	•	•	•
Inflation Risk	•	•	•	•
Interest Rate Risk	•	•	•	•
Large Investor Risk	•	•	•	•
Legal and Regulatory Risks	•	•	•	•
Management and Operational Risk	•	•	•	•
Market Disruption and Geopolitical Risk	•	•	•	•
Market Risk-Equity Securities	•	•	•	•
Market Risk- Fixed Income Securities	•	•	•	•
Non- U.S. Investment Risk	•	•	•	•
Options Risk	•	•	•	•
Portfolio Turnover Risk	•	•	•	•
Preferred Securities Risk	•	•	•	•
Prime Brokerage Risk	•	•	•	•
Real Estate Risk	•	•	•	•
Risks of Pooled Investment Vehicles	•	•	•	•
Short Sales Risk	•	•	•	•
Smaller Company Risk	•	•	•	•
Underlying Strategies Risk	•	•	•	•

- *Borrowing and Leverage Risk* – If permitted by the strategy’s investment policies, the strategy may purchase securities on margin and may arrange with banks, brokers and others to borrow money. A strategy may use leverage to increase its exposure to the underlying investments and may borrow money without limitation or use derivative instruments in connection therewith. The use of leverage creates opportunities for greater total return but at the same time creates greater risks. While gains made with borrowed funds generally would cause a strategy’s net asset value to increase faster than without the use of borrowed funds, if the market value of securities purchased

with borrowed funds declines or does not appreciate sufficiently to cover the costs of borrowing, the strategy's value will decrease faster and more significantly than without the use of borrowed funds. Such decrease in value could be substantial. As the strategies do not have specific limitations on long or short exposure, the risks associated with leverage may be greater than would otherwise be the case. In addition, a strategy will be leveraged if it exercises its right to delay payment on a redemption, and losses will result if the value of the strategy's assets declines between the time a redemption request is deemed to be received by the strategy and the time the Strategy liquidates assets to meet redemption requests.

- *Commodities Risk* – Commodity prices can be extremely volatile and may be directly or indirectly affected by many factors, including changes in overall market movements, real or perceived inflationary trends, commodity index volatility, changes in interest rates or currency exchange rates, population growth and changing demographics, and factors affecting a particular industry or commodity. Exposure to commodities can cause the net asset value of the strategy's assets to decline or fluctuate in a rapid and unpredictable manner.
- *Convertible Securities Risk* – The market value of a convertible security is a function of its 'investment value' (determined by its yield in comparison with the yields of other securities of comparable maturity and quality that do not have a conversion privilege) and its 'conversion value' (the security's worth, at market value, if converted into the underlying common stock). The investment value of a convertible security is influenced by changes in interest rates, with investment value declining as interest rates increase and increasing as interest rates decline. A convertible security may also be subject to redemption or conversion under specified circumstances and/or at the option of the issuer at a price established in the convertible security's governing instrument.
- *Counterparty Risk* – The strategy runs the risk that the counterparty to a derivatives contract, a clearing member used by a client account to hold a cleared derivatives contract, or a borrower of a client account's securities is unable or unwilling to make timely settlement payments or otherwise honor its obligation. To the extent that GMO's view with respect to particular counterparty changes (whether due to external events or otherwise), does not mean that existing transactions with the counterparty will necessarily be terminated or modified. Additionally, new transactions may be entered into with a counterparty that GMO no longer considers a desirable counterparty (e.g., re-establishing the transaction with a lesser notional amount or entering into a countervailing trade with the same counterparty). Counterparty risk also may be more pronounced if a counterparty's obligations exceed the amount of collateral held by a strategy (if any), the strategy is unable to exercise its interest in collateral upon default by the counterparty, or the termination value of the instrument varies significantly from marked-to-market value of the instrument. To the extent the strategy allows a prime broker, if any, or any over-the-counter derivative counterparty to retain possession of any collateral, the strategy may be treated as an unsecured creditor of such counterparty in the event of the counterparty's insolvency.

Counterparty risk may also be higher for a strategy that allows its counterparties to transfer collateral posted by the counterparty to affiliates of the counterparty, including the strategy's prime broker. Such arrangements may enable a strategy to incur higher leverage, because the strategy's margin requirements to such counterparty to secure such leverage may be lower since such requirements are determined across all lines of business between the strategy and such counterparty and its affiliates. However, in those circumstances, the strategy may find itself in the position of being treated as an unsecured creditor of its counterparty (and/or its affiliate) in the event of the counterparty's (and/or its affiliate's) insolvency notwithstanding the formalities of the collateral arrangements. Also, to the extent the strategy's assets are transferred to an entity governed by the laws of a different jurisdiction, the strategy might need to institute proceedings in that jurisdiction in order to seek the return of its assets.

To the extent that the strategy engages in futures and options contract trading and the futures commission merchants with whom the strategy maintains accounts fail to segregate the strategy's assets, the strategy will be subject to a risk of loss in the event of the bankruptcy of any of its futures commission merchants. The strategy will assume the credit risk associated with placing its cash, margin and securities with brokers, and the failure or bankruptcy of any of such brokers could have a material adverse impact. If the futures brokers become bankrupt or insolvent, or otherwise default on their obligations to the strategy, the strategy may not receive all amounts owing to it in respect of its trading, despite the clearinghouse fully discharging all of its obligations. Furthermore, in the event of the bankruptcy of a futures broker, the strategy could be limited to recovering only a pro rata share of all available funds segregated on behalf of the futures broker's combined customer accounts, even though certain property specifically traceable to the Fund was held by the futures broker. Also, in contrast to the treatment of margin provided for cleared derivatives, the futures broker does not typically notify the futures clearing house of the amount of margin provided by the futures broker to the futures clearing house that is attributable to each customer. Therefore, a strategy is subject to the risk that its margin will be used by the futures clearing house to satisfy the obligations of another customer of its futures brokers.

- *Credit Market Illiquidity Risk* – It is possible that illiquidity in the credit markets could cause the price of investments held by the strategy to decline, which may have the result of forcing the strategy to sell assets to reduce leverage, satisfy requirements under its borrowing arrangements or to meet margin calls, all of which could, in turn, create further downward price pressure. If there is a substantial decline in the market value of a strategy's portfolio of investments, investments may need to be liquidated quickly.
- *Credit Risk* – The strategy runs the risk that the issuer or guarantor of a fixed income investment (including a sovereign or quasi-sovereign debt issuer) or the obligor of an obligation underlying an asset-backed security will be unable or unwilling to satisfy its obligations to pay principal and interest payments or otherwise to honor its obligations in a timely manner. The obligations of issuers also may be subject to

bankruptcy, insolvency and other laws affecting the rights and remedies of creditors. The market price of a fixed income investment will normally decline as a result (and/or in anticipation) of the failure of an issuer, underlying obligor or guarantor to meet its payment obligations or a downgrading of the relevant credit rating. The extent to which the market price of a fixed income security changes in response to a credit event depends on many factors and can be difficult to predict. Credit risk is particularly pronounced for below investment grade investments (commonly referred to as “high yield” or “junk bonds”) which have speculative characteristics, often are less liquid than higher quality investments, present a great risk of default and are more susceptible to real or perceived adverse market conditions. Changes in actual or perceived creditworthiness may occur quickly. As inflation increases, the present value of a strategy’s fixed income investment typically will decline. An investor’s expectation of future inflation can also adversely affect the current value of a strategy’s investments, resulting in lower asset values and potential losses. This risk is elevated compared to historical market conditions because of recent mandatory policy measures and the current interest rate environment.

- *Currency Risk* – Fluctuations in exchange rates may adversely affect the value of the strategy’s investments. Currency risk includes the risk that the currencies in which the strategy’s investments are traded or in which the strategy receives income, and/or in which the strategy has taken a position will decline in value. Currency risk also includes the risk that the currency to which the strategy has obtained exposure through hedging declines in value relative to the currency being hedged, in which event, the strategy is likely to realize a loss on both the hedging instrument and the currency being hedged.
- *Custodial Risk* – If a custodian has custody of a strategy’s securities, cash, distributions and rights accruing to the strategy’s securities accounts, the strategy will be subject to credit risk with respect to the custodian. Even if the custodian has sufficient assets to meet all claims, there could be a delay before the strategy receives assets to satisfy its claims. Please also see “*Prime Brokerage Risk*.”
- *Derivatives Risk* – The use of derivatives involves the risk that their value may not change as expected relative to changes in the value of the assets, pool of assets, rates, currencies or indices they are designed to track. Derivatives also present other risks, including market risk, illiquidity risk, currency risk, and credit and counterparty risk. Because the contract for each over-the-counter derivative is individually negotiated, the counterparty may interpret contractual terms (e.g., the definition of default) differently than GMO and, if it does, the strategy may decide not to pursue its claims against the counterparty to avoid the cost and unpredictability of legal proceedings. The strategy, therefore, may be unable to obtain payments GMO believes are owed to it under derivative instruments or those payments may be delayed or made only after the strategy has incurred the cost of litigation.

Short positions may not act as an effective hedge against long positions. The success of any hedging strategy will depend in part on GMO’s ability to correctly assess the



degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the investments being hedged.

A purchase or sale of a futures contract may result in losses in excess of the amount invested in the futures contract. If the strategy uses futures for hedging, in the event of an imperfect correlation between a futures position and the portfolio position intended to be hedged, the strategy may realize a loss on the futures contract at the same time it is realizing a loss on the portfolio position intended to be hedged. In addition, futures exchanges may establish daily limits on the amount that the price of a futures contract can vary from the previous day's settlement price, thereby effectively preventing liquidation of futures positions.

Some types of interest rate swaps and credit default index swaps on North American and European indices that may be used by client accounts will be required to be centrally cleared. In a cleared derivatives transaction, the counterparty to the transaction is a central derivatives clearing organization, or clearing house, rather than a bank or broker. In light of the fact that the strategy is not a member of a clearing house and only members of clearing house can participate directly in the clearing house, the strategy holds cleared derivatives through accounts at a clearing member. The strategy will make and receive payments owed under cleared derivatives transactions (including margin payments) through their accounts at clearing members. Clearing members guarantee performance of a strategy's obligations to the clearing house. Clearing members at any time can require termination of existing cleared derivatives position or an increase in margin requirements above those required at the outset of a transaction. Any such termination or increase could interfere with the ability of the strategy to pursue its investment objective. Further, any increase in margin requirements by a clearing member could expose the strategy to greater credit risk to its clearing member, because margin for cleared derivatives positions in excess of a clearing house's margin requirements typically is held by the clearing member. Also, the strategy is subject to risk if it enters into a derivatives transaction that is required to be cleared (or which GMO expects to be cleared), and no clearing member is willing or able to clear the transaction on the strategy's behalf. In that case, the transaction might have to be terminated, and the strategy could lose some or all of the benefit of any increase in the value of the transaction after the time of the trade.

- *Event Driven Risk* – If a strategy purchases securities in anticipation of a proposed merger, exchange offer, tender offer, or other similar transaction, and that transaction later appears unlikely to be consummated or in fact is not consummated or is delayed, the market price of the securities purchased by the strategy is likely to decline sharply, resulting in losses to the strategy. There is typically asymmetry in the risk/reward payout of merger arbitrage strategies – the losses in failed transactions often far exceeding the gains in successful transactions. A proposed merger can fail to be consummated for many reasons, including regulatory and antitrust restrictions, industry weakness, company specific events, failed financings and general market declines. Merger arbitrage strategies are subject to the risk of overall market movements, and a strategy may experience losses even if a transaction is

consummated. Also, a strategy may be unable to hedge against market fluctuations or other risks.

- *Focused Investment Risk* – A strategy with investments that are focused in a limited number of countries, regions, asset classes, sectors, (or in sections within a country or region), industries, currencies, or issuers that are subject to the same or similar risk factors and a strategy with investment whose market prices are closely correlated are subject to higher overall risk than a strategy with investments that are more diversified and/or whose prices are not as closely correlated. A strategy that invests in securities of a small number of issuers has higher exposure to adverse developments affecting those issuers and to a decline in the market price of those issuers' securities than a strategy investing in the securities of a larger number of issuers. Securities, sectors or companies that share common characteristics are often subject to similar business risks and regulatory burdens, and often react similarly to specific economic, market, political or other developments.
- *Focused Investment Risk – Climate Change* – Due to the fact that the strategy focuses its investments in securities of companies involved in climate change-related industries, the strategy will be more susceptible to events or factors affecting these companies, and the market prices of its portfolio securities may be more volatile than those of mutual funds that are more diversified. The strategy is particularly exposed to such factors as changes in global and regional climates, environmental protection regulatory actions, changes in government standards and subsidy levels, changes in taxation and other domestic and international political, regulatory and economic developments. Companies involved in alternative fuels also may be adversely affected by the increased use of, or decreases in prices for, oil or other fossil fuels. In addition, scientific developments, such as breakthroughs in the remediation of global warming, or changes in governmental policies relating to the effects of pollution may affect investments in pollution control, which could in turn affect these companies. Such companies also may be significantly affected by the level or pace of technological change in industries focusing on energy, pollution control and mitigation of global warming. Because society's focus on climate change issues is relatively new, the emphasis and direction of governmental policies is subject to significant change, and rapid technological change could render even new approaches and products obsolete. Some companies involved in climate change-related industries are in the early stages of operation and have limited operating histories and smaller market capitalizations on average than companies in other sectors. As a result of these and other factors, the market prices of securities of companies involved in climate change-related industries tend to be considerably more volatile than those of companies in more established sectors and industries.

