

# QUARTERLY INVESTMENT REVIEW

## Alternative Allocation Strategy

### Performance returns (USD)

ANNUALIZED RETURNS (QUARTER-END)	Quarter-End	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
Alternative Allocation Strategy (net)	-1.38	-0.66	0.04	2.57	0.86	-	1.13
Alternative Allocation Strategy (gross)	-1.14	0.05	1.00	3.55	1.83	-	2.10
FTSE 3-Mo. T-Bill	1.37	4.17	5.63	3.63	2.38	-	2.38
Value Add	-2.75	-4.82	-5.59	-1.06	-1.52	-	-1.25

### MAJOR PERFORMANCE DRIVERS

The Alternative Allocation portfolio had a negative return for the third quarter of 2024.

Over the course of the quarter, the total capital at work was increased by about 17 percentage points as we introduced a new Emerging FX exposure. At the end of September 2024, the portfolio was allocated broadly with 27% in Systematic Global Macro, 28% in Event-Driven, 40% in Equity Dislocation, 6% in Relative Value Credit, 12% in Fixed Income Diversified Alpha, 13% in Asset Allocation Long/Short, 8% in Put Selling, and 14% in Emerging FX.

Systematic Global Macro was the biggest detractor for the quarter. It detracted 1.6% from total returns as the environment continued to prove challenging for its commodity positioning. Equity Dislocation was the second biggest detractor, subtracting 1.3% from total performance, which was an unfortunate result given that MSCI ACWI Value beat MSCI ACWI Growth, although the strategy remains well ahead of the naïve approach for the year-to-date and longer time periods. Relative Value Credit had a small negative impact for the quarter, while Fixed Income Diversified Alpha and Put Selling had small positive impacts. Asset Allocation Long/Short was the best performer for the quarter, up 3.6%, and it added 50 bps to total performance reflecting its moderate position size. That left Event-Driven, posting a 3.2% return, as the biggest total contributor with a positive impact of 1.0% at the strategy level.

Composite Inception Date: 31-May-19

**Risks:** Risks associated with investing in the Strategy may include: (1) Management and Operational Risk: The risk that GMO's investment techniques will fail to produce desired results, including annualized returns and annualized volatility. (2) Leveraging Risk: The use derivatives and securities lending creates leverage. Leverage increases the Funds losses when the value of its investments (including derivatives) declines. (3) Derivatives and Short Sales Risk: The use of derivatives involves the risk that their value may not change as expected relative to changes in the value of the underlying assets, pools of assets, rates, currencies or indices. Derivatives also present other risks, including market risk, illiquidity risk, currency risk, credit risk, and counterparty risk. For a more complete discussion of these risks and others, please consult the Fund's offering documents. This is not a complete list of risks associated with investing in the Strategy. Please contact GMO for more information. **Performance Returns:** Performance for the year of inception is less than a full calendar year. Returns shown for periods greater than one year are on an annualized basis. To obtain performance information to the most recent month-end, visit [www.gmo.com](http://www.gmo.com). **Performance data quoted represents past performance and is not predictive of future performance.** Net returns are presented after the deduction of a model advisory fee and incentive fee if applicable. These returns include transaction costs, commissions and withholding taxes on foreign income and capital gains and include the reinvestment of dividends and other income, as applicable. Fees paid by accounts within the composite may be higher or lower than the model fees used. Gross returns are presented gross of management fees and any incentive fees if applicable. These returns include transaction costs, commissions, withholding taxes on foreign income and capital gains and include the reinvestment of dividends and other income, as applicable. If management and incentive fees were deducted performance would be lower. For example, if, before fees, the strategy were to achieve a 10% annual rate of return above its hurdle rate each year for ten years, and an annual advisory fee of 1% and incentive fee of 20% of net returns above the hurdle rate were charged during that period, the resulting average annual net return (after the deduction of management and incentive fees) would be approximately 7.20%. **GMO LLC claims compliance with the Global Investment Performance Standards (GIPS®).** A Global Investment Performance Standards (GIPS®) Composite Report is available on [GMO.com](http://GMO.com) by clicking the GIPS® Composite Report link in the documents section of the strategy page. GIPS® is a registered trademark owned by CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein. Actual fees are disclosed in Part 2 of GMO's Form ADV and are also available in each strategy's Composite Report. The portfolio is not managed relative to a benchmark. References to an index are for informational purposes only.

# QUARTERLY INVESTMENT REVIEW

## PRODUCT OVERVIEW

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 teams. Underlying strategies will include but are not be limited to: merger arbitrage/event-driven, global macro, fixed income absolute return, asset allocation long/short, long/short and market neutral equities, high yield, and systematic put writing strategies.

## IMPORTANT INFORMATION

**Comparator Index(es):** The FTSE 3-Month Treasury Bill Index is an independently maintained and widely published index comprised of short-term U.S. Treasury bills.

The above information is based on a representative account in the Strategy selected because it has the fewest restrictions and best represents the implementation of the Strategy.

## ABOUT GMO

Founded in 1977, GMO is a global asset manager committed to delivering superior performance and advice to our clients. We are privately owned, which allows us to singularly focus on our sole business – achieving outstanding long-term client investment outcomes. Offering multi-asset, equity, fixed income, and alternative strategies, we invest with a long-term, valuation-based philosophical approach.

AMSTERDAM

BOSTON

LONDON

SAN FRANCISCO\*

SINGAPORE

SYDNEY

TOKYO\*\*