

# QUARTERLY INVESTMENT REVIEW

## Alternative Allocation Fund

### Performance returns (USD)

ANNUALIZED RETURNS (QUARTER-END)	Quarter-End	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
Alternative Allocation Fund (net)	-2.01	-2.56	-2.56	2.31	0.26	-	0.71
Alternative Allocation Fund (gross)	-1.81	-1.75	-1.75	3.16	1.10	-	1.55
FTSE 3-Mo. TBill	1.23	5.45	5.45	4.05	2.54	-	2.49
Value Add	-3.24	-8.01	-8.01	-1.74	-2.28	-	-1.78

Net of all fees and expenses after reimbursement by the Manager, but not transaction costs, if any. If certain expenses were not reimbursed, performance would be lower. Gross of fees, expenses and transaction costs, if any. If these fees, expenses and costs were included, performance would be lower. **Performance data quoted represents past performance and is not indicative of future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance data may be lower or higher than the performance data provided herein. To obtain performance information to the most recent month-end, visit [www.gmo.com](http://www.gmo.com).** The portfolio is not managed relative to a benchmark. References to an index are for informational purposes only.

### MAJOR PERFORMANCE DRIVERS

The Alternative Allocation portfolio underperformed in the fourth quarter. The largest driver of negative returns for the period was the widening of the Value/Growth spread in U.S. equities and commodities. Within U.S. equities, Value lost to Growth by over 7.5%. This was felt as Equity Dislocation was down 4.2% for the quarter, accounting for 160 bps of negative contribution. Positive alpha from Financials and Consumer Staples was not able to offset losses in Technology, Autos, and Industrials.

Our Global Macro positions accounted for an additional 70 bps of negative contribution. This was attributable primarily to the commodities book, particularly the short cocoa position, which was also a major source of pain last Spring. After a correction at the beginning of quarter, prices hit new highs shortly before Christmas. We maintain that this price movement has not been driven by a supply-demand imbalance but rather by short-term speculators in the market. We continue to hold a modest short position, understanding that prices can continue to move against us in the short term, despite trading more than double our estimate of fair value. Elsewhere within Global Macro, carry and sentiment produced modest gains in equities, rates, and currency though not enough to offset losses in the commodity book.

Event-Driven was up 3.7% for the quarter, adding 100 bps of contribution. Two deals that ultimately broke, U.S. Steel and Albertsons, were two of the largest contributors thanks to harvesting volatility throughout the quarter. Put selling was up 2.1% on the quarter while returns on collateral across the portfolio added another 76 bps.

Heading into the New Year, key drivers of portfolio returns will continue to be the Value/Growth spread in equities. Within Global Macro, the portfolio is long U.S. and New Zealand rates against Swiss and European rates. In currency space, we are long NOK versus CHF. As referenced in the year-end letter, we will be adding a couple new strategies to the portfolio, adding diversification to Value's influence. Market Neutral will add momentum and a broad set of quantitative signals. A long/short Quality position will add quality and some defensiveness to the portfolio. Enhancements to our put selling strategy will provide carry. Later in the first quarter we will be incorporating more trend following into the portfolio as well.

Portfolio weights for the period for the securities mentioned were as follows: Cocoa futures (-1.7%), U.S. Steel (0.0%), Albertsons (2.7%)

Inception Date: 1-May-19

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.

**Risks:** Risks associated with investing in the Fund 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) 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. (3) Leveraging Risk: The use derivatives and securities lending creates leverage. Leverage increases the Funds losses when the value of its investments (including derivatives) declines. For a more complete discussion of these risks and others, please consult the Fund's Prospectus. **Performance Returns:** Annualized Returns may include the impact of purchase premiums and redemption fees. The GMO Trust funds are distributed in the United States by Funds Distributor LLC. GMO and Funds Distributor LLC are not affiliated.

**Net Expense Ratio: 1.69%; Gross Expense Ratio: 2.03%** Net Expense Ratio reflects the reduction of expenses from fee reimbursements. The fee reimbursements will continue until at least June 30, 2025. Elimination of this reimbursement will result in higher fees and lower performance. Gross Expense Ratio is equal to the Funds Total Annual Operating Expenses set forth in the Funds most recent prospectus dated June 30, 2024.

# QUARTERLY INVESTMENT REVIEW

## PRODUCT OVERVIEW

The GMO Alternative Allocation Fund 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, 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.

**An investor should consider the fund's investment objectives, risks, charges and expenses before investing. This and other important information can be found in the funds prospectus. To obtain a prospectus please visit [www.gmo.com](http://www.gmo.com). Read the prospectus carefully before investing.**

The GMO Trust funds are distributed in the United States by Funds Distributor LLC. GMO and Funds Distributor LLC are not affiliated.

## ABOUT GMO

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

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\*GMO's West Coast Hub is comprised of members of Investment, Global Client Relations, and other teams located in and around the Greater San Francisco area

\*\*Representative Office