GMO considers "climate change-related industries" to include clean energy, batteries and storage, electric grid, energy efficiency, recycling and pollution control, agriculture, water and businesses that service such industries.

- *Illiquidity Risk* – Low trading volume, lack of a market maker, large position size or legal restrictions (including daily price fluctuation limits or 'circuit breakers,' an

affiliation with the issuer of a security or possession of material non-public information about the issuer) may limit, delay or prevent the strategy from selling particular securities or unwinding derivative positions at desirable prices. To the extent a strategy is offered as a pooled vehicle, holding less liquid securities increases the likelihood that a redemption request will be honored in-kind and a strategy's investment in such a vehicle may often be redeemed only on specific dates (for example, monthly or quarterly) and may be subject to substantial restrictions on transfer. As a result, the strategy may not be able to dispose of its investment in the underlying strategy when GMO believes it would be advantageous to do so. A strategy runs the risk that liquid investments become illiquid due to various factors, including financial distress or geopolitical events (such as sanctions, trading halts or wars).

- *Inflation Risk* – Inflation is a sustained increase in overall price levels. Moderate inflation is associated with economic growth, while high inflation can signal an overheated economy. Inflation risk is the risk that the value of assets or income from a strategy's investments will be worth less in the future as inflation decreases the value of payments at future dates. Central banks, such as the U.S. Federal Reserve, generally attempt to control inflation by regulating the pace of economic activity, typically by raising and lowering short-term interest rates. At times, government may attempt to manage inflation through fiscal policy, such as by raising taxes or reducing spending, thereby reducing economic activity; conversely, governments can attempt to combat deflation with tax cuts and increased spending designed to stimulate economic activity. Inflation rates may change frequently and significantly as a result of various factors, including unexpected shifts in the domestic or global economy and changes in economic policies, and a strategy's investments may not keep pace with inflation, which may result in losses to investors.
- *Interest Rate Risk* – Interest rate risk relates to changes in a security's market value as a result of changes in interest rates. Because interest rates vary, the future income of a strategy that invests in floating or adjustable-rate securities cannot be predicted with certainty. Conversely, inverse floating rate securities have durations that move in the opposite direction from short-term interest rates, and thus tend to underperform fixed rate bonds when interest rates rise but outperform them when interest rates decline.

In addition, the market price of inflation-indexed bonds (including TIPS) normally changes when real interest rates change. Their value typically declines during periods of rising real interest rates (i.e., nominal interest rate minus inflation) and increases during periods of declining real interest rates. Therefore, if the rate of inflation rises at a faster rate than nominal interest rates, real interest rates (i.e., nominal interest rate minus inflation) might decline, leading to an increase in value of inflation-indexed bonds. In contrast, if nominal interest rates increase at a faster rate than inflation, real interest rates might rise, leading to a decrease in value of inflation-indexed bonds. In some interest rate environments, such as when real interest rates are rising faster than nominal interest rates, the market price of inflation-indexed bonds may decline more than the market price of non-inflation-indexed (or nominal) fixed income bonds with similar maturities. Moreover, if the index measuring inflation falls, the principal value

of inflation-indexed bond investments will be adjusted downward, and, consequently, the interest they pay (calculated with respect to a smaller principal amount) will be reduced. Although inflation-indexed bonds protect their holders from long-term inflationary trends, short-term increases in inflation may result in a decline in value. In addition, inflation-indexed bonds do not protect holders from increases in interest rates due to reasons other than inflation (such as changes in currency exchange rates).

- *Large Investor Risk* – To the extent that a strategy is offered as a pooled vehicle and interests in the pooled vehicle are held (directly or indirectly) by large investors (e.g., institutional investors, asset allocation funds, or other GMO pooled vehicles) or a group of investors with a common investment strategy, the pooled vehicle is subject to the risk that a redemption by those shareholders of all or a large portion of their investment will adversely affect performance by forcing the pooled vehicle to sell portfolio securities at disadvantageous prices to raise the cash needed to satisfy the redemption request. In some cases, a redemption of a large number of shares of the pooled vehicle could disrupt the pooled vehicle’s operations or force the pooled vehicle’s liquidation. A strategy may trade in anticipation of a purchase or redemption order that is not ultimately received or differs in size from the actual order, leading to temporary underexposure or overexposure to a strategy’s intended investment program.
- *Legal and Regulatory Risks* – Legal, tax and regulatory changes could occur during the term of the strategy that may adversely affect the strategy. New (or revised) laws or regulations or interpretations of existing laws may be issued by U.S. and non-U.S. regulators or other governmental regulatory authorities or self-regulatory organizations could adversely affect the strategy. A strategy may also be adversely affected by changes in the enforcement or interpretation of existing statutes and rules by these governmental regulatory authorities or self-regulatory organizations.
- *Management and Operational Risk* – The strategy relies on GMO’s ability to achieve its investment objective. Each strategy runs the risk that GMO’s investment techniques will fail to produce the intended results and a strategy may incur significant losses. GMO uses quantitative models as part of its investment process and in making investment decisions for many strategies. Those strategies (and any underlying strategies) run the risks that GMO’s models will not accurately predict future market movements. In addition, those models rely on assumptions and data that are subject to limitations (e.g., inaccuracies, staleness) that could adversely affect their predictive value. A strategy (and any underlying strategies) also runs the risk that GMO’s assessment of an investment (including a security’s fundamental fair (or intrinsic) value) is wrong. There also can be no assurance that all of GMO’s key personnel will continue to be associated with GMO for any length of time. The loss of their services could have an adverse impact on a strategy’s ability to achieve its investment objective. A strategy also is subject to the risk of loss and impairment of operations as a result of GMO’s and other service providers’ provision of investment management, administrative, accounting, tax, legal, pricing and other services to the strategy. GMO and other service providers are susceptible to cyber-attacks and technological malfunctions that may have effects that are similar to those of a cyber-

attack, which, in each case, may have an adverse effect on the strategy or its investors. In addition, following the COVID-19 pandemic GMO and its service providers implemented business continuity plans, including widespread use of hybrid and work-from-home arrangements, which may make GMO and its service providers more susceptible to cyber-attacks.

GMO's ability to use, manage, and aggregate data is limited by, among other things, the effectiveness of policies, systems, and practices that govern how data is acquired, validated, used, stored, protected, processed, and shared. Failure to use, manage, and aggregate data in a lawful, accurate, and/or timely manner limits the ability to manage current and emerging risks, as well as to manage changing business needs and adapt to the use of new tools, including AI. While GMO will under certain circumstances restrict certain uses of third-party and open source AI tools, GMO personnel and/or investments could use these tools, which pose additional risks including but not limited to those relating to the protection of proprietary data, the unlawful exposure of confidential information, and the misuse of intellectual property. Use of AI tools could result in allegations or claims, for example, related to violation of intellectual property rights, unauthorized access to or use of proprietary information, bias, conflicts, and/or failure to comply with open-source software requirements. AI tools can and have been known to produce inaccurate, misleading, or incomplete responses, such as hallucinations, which could lead to errors in data, decision-making, portfolio management or other business activities, including by GMO, GMO personnel, and or GMO investments. AI tools could also be used in criminal or negligent ways. As the use of AI tools has grown, governmental bodies have been examining AI tools and their use in a variety of industries, including financial services; AI faces an uncertain legal and regulatory landscape in many jurisdictions. Ongoing and future legal and/or regulatory actions with respect to AI generally or AI's use in any industry in particular could alter, including to a materially adverse extent, the ability of GMO and others to utilize AI. As the nature and use of AI advances, additional risks will arise. Any of the above risks, as well as new or emerging risks related to AI, could adversely impact GMO, GMO investment vehicles, and GMO investments and lead to financial loss.

GMO, GMO's service providers, and other market participants increasingly depend on complex and often interconnected information technology and communications systems to conduct business functions. These systems are subject to a number of different risks that could adversely affect GMO and others, despite the efforts of GMO and others to adopt technologies and processes intended to mitigate these risks and protect the security of their systems, software, networks, and other technology assets. Unauthorized parties may attempt to improperly access, modify, disrupt, encrypt, or otherwise prevent access to these systems of GMO and others, including for example service providers and counterparties, as well as the data stored by these systems, including investor information. GMO and others are subject to ransomware and other attacks, which could cause a substantial business disruption or loss of availability of data that could prevent the timely execution of investment strategy, trading, or account access. Parties may attempt to fraudulently induce employees, customers, third-party service providers or others to disclose sensitive information in

order to gain access to data or to transfer funds to unauthorized third parties. Any of the above risks or circumvention of relevant system security could cause harm to GMO and investments. Examples of harm and/or increased costs include but are not limited to the loss or theft of data or funds, identity theft, the inability to access electronic systems, regulatory penalties, reputational damage, financial loss, and costs associated with system repairs and upgrades, investigations, compliance, and insurance premiums.

- *Market Disruption and Geopolitical Risk* – Geopolitical and other events (e.g., wars, pandemics, sanctions and terrorism) will disrupt securities markets and adversely affect the general economy or particular economies and markets. Those events as well as other changes in non-U.S. and U.S. economic and political conditions, could exacerbate other risks or otherwise reduce the value of and/or render illiquid the strategy's investments. Sudden or significant changes in the supply or prices of commodities or other economic inputs (e.g., the marked decline in oil prices in early 2020 and substantial increase in 2022) may have material and unexpected effects on both global securities markets and individual countries, regions, sectors, companies, or industries, which could significantly reduce the value of a strategy's investments. Securities markets may be susceptible to market manipulation or other fraudulent trading practices, which could disrupt their orderly functioning or prices of securities traded on them, including securities held in the strategy. Fraud and other deceptive practices committed by a company whose securities are held in a strategy, when discovered, will likely cause a steep decline in the market price of those securities and thus negatively affect the value of the strategy's investments. War, terrorism, economic uncertainty and related geopolitical events, such as sanctions, tariffs, the imposition of exchange controls or other cross-border trade barriers, other government restrictions (or the threat of such restrictions) have led, and in the future may lead, to greater short-term market volatility and have had, and in the future may have adverse long-term effects on U.S. and world economies and markets generally on specific sectors. Events such as these and their impact on the strategy are impossible to predict.
- *Market Risk – Equity Securities* – The market price of equities may decline due to factors affecting the issuing companies, their industries, or the economy and equity markets generally. If a strategy purchases an equity for less than its fundamental fair (or intrinsic) value as assessed by GMO and GMO's assessment proves to be incorrect, the strategy runs the risk that the market price of the equity will not appreciate to or decline. Strategies also may purchase equities that typically trade at higher multiples of current earnings than other securities, and the market prices of these equities often are more sensitive to changes in future earnings expectations than other securities to changes in future earnings expectations than the market prices of equities trading at lower multiples.
- *Market Risk - Fixed Income Securities* – A strategy that invests a significant portion of its assets in fixed income investments (including bonds, notes, bills, loans, synthetic debt instruments, and asset-backed securities) is subject to various market

risks. These risks include, but are not limited to, loss on investments in asset-backed and other fixed income securities, lack of liquidity of those investments and impact of fluctuating interest rates. The market price of a fixed income security can decline due to a number of market-related factors, including rising interest rates, widening credit spreads, or decreased liquidity. In addition, the market price of fixed income investments with complex structures, such as asset-backed securities, can decline due to market uncertainty about their credit quality and the reliability of their payment streams. The risks associated with such change in interest rates are generally greater for a strategy that invests in fixed income securities with longer durations.

If the strategy acquires an interest in a loan through a participation, it must rely on the seller of the participation not only for the enforcement of the strategy's rights against the borrower but also for the receipt and processing of principal, interest, or other payments due under the loan. This means that the strategy is also subject to the credit risk of the seller of the participation and other risks relating to that seller.

Floating-rate or adjustable-rate investments generally have shorter interest rate durations because their interest rates are not fixed, but rather float up and down as interest rates change. Conversely, inverse floating-rate investments have durations that move in the opposite direction from short-term interest rates and thus tend to underperform fixed rate investments when interest rates rise but outperform them when interest rates decline.

Investments in distressed or defaulted or other low quality debt securities may trade significantly below par, generally are considered speculative, and may involve substantial inherent risks that are generally significantly higher than the risks involved in investing in companies that are not experiencing, or expected to experience, financial stress and not normally associated with investments in higher quality securities, including adverse business, financial or economic conditions that lead to payment defaults and insolvency proceedings on the part of their issuers. If GMO's evaluation of the eventual recovery value of a defaulted instrument should prove incorrect, the strategy may lose a substantial portion or all of its investment.

- *Focused Investment Risk - Natural Resources Risk* – The prices of securities of companies in the natural resources sector are often more volatile than securities of companies in other industries. Some of the commodities used as raw materials or produced by these companies are subject to broad price fluctuations as a result of industry-wide supply and demand factors. Companies in the natural resources sector often have limited pricing power over supplies or for the products they sell which can affect their profitability. Companies in the natural resources sector also may be subject to special risks associated with natural or man-made disasters. In addition, the natural resources sector can be especially affected by political and economic developments, government regulations including changes in tax law or interpretations of law, energy conservation, and the success of competing exploration projects. Specifically, companies in the natural resource sector can be significantly affected by import controls, worldwide competition and cartels, changes in consumer sentiment and spending, and can be subject to liability for, among other things, environmental

damage, depletion of resources, and mandated expenditures for safety and pollution control.

GMO considers the “natural resources sector” to include companies that own, produce, refine, process, transport, and market natural resources and companies that provide related equipment, infrastructures and services.

- *Non-U.S. Investment Risk* – Investments in non-U.S. issuers or securities traded outside the United States may involve special risks due to non-U.S. economic, political and legal developments, including favorable or unfavorable changes in currency exchange rates, exchange control regulations (including currency blockage), expropriation, nationalization or confiscatory taxation of assets, government involvement in the economy or in the affairs of specific companies or industries (including wholly or partially state-owned enterprises), imposition of withholding or other taxes, adverse changes in investment capital or exchange control regulations (which include suspension of the ability to transfer currency from a country), political changes, diplomatic developments, including the imposition of economic sanctions, or tariffs, and possible difficulty in obtaining and enforcing judgements against non-U.S. entities. Economic or other sanctions imposed on a non-U.S. country or issuer by the U.S., or on the U.S. by a non-U.S. country, could impair a strategy’s ability to buy, sell, hold, receive, deliver, or otherwise transact in certain securities. Sanctions could also affect the value and/or liquidity of a non-U.S. security. Many non-U.S. securities markets list securities of only a small number of companies in a small number of industries. As a result, the market prices of securities traded on those markets (particularly in emerging markets) often fluctuate more than those of U.S. securities.

Political uncertainty and instability within a non-U.S. country could result in the imposition of sanctions against officials and institutions of that country. No assurance can be given that adverse political changes and any subsequent consequences (including sanctions) will not cause a Fund to suffer a loss of any or all of its investments (or, in the case of fixed income investments, interest) in non -U.S. countries.

Also, there are risks associated with any license that the strategy needs to maintain to invest directly in securities traded in some non-U.S. markets. These licenses are often subject to limitations, including maximum investment amounts. Once a license is obtained, a strategy’s ability to continue to invest directly is subject to the risk that the license will be terminated or suspended.

In some foreign markets, prevailing custody and trade settlement practices (*e.g.*, the requirement to pay for securities prior to receipt) may expose the strategy to credit and other risks it does not have in the United States. Further, adverse changes in investment regulations, capital requirements, or exchange controls could adversely affect the value of the strategy’s investments.



- *Options Risk* – There are various risks associated with transactions in exchange-traded and OTC options. The market price of an option is affected by many factors, including: changes in the market prices or dividend rates of underlying securities (or in the case of indices, the securities in such indices); the time remaining before expiration; changes in interest rates or exchange rates; and changes in the actual or perceived volatility of the relevant stock market and underlying securities. The market price of an option also may be adversely affected if the market for the option becomes less liquid. A strategy that sells put options on stock indices likely will underperform the equity markets in sharply and/or rapidly rising markets.
- *Portfolio Turnover Risk* – There may not be any limits on the rate of portfolio turnover and securities may be sold without regard to the time they have been held when, in GMO’s opinion, investment considerations warrant such action (which may include taking and reversing a position within the same day). A high rate of portfolio turnover involves correspondingly greater expenses (such as brokerage commissions and transaction costs) than a lower rate, may act to reduce the strategy’s investment profits, or create a loss for investors. In addition, a high rate of portfolio turnover may result in increased tax costs to investors depending on the tax provisions applicable to such investors.
- *Preferred Securities Risk* – If the strategy owns a preferred stock that is deferring its distribution, it may be required to report income for tax purposes even when it is not receiving current income on the position. Preferred stocks often allow for redemption in the event of certain tax or legal changes or at the issuer’s call. In the event of redemption, the strategy may not be able to reinvest the proceeds at comparable rates of return. Preferred stocks are subordinated to bonds and other debt securities in an issuer’s capital structure in terms of priority for corporate income and liquidation payments, and therefore will be subject to greater credit risk than those debt securities.
- *Prime Brokerage Risk* – While SEC rules require a prime broker to maintain physical possession and control of fully paid securities, a prime broker generally has the ability to loan, pledge and rehypothecate the securities, as is typical market practice, and may have insufficient assets to meet all of its obligations to ‘customers’ in the event of insolvency of the prime broker. In order to manage the risks associated with prime broker insolvency, a strategy may establish relationships with multiple prime brokers. In addition, GMO may not be able to identify possible solvency concerns with respect to any prime broker or to transfer assets from one prime broker to another prime broker in a timely manner.
- *Real Estate Risk* – Real estate-related investments may decline in market value as a result of factors affecting the real estate industry, such as the supply of real property in particular markets, overbuilding, changes in zoning laws, casualty or condemnation losses, delays in completion of construction, changes in real estate values, changes in operating costs and property taxes, levels of occupancy, adequacy of rent to cover operating costs, possible environmental liabilities, regulatory limitations on rent, fluctuations in rental income, increased competition and other risks related to local

and regional market conditions. The market value of real estate-related investments also may be affected by changes in interest rates, macroeconomic developments, and social and economic trends. Real Estate Investment Trusts (“REITs”) are subject to the risk of fluctuations in income from underlying real estate assets, poor performance by the REIT’s manager, and GMO’s inability to effectively manage the cash flows generated by the REIT’s assets, prepayments and defaults by borrowers, self-liquidation, adverse changes in tax laws and, with respect to U.S. REITs, their failure to qualify for the special tax treatment granted to REITs under the Internal Revenue Code of 1986 or to maintain exempt status under the Investment Company Act.

- *Focused Investment Risk – Resource Transition* – This strategy concentrates its investments in the resource transition sector, it is particularly exposed to adverse developments, including adverse price movements, affecting issuers in the resource transition sector and is subject to higher risks than a fund that invests in a wider range of industries. In addition, the market prices of securities of companies in the resource transition sector are often more volatile (particularly in the short term) than those of securities of companies in other industries. Some of the commodities used as raw materials or produced by these companies are subject to broad price fluctuations as a result of industry-wide supply and demand factors. Companies in the resource transition sector often have limited pricing power over the supplies they purchase and the products they sell, which can affect their profitability, and are often capital-intensive and use significant amounts of leverage. Projects in the resource transition sector may take extended periods of time to complete, and companies cannot ensure that the market will be favorable at the time the project begins production. Companies in the resource transition sector also may be subject to special risks associated with natural or man-made disasters. Companies in the resource transition sector can be significantly affected by import controls, worldwide competition and cartels, and changes in consumer sentiment and spending and can be subject to liability for, among other things, environmental damage, depletion of resources, and mandated expenditures for safety and pollution control. The strategy’s concentration in the securities of companies in the resource transition sector exposes it to the price movements of natural resources to a greater extent than if it were more broadly diversified.
- *Short Sales Risk* – A strategy may sell securities or currencies short as part of its investment program in an attempt to increase their returns for hedging purposes. Short sales expose the strategy to the risk that it will be required to acquire, convert or exchange a security or currency to replace the borrowed security or currency when the security or currency sold short has appreciated in value, thus resulting in a loss to the strategy. Purchasing a security or currency to close out a short position can itself cause the price of the security or currency to rise further, thereby exacerbating any losses. A strategy that sells short a security or currency it does not own also may have to pay borrowing fees to a broker and may be required to pay the broker or other counterparty any dividends or interest it receives on a borrowed security.

- *Risks of Pooled Investment Vehicles* –Investments by the strategy in pooled investment vehicles may involve additional and/or a layering of fees, expenses, charges and other costs (including, without limitation, purchase premiums and redemption fees, if any). In addition, investment decisions of such vehicles are made by their investment advisers independently of each other. As a result, at any particular time one investment vehicle may be purchasing securities of an issuer whose securities are being sold by another investment vehicle resulting in a strategy that holds each underlying pooled investment vehicle indirectly incurring then costs associated with the two transactions without changing its exposure to those securities. In addition, there is no assurance that the investments or investment strategies employed by any underlying pooled investment vehicle will be successful. The strategy is also exposed to the risk that the underlying funds do not perform as expected.
- *Smaller Company Risk* – Companies with smaller market capitalizations or smaller total float-adjusted market capitalization tend to have limited product lines, markets or financial resources, lack the competitive strength of larger companies or have inexperienced managers or depend on fewer key employees than larger companies. In addition, their securities often are less widely held and trade less frequently and in lesser quantities, and their market prices often fluctuate more, than the securities of companies with larger market capitalizations. Market risk and illiquidity risk are particularly pronounced for securities of these companies.
- *Underlying Strategies Risk* – A strategy that invests in other strategies is indirectly exposed to all of the risks of an investment in those underlying strategies, including the risk that the underlying strategies in which it invests will not perform as expected or that the strategy will invest in underlying strategies with higher fees or expenses. At any particular time, one underlying strategy may be purchasing securities of an issuer whose securities are being sold by another underlying strategy, resulting in a strategy that holds each underlying strategy indirectly incurring the costs associated with the two transactions without changing its exposure to those securities.

## **Item 9. Disciplinary Information**

There are no legal or disciplinary events that GMO believes are material to a client's or prospective client's evaluation of GMO's advisory business or the integrity of its management.

## **Item 10. Other Financial Industry Activities and Affiliations**

- A. GMO is not registered, nor does it have an application pending to register as a U.S. broker/dealer. Certain of GMO's personnel are principals and/or registered representatives of Funds Distributor LLC, an unaffiliated broker/dealer that has been retained (for regulatory reasons only) to effect client transactions in shares/interests of GMO Funds and to act as a placement agent for the majority of the GMO Private Funds.

- B. GMO is registered with the Commodity Futures Trading Commission (“CFTC”) as a commodity trading advisor and a commodity pool operator and is a member of the National Futures Association (“NFA”) with respect to the management of pooled products and separately managed accounts that utilize futures contracts and other derivatives. Certain of GMO’s management persons and client-facing personnel are registered with the NFA as principals and/or associated persons.
- C. *Related pooled investment vehicles and general partners.* GMO manages the constituent funds of GMO Trust and the GMO-advised ETFs. GMO Trust was organized by GMO in June 1985. GMO Trust is a registered management investment company (SEC File No. 2-98772, 811-4347). The GMO-advised ETF was organized by GMO in November 2023. The GMO-advised ETF is an exchange-traded fund with a U.S. principal listing exchange on NYSE Arca, Inc. GMO provides management and may arrange for other services to be performed for the constituent funds of GMO Trust and/or the GMO-advised ETFs.

GMO provides advisory and other services to the GMO Private Funds. GMO or an affiliate of GMO serves as the general partner to several of the GMO Private Funds advised by GMO.

Members and employees of GMO serve as officers and/or Trustees of GMO Trust. In addition, Members and employees of GMO serve as officers and/or members of the boards of directors of certain GMO Private Funds that pay fees to GMO, including performance fees. In the case of many GMO Private Funds, GMO Members and employees constitute a majority of the board of directors. GMO Members and employees who serve as officers, directors or trustees generally have conflicts of interest. GMO may also hold the only voting securities issued by a GMO Private Fund or otherwise may hold a majority of the shares voting at a meeting and will generally have a conflict of interest in exercising its voting rights.

*Related advisers.* Please note that all investment personnel of a related adviser are associated persons of GMO with respect to the services they provide to GMO and/or GMO clients as agreed with GMO.

GMO Australia Ltd. is a wholly-owned subsidiary of GMO, located at Suite 43.02, Grosvenor Place, 225 George Street, Sydney NSW 2000 Australia. GMO Australia Ltd. commenced operations in November 1995 and manages or services accounts similar to those managed by GMO in the U.S. GMO Australia Ltd. holds an Australian Financial Services Licence issued by the Australian Securities and Investments Commission.

GMO Singapore Pte. Ltd. (“GMO Singapore”), a U.S. registered investment adviser (SEC File No. 801-78717), is a wholly-owned subsidiary of GMO, located at 6 Battery Road, #34-01 Singapore 049909. GMO Singapore commenced operations in February 2003 and manages or services accounts similar to those managed by GMO in the U.S. GMO Singapore has a Capital Markets Services License from the Monetary Authority of Singapore authorizing it to provide the regulated activities of ‘dealing in capital markets products’ and ‘fund management.’ Ernest Chew, Gunwoo Lim, and Alicia Yeo are employees of GMO Singapore. All the aforementioned employees are associated persons of GMO with respect to services they provide to GMO and/or GMO’s clients as agreed with GMO. GMO Singapore

provides services to certain of the GMO Funds and is compensated by GMO for providing those services.

GMO's investment adviser affiliates may provide advice to their clients with respect to strategies that are similar to strategies offered by GMO and those investment advisory affiliates may purchase on behalf of their clients the same securities that GMO may purchase for its clients. As a result, interests of GMO's clients may conflict with the interests of clients of GMO's investment advisory affiliates.

Any of the foregoing related advisers may serve as a placement agent, distributor or marketer of GMO Funds in jurisdictions outside the United States and share revenue for providing such services. Please see Item 14, "*Client Referrals and Other Compensation*," for further discussion on any distribution arrangements.

*Related commodity pool operators.* GMO Investment Partners, LLC, a wholly-owned subsidiary of GMO and general partner and/or managing member to several GMO Private Funds, is registered with the CFTC as a commodity pool operator. Affiliates of GMO also sponsor limited partnerships or other pooled products. Please see the discussion below in Item 11 describing conflicts related to GMO's advisory activities.

*Other.*

GMO UK Limited ("GMO UK") is a wholly-owned subsidiary of GMO located at No. 1 London Bridge, London SE1 9BG England. The firm commenced operations in December 2003 and services accounts similar to those managed by GMO in the U.S. GMO UK is authorized and regulated by the Financial Conduct Authority. Simon Harris, Anthony Hene, and Carl O'Rourke are Members of GMO and are also employees of GMO UK. Riversdale Waldegrave, Linda Gruendken and Tommy Garvey are employees of GMO UK. All the aforementioned employees are associated persons of GMO with respect to services they provide to GMO and/or GMO's clients as agreed with GMO.

GMO Netherlands B.V. ("GMO Netherlands") is a wholly-owned subsidiary of GMO located at Gustav Mahlerplein 109-115, 26<sup>th</sup> Floor, 1082 MS Amsterdam. GMO Netherlands was incorporated in November 2018 and is authorized by the Netherlands Authority for the Financial Markets to provide investment services.

GMO Australia Operating Partnership is a wholly-owned subsidiary of GMO. GMO Australia Operating Partnership is located at Suite 43.02, Grosvenor Place, 225 George Street, Sydney NSW 2000 Australia. GMO Australia Operating Partnership commenced operations in April 2022 to continue the operations of GMO Australia Partnership (which commenced operations in November 1995) in providing management, marketing, client and other services to GMO Australia Ltd. Jason Halliwell is the head of the Systematic Global Macro Team, a Member of GMO and an employee of GMO Australia Operating Partnership. Sean Gleason, Vikram Mundkur and George Ferizis are Members of GMO and employees of GMO Australia Operating Partnership. Peter Martin and Martin Emery are employees of GMO Australia Operating Partnership. All the aforementioned employees are associated

persons of GMO with respect to services they provide to GMO and one or more of GMO's clients as agreed with GMO.

NEBO Wealth Solutions, LLC is a wholly-owned subsidiary of GMO located at 53 State Street, Suite 3300 Boston, Massachusetts, 02109 which allows GMO to offer the Allocation Platform to third parties.

A foundation and a charitable trust established by a GMO Member lease office space at GMO's offices. The GMO Member has agreed that the charitable trust and the foundation are subject to many of the provisions of GMO's Code of Ethics and Insider Trading Policy and Procedures, including restrictions on securities trading by the charitable trust and the foundation. The Member has also agreed that certain employees of the foundation will comply with the terms of GMO's Code of Ethics and Insider Trading Policy and Procedures, as well as GMO's Code of Conduct, GMO's Gifts and Entertainment Policy, any restrictions or policies implemented by GMO from time to time with respect to employee investments in GMO funds, and all other GMO workplace conduct policies. The Member, the foundation and the charitable trust have reported that each of them has retained a consulting firm to provide bona fide investment advisory services; the consulting firm also recommends GMO to potential clients. Please see Item 14, "*Client Referrals and Other Compensation*," which describes the arrangement.

GMO Members and employees may serve on the boards of directors and/or investment committees of external organizations, including public companies and those organizations that are currently or may become GMO clients. Such service may present conflicts of interest to the extent the Member or employee becomes aware of material non-public information and he or she may be unable to initiate some transactions for other clients while in possession of that information. GMO will, to the extent possible, take steps to mitigate such conflicts of interest, if and when, they arise.

D. GMO does not recommend or select other investment advisers for its clients for compensation.

#### **Item 11. Code of Ethics, Participation in Client Transactions and Personal Trading**

GMO has adopted a Code of Ethics that is generally applicable to all of its related entities and their members, employees and, in general, on-site consultants world-wide (collectively, "access persons"). GMO directors who are not Members of GMO or provide additional consulting services to GMO are not treated as "access persons" under the Code of Ethics. The Code of Ethics is designed to comply with Rule 17j-1 of the Investment Company Act of 1940 and Rule 204A-1 of the Advisers Act. The Code of Ethics establishes personal trading procedures, including certain pre-clearance and reporting obligations. While GMO's access persons may, subject to the terms of the Code of Ethics, purchase investments for their own accounts, including the same investments as may be purchased or sold for client accounts, GMO's Code of Ethics is designed to prevent its access persons from engaging in personal securities transactions that may compete or interfere materially with trading of client accounts. In order to give effect to the prohibitions in the Code of Ethics, procedural requirements are also set forth in the Code of Ethics, including pre-clearance by the Compliance Department of many types of trades. Some

securities (e.g., certain mutual fund shares, U.S. government securities and money market instruments) and some transactions (e.g., dividend reinvestment, de minimis trades, and transactions in accounts managed by third parties) are exempt from the substantive and/or procedural requirements of the Code of Ethics. Exceptions from the Code of Ethics may be granted.

GMO also maintains a Code of Conduct policy that sets forth GMO's professional expectations of its personnel, as well as a Gifts and Entertainment Policy and an Anti-Bribery and Corruption Policy that are designed to provide reasonable oversight of potential conflicts associated with the receipt and giving of entertainment and other gifts.

GMO also has adopted an Insider Trading Policy and Procedures ("Insider Trading Policy") applicable to all employees, on-site consultants, officers, GMO Members, and directors that forbids such persons from trading, either personally or on behalf of others (such as mutual funds and private accounts managed by GMO), while either aware of material non-public information or on the basis of material non-public information or communicating material non-public information to others (commonly referred to as "insider trading"), except in specific, limited circumstances described in the Insider Trading Policy. GMO directors who are not Members of GMO or provide additional consulting services to GMO are not treated as "access persons" under the Insider Trading Policy. In connection with its activities, GMO may seek and/or receive information that is not generally available to the public, which may restrict the ability to transact in any related securities. Please see below, "*Conflicts of Interest Related to Information Known by or Provided to GMO.*" The Insider Trading Policy does not provide absolute assurance as to the correct handling of material non-public information but does contain procedures reasonably designed to aid GMO personnel in avoiding insider trading, and to aid GMO in preventing, detecting and imposing sanctions against insider trading. Those procedures also include provisions designed to manage the issues associated with GMO's use of "expert networks," whose members provide expertise in particular sectors or industries to assist GMO personnel in analyzing securities.

GMO's procedures specifically permit GMO's Chief Compliance Officer ("CCO"), in their discretion, to establish temporary ethical screens to control the flow within the firm of material non-public information received by persons subject to the Insider Trading Policy. The use of a temporary ethical screen may enable GMO to restrict specific GMO accounts from trading the securities of an issuer, and therefore avoid placing securities of an issuer on a firm-wide restricted list, whereby any or all GMO accounts would be prohibited from transacting in securities of such issuer. From time to time, however, based on the relevant facts and circumstances, GMO's CCO or their designee may deem it necessary or appropriate to restrict trading by all GMO accounts in the securities of particular issuers and will place such securities on a firm-wide restricted list. Placement of a security on the restricted list will restrict its purchase or sale by GMO client accounts, including GMO employee accounts, rendering illiquid any such security already held in a client's account until such time as the security is removed from that list.

*Conflicts.* GMO attempts to disclose material conflicts of interest in this document. However, because conflicts are endemic for registered investment advisers, in responding to the particular items of Form ADV Part 2A, GMO has focused on identifying those conflicts that may be most

salient. Set forth in this section is a description of certain conflicts that arise in the course of GMO's activities as well as a description of how GMO seeks to address such conflicts. Other sections of this brochure also provide a description of additional conflicts of interest that may arise in the operation of GMO's business. Please also see Item 12, "*Brokerage Practices*," and Item 16, "*Investment Discretion*," for a description of GMO's procedures with respect to the allocation of investment opportunities among its clients, including the allocation of limited opportunities, and a discussion of the research and other factors GMO considers when selecting brokers/dealers to effect transactions for clients. Please also see Item 5, "*Fees and Compensation*," and Item 6, "*Performance Based Fees and Side-by-Side Management*," for a description of conflicts associated with the fees charged by GMO, including performance fees and fees for asset allocation, as well as analogous incentives associated with GMO's compensation system. Please also see Item 10, "*Other Arrangements*," for a discussion on conflicts associated with the foundation and charitable trust established by a GMO Member. Item 14, "*Client Referrals and Other Compensation*," describes conflicts that may arise with consultants that recommend GMO to their clients and Item 17, "*Voting Client Securities*," describes conflicts relating to proxy voting.

*Conflicts of interest related to advisory activities.* GMO serves as investment adviser to pooled vehicles and separately managed accounts that have similar investment objectives and pursue similar strategies to the pooled vehicles. Certain investments identified by GMO may be appropriate for multiple clients. Investment decisions for these clients are made by GMO in its best judgment, but in its sole discretion, taking into account factors GMO believes are relevant. Such factors may include investment objectives, regulatory restrictions, current holdings, availability of cash for investment, pending contributions or withdrawals, the size of the investments generally, counterparty limitations (e.g., adjustments to a previously established derivative position with a particular counterparty) and limitations and restrictions on a client's account that are imposed by law or by the client (including but not limited to restrictions and limitations resulting from the client having a limited number of trading or other appropriate contractual arrangements in place with counterparties). GMO generally is not under any obligation to share any investment, idea or strategy with all of its clients. Decisions to buy and sell investments for each client advised by GMO are made by the relevant GMO Investment Team with a view to achieving each client's investment objectives taking into account the factors noted above. Therefore, a particular investment may be bought or sold for only one client or in different amounts and at different times for more than one but less than all clients, even though it could have been bought or sold for other clients at the same time. Likewise, a particular investment may be bought for one or more clients when one or more other clients are selling the investment. Such transactions may occur through the same broker, particularly in the case of derivatives (e.g., total return swaps) where the ability to utilize a different broker may be limited, and such transactions may be executed at the same or different prices. Additionally, one account may trade in advance of another account within the same or similar investment strategy due to operational considerations and other circumstances.

Conflicts may also arise in cases when clients with different strategies invest in different parts of an issuer's capital structure, including circumstances in which one or more clients own private securities or obligations of an issuer and other clients may own public securities of the same issuer. Actions by investors in one part of the capital structure could disadvantage investors in another part of the capital structure. It is also possible that GMO may cause a client to engage in



short sales of, or take a short position in, an investment owned or being purchased by other client accounts managed by GMO or vice versa. These positions and actions may adversely affect or benefit different clients at different times. In addition, purchases or sales of the same investment may be made for two or more clients on the same date. There can be no assurance that a client will not receive less (or more) of a certain investment than it would otherwise receive if GMO did not have a conflict of interest among clients. In effecting transactions, it may not be possible, or consistent with the investment objectives of GMO's various clients, to purchase or sell securities at the same time or at the same prices. Also, GMO, in executing an investment strategy, may invest a client's account in securities issued by an issuer that is also a GMO client or prospective client (e.g., a separately managed account client) or an affiliate of a GMO client or prospective client. This investment may provide economic or other benefits to such issuer. While GMO does not consider these relationships in formulating investment decisions, GMO may have a conflict of interest because it may be more likely to be retained as an investment advisor to the issuer or its affiliate if GMO invests client assets in the issuer's securities. Please see *Item 16, "Investment Discretion,"* which discusses restrictions relating to GMO's discretionary authority.

When GMO acts as the investment adviser to accounts, including GMO Funds, that pay performance fees, it gives rise to conflicts of interest for GMO and its personnel. The procedures GMO follows to deal with the conflicts of interest that arise as a result of the side-by-side management of accounts paying performance fees and accounts only paying asset-based fees are described in *Item 6, "Performance-Based Fees and Side-by-Side Management."*

GMO or an affiliate of GMO may serve as the general partner of the GMO Private Funds. As a result of its receipt of a performance-based special allocation as general partner, GMO or an affiliate of GMO may be allocated a disproportionate amount of capital gains for U.S. federal tax purposes relative to the net assets it (or an affiliate) maintains in a GMO Private Fund. See *Item 6, "Performance-Based Fees and Side-by-Side Management."* GMO, affiliates of GMO, and their respective Members and employees also may invest in pooled vehicles advised by GMO or for which GMO or an affiliate of GMO serves as the general partner. At times (e.g., when a GMO Private Fund commences operations), investments made by GMO, its affiliates and their respective Members and employees may constitute a substantial percentage of a GMO Private Fund's net assets. GMO may have an incentive to allocate more assets to those accounts in which it and/or its Members and employees may own a substantial interest or with respect to accounts from which GMO may recognize taxable capital gains as the result of earning a performance-based special allocation. In cases where GMO receives a performance-based special allocation from a GMO Private Fund, GMO may have an incentive to maximize the Fund's after-tax returns by, for example, holding and/or transacting investments which achieve a long-term capital gain treatment for GMO (from a U.S. federal tax perspective) even though doing so may not maximize the Fund's pre-tax returns. GMO seeks to deal with some of the conflicts of interest described in the paragraphs above by following procedures with respect to the allocation of investment opportunities among its clients, including the allocation of limited opportunities. Information regarding these procedures is provided under *Item 12, "Brokerage Practices"* and *Item 16, "Investment Discretion."*

GMO also serves as the investment adviser to pooled vehicles that GMO recommends to clients or, pursuant to the discretionary authority granted to GMO by a client, in which GMO invests on

behalf of a client. This gives rise to an additional conflict of interest because GMO or an affiliate is paid an asset-based fee and, in certain cases, a performance fee, by the pooled vehicles and, as a result, has an incentive to cause clients to invest in these pooled vehicles and thereby increase the vehicle's assets and GMO's fee. To the extent there is an account-level fee payable to GMO pursuant to the account's investment advisory agreement, GMO will generally credit the amount of any advisory and shareholder service fees paid to GMO by the pooled vehicle in respect of such account's investment in the pooled vehicle against the account-level fee (generally as it relates to the GMO Trust Funds) or will waive the fees otherwise payable with respect to the account's investment in the pooled vehicle (generally as it relates to GMO Private Funds). This credit or waiver will not necessarily eliminate the conflict of interest (because GMO will earn more for asset allocation when client assets are allocated among products with a lower average fee) and GMO may continue to have a financial incentive to cause clients to invest in GMO-affiliated pooled vehicles.

To the extent permitted by applicable law, GMO's compliance policies and procedures, and a client's investment guidelines, GMO may engage in "cross trades" where, as investment manager to a client account, GMO causes that client account to purchase a security directly from (or sell a security directly to) another client account. Cross trades present a conflict of interest because GMO represents the interests of both the selling account and the buying account in the same transaction and may have a financial incentive to favor one client account over the other due to different fee arrangements or otherwise. This conflict of interest may be greater in cases where GMO or its Members and/or employees own a substantial portion of a GMO Fund that engages in a cross trade. In addition, to the extent permitted by law (including client consents), which may in some instances be given by the board of directors for GMO Funds, GMO may engage in principal transactions with client accounts.

*Conflicts of interest related to information known by or provided to GMO.* In connection with its activities, GMO and its associated persons may seek and/or receive information that is not generally available to the public. GMO is not obligated to make such information available to its clients or to use such information to effect transactions for its clients. Under applicable law, GMO may be prohibited from improperly disclosing or using such information, including for the benefit of a client. GMO's procedures include a ban on trading on the basis of, or any other action to take advantage of, material non-public information, except in specific, limited circumstances described in GMO's Insider Trading Policy. These procedures may limit GMO, on behalf of its clients, from being able to purchase or sell any securities of the issuer to whom the material, non-public information pertains, rendering illiquid all such securities already in a client's account until such time as the ban on trading is lifted or foreclosing an otherwise attractive investment. Please see the discussion above regarding GMO's Insider Trading Policy and ethical screens procedure.

GMO may make information about GMO Funds' portfolio positions (including short positions) and other information available to unrelated third parties. Some third parties may use that information to provide additional market analysis and research to GMO. GMO may use that market analysis and research to provide investment advice to clients other than the client(s) whose portfolio positions were used for the analysis. The GMO Funds' policies on Disclosure of Portfolio Holdings govern the GMO Funds' disclosure of portfolio holdings and generally

require that the recipient of portfolio holdings enter into a confidentiality agreement with respect to that information.

## **Item 12. Brokerage Practices**

A. Best Execution. Orders for the purchase or sale of securities may be placed on a principal or agency basis with brokers/dealers, in GMO's discretion. In selecting brokers/dealers to effect portfolio transactions, GMO seeks best execution and considers a number of factors, described in more detail below. Best execution is not based solely on the explicit commission charged by the broker/dealer and, consequently, a broker/dealer effecting a transaction may be paid a commission higher than that charged by another broker/dealer for the same transaction. Seeking best execution involves the weighing of qualitative as well as quantitative factors, and evaluations of best execution are, to a large extent, possible, if at all, only after multiple trades have been completed. The accounts in the Manager Advised Separate Account program, ETFs and accounts with respect to which GMO may be engaged to provide turnkey asset management services and/or access to the Allocation Platform may be traded differently than GMO-traded accounts. For example, GMO may not have discretion to effect trades, there may be operational limitations or practicalities or GMO may be obligated to affect trades with the designated broker/dealer which may impact trade execution achieved on behalf of those accounts. With respect to the delivery of model portfolios, such delivery may vary based on various factors that may include the method of delivery, the investment strategy being implemented, best execution and fiduciary considerations (as applicable), the nature and scope of the business relationship and other considerations. Taking into account such factors and considerations, portfolio weights may be communicated either (i) over the course of the trading day, (ii) after the close of business, (iii) contemporaneous with the communication of trades for GMO-managed separate accounts to GMO's trading desk, or (iv) in such other manner as may be agreed with a client.

The determination of what may constitute best execution involves a number of considerations in varying degrees of emphasis, including, without limitation: the overall net economic result to accounts; the efficiency with which the transaction is effected; access to order flow; the ability of the executing broker/dealer to effect the transaction where a large block is involved; reliability (e.g., lack of failed trades); availability of the broker/dealer to stand ready to execute possibly difficult transactions in the future; technological capabilities of the broker/dealer, including but not limited to execution technology; the broker/dealer's inventory of securities sought; reported broker flow; post-transaction reporting capabilities; the financial strength and stability of the broker/dealer; past bids and willingness to commit capital in the case of principal trades; and the relative weighting of opportunity costs (e.g., timeliness of execution) by different trading strategies. Most of the foregoing are subjective considerations made in advance of the trade and are not always borne out by the actual execution. Due to the similarities among brokers/dealers in technological execution capabilities and commissions paid, GMO often allocates program or algorithmic developed market equity trades across multiple brokers. Additionally, other factors may lead GMO to identify and trade with one or a limited number of brokers/dealers, including but not limited to regulations in certain markets (particularly emerging markets) and differences in trading documentation and/or arrangements among GMO Funds and accounts. GMO may place trades with broker/dealers even if the relevant broker/dealer has not yet demonstrated an ability to effect best execution; however, trading with such a broker/dealer (as with any and all

brokers/dealers) will typically be curtailed or suspended in due course if GMO is not reasonably satisfied with the quality of trade executions, unless or until the broker/dealer has altered its execution capabilities in such a way that GMO can reasonably conclude that utilizing the broker/dealer for trade execution is consistent with GMO's obligation to seek best execution.

With respect to transactions executed by GMO's Trading team, GMO determines the overall reasonableness of brokerage commissions paid upon consideration of the relative merits of a number of factors, which may include: (i) the net economic effect to the particular account; (ii) historical and current commission rates; (iii) the kind and quality of the execution services rendered; (iv) the size and nature of the transactions effected; and (v) in some cases, brokerage and research services received (see "*Soft Dollar Practices*"). These factors are considered over multiple transactions covering extended periods of time in varying degrees of emphasis. In some instances, GMO may evaluate best execution on principal bids based on the total commissions charged (the bid for handling a trade as a principal trade) because the trades were filled at the price set at an agreed upon time (e.g., previous night's close). In those cases, any additional "impact" or cost is represented by the cents per share or basis points paid in addition to a typical commission rate. GMO may also direct trades to broker/dealers based in part on the broker/dealers' history of providing, and capability to continue providing, pricing information for securities purchased.

Because GMO may purchase information from brokers/dealers with whom it effects trades on behalf of its client accounts, the broker/dealer may believe it has a financial incentive to charge a favorable fee to GMO for such information in return for client brokerage. In addition, GMO may conduct business with institutions such as broker/dealers or investment banks that invest, or whose clients invest, in pooled vehicles sponsored or advised by GMO, or its affiliates, or may provide other consideration to such institutions or recognized agents. As a result, GMO has a potential conflict of interest in placing its brokerage transactions with those brokers/dealers.

Clients who have or seek non-U.S. equity or fixed income exposure in their accounts frequently give GMO discretion to execute foreign exchange transactions. In general, GMO seeks best execution in the execution of foreign exchange transactions by comparing rates across counterparties and selecting the counterparty that GMO believes can provide best execution. For spot currency trades, GMO generally nets buy and sell orders in the same currency and selects the counterparty providing the most competitive price for the resulting net trade. All of the buy and sell orders receive the price provided by the selected counterparty and each account trades independently with the counterparty. While the purpose of trading spot currency trades in this manner is to achieve a more favorable execution price for all clients, there can be no assurance that all clients will benefit or that they will benefit equally over time. For legal, regulatory and/or operational purposes, foreign currency orders for some accounts may not be netted for price discovery (as described above). As a result, such accounts may receive inferior prices than accounts that are netted for price discovery even though the trades may be executed at or close to the same time and/or by the same counterparty.

If a client has not granted GMO discretion to place foreign exchange trades with counterparties other than the client's custodian bank (e.g., because of a client's "all-in" fee arrangement with its custodian), GMO will have limited ability to seek best execution. In certain jurisdictions where it is general market practice (e.g., restricted currencies) or under circumstances when GMO

believes operational or trading efficiencies may be gained (e.g., income and dividend repatriation; trading in some emerging markets), GMO may arrange standing instructions with a client's custodian (who may in turn arrange instructions with a subcustodian) to execute the foreign exchange transaction, subject to the custodian's (or subcustodian's) terms and conditions. In the event that a client's custodian offers more than one program for standing instruction trades, and if the client has granted GMO discretion to do so, GMO will select the program it believes is in the best interests of the client under the circumstances and over time. GMO, subject to client restrictions noted above, may also determine to select a third-party bank or brokers/dealer to execute trades in restricted currencies if GMO believes that the third-party has the ability to provide best execution.

GMO recognizes that centralized maintenance of a client's futures, exchange-traded options and cleared derivative positions can provide favorable netting of variation margin requirements for the client and provide significant operational efficiencies for the client in reconciling outstanding positions. Consequently, GMO is prepared to accommodate clients seeking centralization of those functions with the client's clearing broker, but may request that GMO is permitted to enter into "give-up" or similar arrangements with the executing brokers of GMO's choosing and that such arrangements do not, in GMO's judgment, affect the ability to achieve overall best execution of these transactions.

Soft Dollar Practices. Subject to GMO's obligation to seek best execution, GMO may use a portion of the commissions paid when executing client transactions to acquire external research and brokerage services ("soft dollar benefits") in a manner consistent with the "safe harbor" requirements of Section 28(e) of the Securities Exchange Act of 1934 or other applicable law. Specifically, GMO may utilize client commissions (typically only for transactions in listed equities) to purchase eligible brokerage and research services where those services provide lawful and appropriate assistance in the investment decision-making process for GMO's discretionary client accounts, and where GMO in good faith believes the amount of the client commission is reasonable in relation to the value of the product or services provided by the broker/dealer. With respect to GMO-managed ETFs, eligible brokerage and research services are provided by the brokers who also provide ETF consultancy services to GMO (and who are compensated by GMO for those services pursuant to a separate agreement.) Accounts in the Manager Advised Separate Account program and accounts with respect to which GMO may be engaged to provide turnkey asset management services and/or access to the Allocation Platform typically will not participate in the soft dollar program.

In most cases, GMO makes payments for eligible research and brokerage services either via a portion of the commission paid to the executing broker/dealer or through client commission sharing arrangements ("CSAs"). Where a commission paid to a broker/dealer with whom GMO has established a CSA includes both an execution component and a research component, the broker/dealer may retain the execution portion and either credit or transmit the research portion to a CSA pool or rebate the research portion to the clients generating those commissions. GMO evaluates the research and brokerage services it receives from independent research providers and brokers/dealers and GMO allocates a portion of the CSA pool to the research provider that reflects GMO's assessment of the value of the research and/or brokerage service. In this manner, CSAs enable GMO to effect transactions, subject to best execution, and use a portion of the associated commissions to pay for research from providers with which GMO does not have a

brokerage relationship or from brokers/dealers with which GMO trades on an execution-only basis. GMO may from time to time utilize a CSA aggregation service (“CSA Aggregator”), whereby GMO directs brokers/dealers with whom GMO has established a CSA to transfer their research credits to the CSA Aggregator, and then directs the CSA Aggregator to make payment for eligible research or services or to rebate commissions to the clients generating those commissions. In the event of a broker/dealer’s default or bankruptcy, CSA credits generated by trades with the broker/dealer may become unavailable.

Brokerage and research services acquired using soft dollars take various forms, including but not limited to personal interviews with analysts or a company’s senior management; reports and/or data concerning issuers, industries, governmental policies, local markets and applicable local market regulations, securities, economic factors and trends; portfolio strategy; economic, market and financial data; accounting and legal analysis; pricing services in respect of securities; and other services relating to effecting securities transactions and functions incident thereto. Research may be provided through a range of media, including written reports, electronic systems, telephone calls or in-person meetings. Although GMO generally intends to use client commissions to pay only for products or services eligible under the Section 28(e) “safe harbor,” GMO may use commission dollars to obtain products or services that are not intended to be used exclusively for investment decision-making purposes (“mixed-use products or services”). In those circumstances, GMO will typically either (i) make a good faith effort to evaluate the various benefits and uses for which GMO intends to use the mixed-use product or services, and will pay for that portion of the mixed-use product or service that is unrelated to GMO’s investment decision-making; or (ii) pay for the total cost of the mixed-use product or service.

Use of soft dollars, while common in the asset management industry, involves potential conflicts of interest. To the extent that services of value are received, GMO receives a benefit because it does not need to produce or pay for the research or brokerage services itself. Additionally, fees paid to GMO are not reduced in connection with GMO’s use of soft dollars, even though GMO might otherwise be required to purchase some of these products and services for cash. As a result, GMO may have an incentive to select a particular broker/dealer in order to obtain brokerage or research services and/or generate CSA credits to pay for such services, rather than to obtain the lowest price for execution. This may be particularly true with respect to brokers selected to execute trades on behalf of GMO-managed ETFs in light of the services provided by the broker to the ETF and GMO. GMO does not enter into any agreement or understanding with any broker/dealer which would obligate GMO to direct a specific amount of brokerage transactions or commissions in return for such services, but certain brokers/dealers may state in advance or in a commission sharing agreement the amount of brokerage commissions they expect for certain services or that they may cease providing services if insufficient commissions are derived from the relationship with GMO.

Clients do not receive a direct monetary benefit from brokerage and research products and services; however, these products and services may be useful to GMO in providing investment advice to its clients. Any research received is used to service all clients to which it is applicable, whether or not the client’s commissions were used to obtain the research, and services received from a broker/dealer (or paid for by commissions paid to a broker/dealer) that executed transactions for a particular client account will not necessarily be used specifically in providing investment advice to that particular client account. To the extent that a client has placed

restrictions on trading with certain brokers/dealers or otherwise (including with respect to accounts in the Manager Advised Separate Account Program), the client's account may not contribute (or may not contribute as much as other client accounts) to the CSA pool even though GMO may utilize brokerage and research services paid for out of the CSA pool in providing investment advice to the client's account. Similarly, some client accounts will generate more CSA credits than other client accounts for a variety of reasons, including but not limited to account size, trading frequency and the investment strategy in which the account is managed. GMO, in its sole discretion, may agree to reimburse a client for some or all of the client's commissions attributable to brokerage or research services.

*Affiliated Brokers.* With respect to GMO Trust Funds, GMO-advised ETFs or sub-advised accounts (collectively, the "Funds"), GMO does not knowingly place any principal trades for a Fund through affiliated persons of the Fund (or affiliated persons of affiliated persons of the Fund (as defined in the Investment Company Act of 1940, as amended)) acting as broker/dealer. To the extent a broker/dealer is believed to have such an affiliation with the Mutual Fund or to the extent legal or factual uncertainty leads GMO to treat a broker/dealer as having such an affiliation, the Fund may be adversely affected by GMO's decision not to enter into principal or agency transactions on its behalf with the broker/dealer.

#### *Directed Brokerage; Brokerage for Certain Separate Account Clients*

Because of the efficiencies that GMO seeks through its trading practices, GMO does not recommend and currently does not permit any one client invested in a commingled fund to direct portfolio transactions to a specified broker or dealer (i.e., "directed brokerage").

A separate account client may negotiate a directed brokerage arrangement pursuant to which some or all of the client's transactions are executed with the broker or dealer with which the client has established an account. In this case, the client should recognize that for those transactions in which GMO is directed to use certain brokers or dealers, brokerage commissions (or other costs) for the execution of transactions in the client's account may not be negotiated by GMO. GMO believes that the information and execution advantage potentially surrendered to brokers in a directed brokerage arrangement may outweigh any apparent benefit of the program. In addition, GMO may not be free to seek best price and execution for securities and futures transactions by placing transactions with other brokers or dealers. The client assumes that risk. Clients may wish to satisfy themselves in a directed brokerage arrangement that the broker or dealer participating in the arrangement can provide adequate price and execution of most or all transactions.

Separate account clients independently select their custodians for their account, and GMO does not make recommendations as to the use of any particular custodian. A separate account client, its investment adviser, or another agent of the client may enter into arrangements for custody of the client's account (which may be as part of an overall arrangement with a custodian's affiliated financial advisor such as in a wrap fee program) pursuant to which the costs of custodial services as well as advisory and/or brokerage services using affiliates of the custodian for some or all of the client's investment management and transactions have been set. GMO is not a party to such arrangements and generally is not aware of the terms of such arrangements. Sometimes in connection with these arrangements, brokerage rates offered by affiliates of the custodian to such

clients may have already been agreed to by the client, and GMO is informed of the agreed upon rate. In such case, the client should recognize that GMO's ability to seek best price and execution for transactions in the account will be limited to a review of the pricing information available to it and an evaluation of the execution received from the custodian's affiliated broker-dealer. In such circumstances GMO may not be aware of other pricing or costs to the client as a result of the totality of the arrangements (with a client's custodian, its affiliated broker-dealer or its affiliated financial advisor) or all of the financial or other benefits to such parties. As a result, GMO cannot evaluate such costs and the client should independently satisfy itself with the totality of the fees and expenses of the arrangement and that the broker or dealer participating in the arrangement can provide adequate price and execution of most or all transactions. Accordingly, these arrangements could have a negative impact on the overall performance of a client's account that would not occur if such arrangements agreed to by the client did not exist.

These custodial arrangements may also establish that GMO has the authority to execute transactions on a "step-out" or "trade-away" basis and may impose additional fees or transactions costs for using brokers or dealers not affiliated with or preferred by the custodian. In this situation, the client has independently negotiated what the costs are of "trading away" and using another broker-dealer that is not affiliated with or preferred by the custodian for the account. In this situation, any brokerage commissions charged in connection with a step-out transaction are not covered by the client's brokerage arrangements and the client shall bear such costs. These additional costs, expenses or additional operational difficulties imposed by the custodian may impact GMO's ability to select such other unaffiliated broker-dealers as the costs will impact the price received and operational difficulties may impact execution. GMO may therefore not be free to seek best price and execution for securities, futures and foreign exchange transactions by placing transactions with other unaffiliated brokers or dealers as it otherwise would if such pricing arrangements agreed to by the client did not exist. The client assumes the risk of these arrangements.

A client should also consider that, depending upon the fee the client negotiates in these arrangements, the amount of portfolio activity in the client's account, the value of custodial services which are provided under the arrangement and other factors, the fee the client pays may exceed the amount the client would pay if GMO were free to negotiate commissions and seek best price and execution of transactions for the client's account. Additionally, a client who has these arrangements may not be able to participate in block trades. GMO reserves the right to execute trades for directed accounts only after it has executed trades for its other accounts.

For the accounts in the Manager Advised Separate Account program, which are opened by a client's financial advisor on the client's behalf, GMO delivers trade information, which may include a model portfolio and/or model weights, with respect to purchases and sales of securities and other assets to the custodian of the account for execution by the custodian's affiliated broker. The affiliated broker of the applicable custodian will then execute trades on behalf of the account. For servicing such accounts, GMO has entered into an agreement with Archer NMS, LLC ("Archer") under which Archer performs certain administrative and operational functions as provided below.



In providing turnkey asset management services, GMO may be authorized to submit trades on behalf of the Advisers' clients and may execute trades through particular brokers selected by GMO or the Adviser. Those brokers may not be the same brokers which GMO executes trades on behalf of other clients.

In light of these arrangements, practices and structures described above, Manager Advised Separate Accounts and accounts with respect to which GMO has trading authority in connection with providing turnkey asset management services are traded differently than GMO's institutional accounts and funds. By contrast, GMO effects transactions on behalf of its institutional accounts with a variety of broker-dealers. In addition, trades for the Manager Advised Separate Accounts and accounts with respect to which GMO has trading authority in connection with providing turnkey asset management services may be effected after GMO has effected trades for its institutional accounts trading in the same security.

#### *Use of Service Provider*

For the Manager Advised Separate Account program, GMO uses Archer for trading, account administration, reconciliation, recordkeeping and order processing (including generation and transmission based on GMO's instruction). GMO delivers trade information to an account's custodian through Archer. Archer's services are paid for by GMO and not by clients. With respect to the provision of turnkey asset management services, GMO may use a variety of third-party service providers and custodians in providing services to Advisers for the benefit of Advisers' clients.

**B.** GMO has a Trading Desk whose personnel are located in Boston and Singapore. The Trading Desk provides trade execution services for all of the GMO investment teams, including any applicable associated persons ("Investment Teams"). While there is a centralized trading function, certain instruments (e.g., fixed income securities) may be traded by the respective Investment Teams.

Trades are generated by different investment theses. Each investment thesis is assigned a corresponding execution benchmark (e.g., price at the time of order arrival, market closing price, volume weighted average price over some specified period) (each investment thesis and corresponding execution benchmark, is a "trading strategy" and collectively, "trading strategies"). Certain trading strategies place relatively greater emphasis on speed of execution and less emphasis on price, while others place greater emphasis on price (or impact on market price) and less emphasis on speed of execution. Trading strategies may be designed to be executed in a matter of an hour or less, several hours, over the course of a trading day, or over a multi-day period. Therefore, trades generated by one trading strategy may be completed before those of another trading strategy; even where the strategies are initiated at the same time or the slower trading strategy is initiated first. As a result, the speed of order fulfillment, and corresponding execution price achieved for a subsequent order may be different from pre-existing orders with the execution pricing achieved on a particular order being either above or below the execution pricing achieved on pre-existing orders, which may take longer to fill. Additionally, for trading strategies implementing short-term investment strategies, those investment theses that utilize fundamental inputs on an opportunistic basis, and trades to manage short-term portfolio exposure may trade in advance of or may be completed more quickly than

other trading strategies. Finally, varying investment theses that may invest in the same securities may involve trading strategies that trade at different times throughout the day or month. Because of the foregoing, certain strategies, including accounts with performance fees, may trade in advance of other strategies or may be completed more quickly, and, as a result, may achieve different execution on the same or similar investments.

Where practicable, prior to the open of the relevant market, GMO aggregates trades for accounts that are being traded to implement a similar trading strategy and for which trade instructions are provided with sufficient time to satisfy internal processes. GMO's Trading Desk generally allocates portfolio trades pro-rata among clients for which GMO is applying the same trading strategy on any given day, with the relevant clients receiving the same price for trades executed through the same broker/dealer on the same day. GMO may determine to exclude accounts with relatively small order sizes from a particular trade order if GMO believes that the trading costs (e.g., ticket costs) would outweigh the benefits of trading. Additionally, due to regulatory restrictions trades at execution-only prices will not typically be aggregated with trades generating CSA credits or soft dollars. Due in part to structural and operational factors, GMO-managed ETFs are not typically aggregated with trades for other GMO Funds or accounts.

As noted above, trading strategies may utilize different brokers/dealers and will often receive different prices and potentially pay different commissions rates. Likewise, two trading strategies may be simultaneously executing transactions involving the same instrument and those trades will not ordinarily be aggregated. In addition, market, regulatory and/or country limitations (especially in the case of emerging markets) or other factors may or may not result in identical prices or commissions. Further, legal, market and position restrictions may limit GMO's ability to transact in an instrument or certain investment strategies may be given a priority over other investment strategies, which could restrict (or eliminate) an investment strategy's or account's ability to achieve its desired exposure to such instruments. Additionally, at times, trades for one account may not be aggregated with the trades of other accounts within a particular strategy for various reasons including, but not limited to, regulatory restrictions, shareholder cash flows in the account, limitations on brokers/dealers that may be used to execute the transaction, operational considerations, or transactions in derivatives (e.g., total return swaps). Please also see the discussion below regarding initial public offerings and offerings of limited opportunities.

Trading orders that can only be partially filled are generally allocated on a pro-rata basis but may also be allocated on some other basis consistent with the goal of giving all clients equitable opportunities over time. Market limitations (especially in the case of emerging and/or frontier markets where the broker/dealer typically is required to have greater involvement in allocations) and other practicalities may require special treatment. If an order is filled at varying prices, client accounts participating in the same block trade are generally provided with an average price for trades placed through the same broker/dealer, or other steps are taken so that all similarly situated accounts receive fair consideration over time. In some cases, similar trades may simultaneously be executed in different trading strategies, with the same or a different broker/dealer to meet account-specific requirements, in which case the trades will be treated as distinct trades not subject to the discussion above regarding orders that are filled at varying prices. In those cases, these trades, which may include executions in underlying derivative transactions, might be effected at the same or different prices (or involve different commissions) even if they involve the same broker/dealer. In certain markets outside the U.S., an average price

may not be obtainable due to specific market limitations such as restrictions on trades by grouped accounts.

Various traders within the Trading Desk are responsible for differing types of trades and these traders may be independently executing trades in the same security at the same time and at different prices. GMO's trade allocation procedures are designed to provide reasonable assurance that, over time, accounts pursuing the same trading strategy are not likely to be systematically advantaged or disadvantaged due to the order placement/execution process. These procedures may include blocking/aggregating orders or limiting the volume of subsequent orders. While there is a centralized Trading function, certain instruments (e.g., fixed income securities) may be traded by the respective Investment Teams.

For Manager Advised Separate Accounts, a trader will not make aggregation determinations for orders. Instead, Archer, the third-party service provider referenced above, may aggregate orders when delivering orders for execution by an account's custodian or the custodian's affiliated broker-dealer. Archer also may determine not to aggregate orders for a variety of reasons, including the timing of receipt of an order, processing delays due to trade validation, or for any of the reasons described. Orders aggregated by Archer are not aggregated with orders for other GMO-managed accounts that are not serviced by Archer. Transaction prices for transactions in the same securities on the same day may vary between GMO traded accounts and accounts traded by Archer.

With initial public offerings (IPOs) and with certain other investment opportunities expected to be in very limited supply (collectively, "limited opportunities"), GMO's policies provide that the Investment Teams' orders be coordinated so that allocations will generally consider the needs of clients across all trading strategies. When it is not practicable to allocate an opportunity across all similarly managed eligible accounts, GMO's Trading Desk will seek to provide all accounts using the same trading strategy with equitable opportunities for allocation over time. There may also be situations where a limited opportunity is theoretically eligible for investment by multiple accounts but GMO determines that the limited opportunity is an appropriate or applicable investment for only some of the accounts (including, perhaps, those on which GMO charges a performance fee). See Item 16, "*Investment Discretion*," for further discussion of GMO's investment practices. Many of GMO's investment strategies focus on seasoned issuers, and consequently those strategies that generate most of the brokerage commissions may participate less frequently in limited opportunities even though they may generate significant brokerage commissions or goodwill that may make it possible for other strategies to receive greater allocations of limited opportunities.

In certain non-U.S. jurisdictions, local law limits the number of accounts sponsored by GMO that may purchase locally traded shares or shares traded through special facilities. Generally, GMO Trust Funds will be given priority and other clients may be precluded from participation in offerings of local shares.

### **Item 13. Review of Accounts**

A. GMO Funds are subject to regular review by members of the Investment Teams. Members of the relevant Investment Teams report regularly to the Board of Trustees of GMO Trust

and GMO-advised ETFs, the Boards of Directors of those GMO Private Funds organized as Bermuda corporations, the Boards of Directors of the GMO Private Funds domiciled in Ireland, and the Board of Directors of GMO Australia Ltd.

Client Relationship Managers (“CRMs”) and members of the Investment Teams generally provide client account reviews on a periodic basis. Reviews generally include a summary of relevant market conditions that have affected the accounts since the last reporting period and that may affect the accounts in the future. General reviews of accounts usually involve consideration of investment objectives, types of portfolio securities owned, investment process and performance, and similar matters; however, the matters reviewed may be limited to the factors that triggered the reviews. All CRMs and appropriate members of the Investment Teams are expected to participate in client account reviews as needed.

Manager Advised Separate Account program clients may receive reports from their wealth advisor. For those clients, GMO provides reporting to their wealth advisors upon request, which may include account summary information, account values, portfolio characteristics and performance.

- B. In addition to the regular review performed by members of the relevant Investment Teams, factors that may trigger a review include, but are not limited to: changes in market or economic conditions; changes in information regarding particular issuers; purchases and sales of securities; changes in the investment process or investment team personnel; and changes in a client’s needs communicated to GMO. Client requests may also trigger a review.
- C. GMO provides written reports to clients at various frequencies including daily, monthly, and quarterly or in response to heightened market interest. A client report will contain some or all of the following components: account performance, change in market value, transaction details, estimated fees, attribution or contribution analysis, investment review, market review, profile summary, and holdings. Client reports may be augmented by additional written or oral communications.

The Board of Trustees of the GMO Trust Funds, the Boards of Directors of the GMO Private Funds incorporated in Bermuda, the Boards of Directors of the GMO Private Funds domiciled in Ireland, the Board of Board of Directors of GMO Australia Ltd and the Board of GMO-advised ETFs periodically receive reports that include a summary of market conditions relevant to the portfolios they oversee. These Boards also have the opportunity to review performance of all relevant portfolios at the time of their respective meetings.

#### **Item 14. Client Referrals and Other Compensation**

GMO does not receive an economic benefit from anyone who is not a client for providing investment advice or other advisory services to GMO clients.

Funds Distributor LLC, an unaffiliated broker/dealer, has been retained (for regulatory reasons only) to effect client transactions in shares/interests of certain GMO Funds and to act as a placement agent for the majority of the GMO Private Funds. Similarly, Robson Capital Management, Inc. (“Robson”) an unaffiliated broker/dealer, has been retained (for regulatory

reasons) to effect client transactions in shares/interest of certain GMO Funds for Canadian-domiciled clients. Neither Funds Distributor LLC nor Robson solicit clients on behalf of GMO. GMO or certain GMO Funds may retain other third-party placement agents to place interests or shares with investors, or to otherwise assist with the offer and sale of GMO Funds' interests or shares – often in connection with opportunities in specific jurisdictions. Specifically, GMO Singapore, an affiliate of GMO, entered into an agreement with GI Capital in Japan to perform similar services and the agreement contemplates payments based on a percentage of base and/or performance fees. The compensation paid to Funds Distributor LLC, Robson, and other third-party placement agents, may be paid by GMO or out of the relevant GMO Funds' assets. Clients should inquire of their consultants or other advisers as to whether GMO is involved in any arrangement where the consultant or adviser believes it has any financial or other incentive to give favorable evaluations of GMO.

GMO may enter into arrangements with, and /or make payments from their own assets to, certain intermediaries to enable access to GMO and/or GMO Funds on platforms and through programs by such intermediaries. Such arrangements or payments may establish contractual obligations on the part of such intermediary to provide GMO and/or its clients with certain services. These arrangements and/or payments present conflicts of interest because they may provide incentives for intermediaries, or customers or clients of intermediaries to recommend, or otherwise make available, GMO strategies or GMO funds to their clients in order to receive or continue to benefit from these arrangements.

GMO relies primarily on the business development and marketing activities of its personnel to solicit new business. However, GMO, or any of its affiliates, may retain third parties to solicit clients and/or place interests or shares with investors, or to otherwise assist with the offer and sale of GMO Funds' interests or shares. GMO, or any of its affiliates, may directly compensate such third parties for client referrals. GMO, or any of its affiliates, may enter into a written agreement with such solicitor which outlines the compensation for such referrals, and describes the various procedures the solicitor is required to follow. As a result of the compensation offered to the solicitors, those solicitors may have a financial incentive to recommend GMO, a GMO affiliate, or a GMO Fund, to prospective investors. Additionally, certain third parties may provide capital introduction services on behalf of GMO and/or the GMO Private Funds. Such third parties could include brokers, dealers or other counterparties that GMO transacts with on behalf of GMO Funds and/or separately managed accounts or other service providers to GMO and/or the GMO Funds. While no compensation is paid by GMO or the GMO Funds in connection with these services, the third parties may seek to influence their selection by GMO as a service provider or counterparty by providing such capital introduction services. All counterparties and third-party service providers, including those that provide capital introduction services, are subject to GMO's standard practice for the selection of counterparties (as described in Item 12 above, in the case of broker/dealers that effect trades on behalf of GMO clients).

GMO may purchase: (1) access to information such as subscriptions to periodicals or search services that contain requests for proposals, (2) participation in conferences, (3) research papers, (4) access to surveys from organizations affiliated with professional consultant or financial services firms that advise (or whose affiliates advise) potential GMO clients and (5) access for inclusion in searches for prospective clients in the form of administration fees. In addition, the foundation and the charitable trust described in Item 10, "*Other Financial Industry Activities and*

*Affiliations,*” and the Member that established the foundation and trust may purchase quarterly performance reporting services from professional consultants. Additionally, the foundation referenced in Item 10 has reported that it, the Member who established the foundation, and a related trust have each retained for bona fide investment advisory services a consulting firm that also recommends GMO to potential clients. GMO Directors, Members and employees may have familial and/or personal relationships with personnel of professional consultant or financial services firms that advise (or whose affiliates advise) potential GMO clients or that recommend GMO services.

GMO does not make payments to consultants or financial services firms conditioned on favorable evaluations of GMO or for client referrals. Nonetheless, as a result of the arrangements described in the prior paragraphs or otherwise, consultants or financial services firms and/or their personnel may believe that they have a financial incentive to give favorable evaluations of GMO and may therefore operate as if they are faced with a conflict of interest. GMO, in its sole discretion, may also waive investment minimums. In particular, GMO may waive a Fund’s investment minimum for clients whose investment consultant has full discretion or exercises substantial influence over its clients’ assets and where the relationship meets the investment minimum. Clients should inquire of their consultants or other advisers as to whether GMO: (1) waived investment minimums for their clients or personnel, (2) purchases or receives any information from such firm or any affiliate thereof, (3) has Directors, Members or employees that have familial and/or personal relationships with a consultant or adviser, and/or (4) is involved in any other arrangement where the consultant or adviser it has (or believes it has) any financial or other incentive to give favorable evaluations of GMO or to promote GMO’s services or GMO Funds.

### **Item 15. Custody**

In general, GMO takes steps to avoid having custody of client funds and securities. Most of GMO’s clients with separately managed accounts engage third-party custodians (including prime brokers) to maintain custody of their funds and securities, and GMO’s authority with respect to such funds and securities is generally limited to issuing instructions to the client’s custodian (or prime broker, if applicable) to effect or to settle trades pursuant to an investment management agreement. GMO has no control over separately managed account clients’ third-party custodians.

Some clients give GMO the power to withdraw funds from the relevant client’s GMO Fund account and invest those proceeds in another GMO Fund that is a permitted investment for that client. Other clients may provide standing instructions to GMO to redeem shares of GMO Funds held in their account to the extent necessary to pay GMO’s base or advisory fee and any special allocation. Without coming to a legal conclusion as to whether GMO has custody in these instances (or, for example, whether the allocation of assets among funds is merely settling of trades), GMO operates as if it does have custody with respect to those accounts. Accordingly, GMO has procedures reasonably designed to ensure that the transfer agent or administrator of the relevant GMO Fund will deliver account statements at least quarterly to each such account and certain of those accounts are subject to an annual surprise exam by an independent auditor. Clients should carefully review those statements and, to the extent GMO also delivers statements

to such clients, compare the GMO statement to the statement of the transfer agent or administrator.

#### **Item 16. Investment Discretion**

GMO accepts authority to manage client assets on a discretionary basis. In general, clients enter into a written investment advisory agreement with GMO, which sets forth the parties' responsibilities and the scope of GMO's authority over the client's account. The standard of care applicable to GMO and the agreed-upon methodology for calculating damages, if any, are often set forth in the investment advisory agreement. Unless otherwise provided, and where appropriate, GMO may net any gains or losses in the client's account associated with the breach of the standard of care. As described above in Item 4, "*Advisory Business*," GMO's discretionary authority as to the securities to be bought or sold for an account is subject to the agreed-upon investment objectives, guidelines, limitations and restrictions for the account. Such investment limitations vary from one account to another and may include, but are not limited to, diversification requirements, benchmark deviation, industry concentration, restrictions prohibiting the purchase of certain securities or securities of certain types of issuers, prohibiting investments in certain countries or markets, and prohibiting the employment of certain investment strategies or techniques (*e.g.*, derivatives).

Decisions to buy and sell portfolio securities for each of GMO's investment advisory clients are made by GMO with a view to achieving each client's investment objectives taking into consideration other account-specific factors such as, without limitation, cash flows into or out of the account, current holdings, the account's benchmark(s), applicable regulatory limitations, liquidity, cash restrictions, applicable transaction documentation requirements, market registration requirements and/or time constraints limiting GMO's ability to negotiate adequate transaction documentation or seek interpretation of investment guideline ambiguities. Therefore, a particular security may be bought or sold only for certain GMO clients even though it could have been bought or sold for other clients at the same time. As noted above, there may also be situations where a limited opportunity is theoretically eligible for investment by multiple accounts but GMO determines that the limited opportunity is an appropriate investment for only some of the accounts (including, perhaps, those on which GMO charges a performance fee). A particular security may be bought/sold for one or more clients when one or more other clients are selling/buying the security or taking a short position in the security, including clients invested in the same investment strategy. Additionally, one of GMO's Investment Teams may share investment ideas with one or more other Investment Teams and/or may manage a portion of another Investment Team's client accounts.

#### **Item 17. Voting Client Securities**

For separately managed account clients who have explicitly delegated responsibility for proxy voting to GMO in writing, GMO has adopted proxy voting policies and procedures. In some instances, GMO may agree to implement a client's own proxy voting policy. GMO has engaged

a third-party service provider to be its proxy voting agent. GMO's policies and procedures describe its proxy voting guidelines, the administration of the proxy voting process, how conflicts of interest will be addressed and recordkeeping requirements. Separately managed account clients who have delegated responsibility for proxy voting to GMO, whether according to GMO's proxy voting policies and procedures or according to such clients' own proxy voting policies and guidelines, may contract for the right to direct GMO's vote in a single, particular solicitation by contacting GMO with respect to such solicitation. A copy of GMO's Proxy Voting Policy is available on request or may be found on the SEC's website, [www.sec.gov](http://www.sec.gov), as part of GMO Trust's registration statement.

In instances where GMO has the responsibility and authority to vote proxies on behalf of its clients for shares of GMO Trust, there may be instances where a conflict of interest exists. Accordingly, the policies and procedures provide that GMO will: (i) vote such proxies in the best interests of its clients with respect to routine matters, including proxies relating to the election of Trustees; and (ii) with respect to matters where a conflict of interest exists between GMO and GMO Trust, such as proxies relating to a new or amended investment management contract between GMO Trust and GMO, or a re-organization of a series of GMO Trust, GMO will either (a) vote such proxies in the same proportion as the votes cast with respect to that proxy, (b) seek instructions from its clients (which may be the governing body of a GMO Fund), or (c) take such other action as GMO deems appropriate in consultation with GMO Trust's Chief Compliance Officer.

In addition, if GMO is aware that one of the following conditions exists with respect to a proxy, GMO shall consider such event a potential material conflict of interest: (1) GMO has a material business relationship or potential relationship with the issuer; (2) GMO has a material business relationship with a proponent of the proxy proposal; or (3) GMO Members, employees or consultants have a personal or other material business relationship with the participants in the proxy contest, such as corporate directors or director candidates. In the event that GMO is aware of a potential material conflict of interest, GMO will (i) vote such proxy according to its guidelines; (ii) seek instructions from the client or request that the client vote such proxy; or (iii) abstain.

To the extent a GMO Trust Fund lends its portfolio securities in conjunction with a securities lending program such Fund bears the risk of delay in the recovery of loaned securities, including possible impairment of such Fund's ability to vote the securities. Voting rights or rights to consent with respect to the loaned securities pass to the borrower. A GMO Trust Fund has the right to call loans at any time on reasonable notice and to exercise voting rights associated with the security and will do so if both (i) GMO receives adequate notice of a proposal upon which shareholders are being asked to vote, and (ii) GMO believes that the benefits to the Fund of voting on such proposal outweigh the benefits to the GMO Trust Fund of having the security remain on loan. A GMO Trust Fund bears the risk of delay in the return of the security, impairing the Fund's ability to vote on such matters. GMO may use third-party service providers to assist it in identifying and evaluating proposals, and to assist it in recalling loaned securities for proxy voting purposes.

For investors in the GMO Trust Funds information regarding how such Funds voted proxies relating to portfolio securities during the most recent 12-month period ended June 30 is and will



be available for the GMO Trust Funds on the GMO website at [www.gmo.com](http://www.gmo.com) and on the Securities and Exchange Commission website at [www.sec.gov](http://www.sec.gov) no later than August 31 of each year. For clients invested in GMO Private Funds or separately managed accounts for which GMO has been delegated proxy voting authority, each client may contact its designated RM to receive information regarding how such fund or account voted proxy securities.

If GMO has not accepted authority to vote a client's proxies, such client should arrange to receive proxy solicitation materials directly from its custodians or transfer agents. A client may contact its designated CRM with questions regarding a particular solicitation.

For separate accounts, unless explicitly provided to the contrary in the relevant investment management agreement, GMO does not advise clients on the merits of joining class actions or other litigation relating to securities held in separate accounts and has no direct role with respect to clients' participation in class action settlements. Neither GMO nor the GMO Funds generally serve as lead plaintiff in class action lawsuits. For GMO Funds, GMO may retain a third-party service provider to facilitate participation in class action settlements.

#### **Item 18. Financial Information**

- A. Clients in the Manager Advised Separate Account program may pay their fees in advance.
- B. GMO confirms that there is no financial condition that would be reasonably likely to impair its ability to meet contractual commitments to clients.
- C. GMO has not been the subject of a bankruptcy petition at any time during the past ten years.

## APPENDIX A

### **Investment Strategies**

The bolded and underlined headings below correspond to the chart located at Item 8, “*Methods of Analysis, Investment Strategies and Risk of Loss*,” which identifies material risks associated with investment strategies employed by GMO investment professionals. For example, the Global Allocation Absolute Return Strategy described below is subject to those material risks identified under “Multi-Asset Class” in the chart at Item 8.

#### **Multi-Asset Class**

##### *Global Allocation Absolute Return*

The GMO Global Allocation Absolute Return Strategy seeks to generate positive total return, rather than “relative” return, by allocating dynamically across asset classes, free from the constraints of traditional benchmarks. The Strategy is typically implemented via an allocation to two other GMO-managed strategies.

##### *Benchmark-Free Allocation*

The GMO Benchmark-Free Allocation Strategy seeks to generate positive total return, rather than “relative” return, by allocating dynamically across asset classes, free from the constraints of traditional benchmarks.

##### *Real Return Global Balanced Asset Allocation*

The GMO Real Return Global Balanced Asset Allocation Strategy seeks to generate total return greater than that of its benchmark by allocating dynamically across asset classes. The Strategy is typically implemented via an allocation to two other GMO-managed strategies.

##### *Global Asset Allocation*

The GMO Global Asset Allocation Strategy seeks to achieve a total return greater than that of its benchmark, 65% MSCI All Country World Index and 35% Bloomberg U.S. Aggregate Index, over a complete market cycle by allocating dynamically across asset classes.

#### **Equities**

##### *Global All Country Equity Allocation*

The GMO Global All Country Equity Allocation Strategy seeks total return in excess of that of the MSCI All Country World Index by investing in other GMO-managed equity strategies of any style or market capitalization.

##### *Global Developed Equity Allocation*

The GMO Global Developed Equity Allocation Strategy seeks total return in excess of that of the MSCI World Index by investing primarily in other GMO-managed equity strategies of any

style or market capitalization. The Strategy is allowed to invest up to 10% in emerging market equities.

### Quality

The GMO Quality Strategy seeks to achieve its investment objective, total return, by investing primarily in equities of companies believed to be of high quality.

### Small Cap Quality

The Small Cap Quality Strategy seeks to generate total return by investing primarily in equities of U.S. small cap companies that the team believes to be of high quality.

### Quality Cyclical

The GMO Quality Cyclical Strategy seeks to generate total return by investing in leading cyclical businesses believed to be of higher quality than their industry peers.

### Climate Change

The GMO Climate Change Strategy seeks to achieve its investment objective, high total return, by investing in equities of companies believed to be positioned to benefit, directly or indirectly, from efforts to curb or mitigate the long-term effects of global climate change, to address the environmental challenges presented by global climate change, or to improve the efficiency of resource consumption.

### Resources

The GMO Resources Strategy seeks to achieve its investment objective, total return, by investing in the securities of companies in the natural resources sector.

### Resource Transition

The Resource Transition Strategy seeks to generate total return by investing primarily in equities of companies in the resource transition sector. The Strategy's benchmark is the MSCI ACWI Commodity Producers ex-Energy Index.

### International All Country Equity Allocation

The GMO International All Country Equity Allocation Strategy seeks total return in excess of that of the MSCI All Country World ex USA Index by investing primarily in other GMO-managed non-U.S. equity strategies.

### International Developed Equity Allocation

The GMO International Developed Equity Allocation Strategy seeks total return in excess of that of the MSCI EAFE Index by investing primarily in other GMO-managed non-U.S. equity strategies. The Strategy is allowed to invest up to 10% in emerging market equities.

### International Equity

The GMO International Equity Strategy seeks to generate high total return by investing primarily in non-U.S. developed market equities. The Strategy's measures its performance against the MSCI EAFE Index.

### International Opportunistic Value

The GMO International Opportunistic Value Strategy seeks to generate total return by investing primarily in international equities. The Strategy's benchmark is the MSCI World ex-U.S.A. Index.

### Usonian Japan Value

The GMO-Usonian Japan Value Strategy seeks long-term capital appreciation over a full market cycle and measures its performance against the TOPIX Total Return Index for performance comparison purposes. The Strategy employs a fundamental, value-oriented approach to invest in Japanese equities.

### Usonian Japan Value Creation

The GMO-Usonian Japan Value Creation Strategy seeks long-term capital appreciation over a full market cycle and measures its performance against the TOPIX Total Return Index for performance comparison purposes. The Strategy employs a fundamental, value-oriented approach to invest in Japanese equities.

### U.S. Equity

The GMO U.S. Equity Strategy seeks to generate high total return by investing primarily in U.S. equities. The Strategy's benchmark is the S&P Composite 1500 Index.

### U.S. Opportunistic Value

The GMO U.S. Opportunistic Value Strategy seeks to generate total return by investing primarily in U.S. equities that GMO identifies as the most undervalued. The Strategy's benchmark is the S&P Composite 1500 Index.

### U.S. Small Cap Value

The GMO U.S. Small Cap Value Strategy seeks to generate total return in excess of that of its benchmark, the S&P SmallCap 600 Value Index, by investing primarily in equities of U.S. companies that are included in the S&P SmallCap 600 Value Index or whose market capitalization at the time of investment is less than that of the 1000 largest publicly held companies.

### U.S. Quality

The GMO U.S. Quality Strategy seeks to generate total return by investing primarily in U.S. equities the Focused Equity team believes to be of high quality.

### Emerging Markets

The GMO Emerging Markets Strategy seeks to total return in excess of that of its benchmark, the MSCI Emerging Markets Index, by investing in emerging market equities. It is expected that the Strategy will have a value bias relative to its benchmark.

### Emerging Markets ex-China

The GMO Emerging Markets ex-China Strategy seeks total return in excess of that of its benchmark, the MSCI Emerging Markets ex-China Index, by investing in emerging market equities excluding China.

### Horizons

The GMO Horizons Strategy is a global strategy reflecting the view that the world economy is transitioning to a lower carbon future. The Strategy seeks to capture these opportunities and mitigate related risks through significant exposure to impactful climate solutions and reduced total emissions intensity (direct and indirect), while controlling for exposure to Environmental, Social, and Governance (ESG) risks.

## **Fixed Income**

### Multi-Sector Fixed Income

The GMO Multi-Sector Fixed Income Strategy seeks to achieve total return in excess of that of the Bloomberg U.S. Aggregate Index by extracting alpha opportunities without taking any secular bias in duration, maturity, rating and overall aggregate composition.

### Opportunistic Income

The GMO Opportunistic Income Strategy seeks capital appreciation and current income by investing in what GMO believes are the most attractively priced sectors and securities in the structured finance marketplace.

### High Yield

The GMO High Yield Strategy seeks to generate total return in excess of that of its benchmark, the Markit iBoxx USD Liquid High Yield Index, by applying a systematic, factor-based approach to portfolio construction.

### U.S. Treasury

The GMO U.S. Treasury Strategy seeks liquidity and safety of principal by investing in securities that are secured and backed by the full faith credit of the U.S. government.

### Emerging Country Debt

The GMO Emerging Country Debt Strategy's objective is total return in excess of that its benchmark, the J.P. Morgan Emerging Markets Bond Index Global Diversified. The Strategy invests primarily in external debt of sovereigns and quasi-sovereigns.

### Emerging Country Local Debt

The GMO Emerging Country Local Debt Strategy's objective is total return in excess of that of its benchmark, the J.P. Morgan Government Bond Index-Emerging Markets Global Diversified. The Strategy invests in local currency emerging debt.

### Systematic Investment Grade Credit

The GMO Systematic Investment Grade Credit Strategy is an active corporate credit strategy that seeks to generate alpha by allocating to sources of risk premium through factor-based models for credit selection.

## **Alternatives**

### Multi-Strategy

The GMO Multi-Strategy portfolio seeks positive total return by allocating to other investment strategies managed by GMO and investing directly in long and short positions in a variety of asset classes. The underlying investment vehicles each employ a different investment strategy and also hold both long and short positions in various asset classes.

### Alternative Allocation

The GMO Alternative Allocation Strategy seeks to generate positive total return by investing in a diversified portfolio of underlying alternative strategies, all run by GMO investment teams.

### Systematic Global Macro

The GMO Systematic Global Macro Strategy's investment objective is long-term total return. The Strategy takes both long and short positions in a range of global equity, bond, commodity and currency markets using exchange-traded and over-the-counter (OTC) futures and forward exchange contracts, swaps on commodity indices, equity indices and equities, and index options and other investments.

### Systematic Global Macro Major Markets

The GMO Systematic Global Macro Major Markets Strategy's investment objective is long-term total return. The Strategy takes both long and short positions in a range of global equity, bond,

commodity and currency markets using exchange-traded futures, forward non-U.S. currency contracts, swaps on commodity indices, and index options.

### Equity Dislocation

The GMO Equity Dislocation Strategy seeks high total return by owning attractively valued equities while correspondingly shorting equities where GMO believes that valuations are reflective of implausible growth expectations.

### Quality Spectrum

The GMO Quality Spectrum Strategy invests in a concentrated long book of high-quality companies and levers the long portfolio by shorting a diverse portfolio of “junk” companies, with an emphasis on valuation.

### Event-Driven

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 Strategy’s portfolio generally includes a heavy focus on merger arbitrage transactions, supplemented by other opportunities that exhibit similar risk, return and time horizon characteristics.

### Fixed Income Absolute Return

The GMO Fixed Income Absolute Return Strategy seeks generate positive absolute returns by exploiting opportunities in global fixed income and currency markets.

*The strategies described above are subject to change without notice to any recipient of these materials. Clients interested in investing in a strategy that may be offered through a pooled vehicle should rely upon disclosure included in a prospectus or private placement memorandum prepared for that fund. The information contained in these materials is subject in its entirety to and superseded by the disclosure in such prospectus or private placement memorandum to the extent of a conflict. To the extent that the terms of this brochure conflict with an investment management agreement governing a separately managed account, the investment management agreement will control. Pooled vehicles may be subject to restrictions on the types of investors who may invest. Nothing herein is intended to operate as an offer to sell securities.*