

# 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)	0.38	0.38	6.35	2.31	-	-	1.44
Alternative Allocation Fund (gross)	0.59	0.59	7.23	3.16	-	-	2.28
FTSE 3-Mo. TBill	1.35	1.35	5.49	2.70	-	-	2.05
Value Add	-0.97	-0.97	+0.85	-0.39	-	-	-0.62

### Major Performance Drivers

Over the course of the quarter, the total capital at work was increased by about six percentage points. At the end of March 2024, the Alternative Allocation portfolio was allocated broadly: 26% Systematic Global Macro, 29% Event-Driven, 36% Equity Dislocation, 9% Credit & Relative Value Credit, 12% Fixed Income Absolute Return, 15% Asset Allocation Long/Short, and 8% Put Selling.

Equity Dislocation was the biggest contributor to total performance as it returned 2.7%, an excellent result given MSCI ACWI Value trailed MSCI ACWI Growth. Both the Asset Allocation Long/Short strategy and put selling generated a higher absolute return than Equity Dislocation, but their smaller allocations meant that they did not contribute quite as much at total portfolio level. Now that the cash and collateral is benefitting from increased rates, that also added to total portfolio performance.

The credit positions had no material impact, while Event-Driven, hampered by political push back on the takeover of U.S. Steel by Japan's Nippon Steel, and Fixed Income Absolute Return were both down slightly, detracting modestly.

That left Systematic Global Macro as the biggest detractor for the month as it staggered to a -6.25% return, costing more than 1.5% of performance at total portfolio level. A relatively small short position in Cocoa was the culprit as the price absolutely skyrocketed in the quarter; despite the production problems in Ivory Coast and Ghana, the more than doubling in price seems overdone.

Inception Date: 1-May-19

Performance for the year of inception is less than a full calendar year. Returns shown for periods less than one year are not annualized.

**Risks:** Risks associated with investing in the Fund may include those as follows. (1) Management and Operational Risk: The risk that GMOs investment techniques will fail to produce desired results. (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 prospectus. Annualized Returns may include the impact of purchase premiums and redemption fees. 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). If certain expenses were not reimbursed, performance would be lower. Transaction costs, if any, are paid to the fund to offset the cost of portfolio transactions to invest or raise cash. **Net Expense Ratio: 1.44%; Gross Expense Ratio: 1.79% Net Expense Ratio reflects the reduction of expenses from fee reimbursements. The fee reimbursements will continue until at least June 30, 2024. Elimination of this reimbursement will result in higher fees and lower performance.**

The adjusted expense ratios, which reflects the net and gross expense ratios excluding dividend and interest expense on short sales, are as follows: Net Expense Ratio: 0.83 and Gross Expense Ratio: 1.18. Dividends paid on borrowed securities are an expense of short sales. Such expenses are required to be treated as a Fund expense for accounting purposes and are not payable to GMO. The Fund also receives income in connection with short sales, which is reflected in the Fund's net income but is not reflected as an offset to dividend expenses on short sales in the Fund's annual fund operating expenses table. Any interest expense amount or dividends paid on securities sold short will vary based on the extent of Fund's use of those investments. **Gross Expense Ratio is equal to the Funds Total Annual Operating Expenses set forth in the Funds most recent prospectus dated June 30, 2023.**

**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.** The portfolio is not managed relative to a benchmark. References to an index are for informational purposes only. The local market in which the Fund is priced was closed for Good Friday on March 29, 2024. Therefore, the performance for the fund and corresponding benchmark will utilize March 28 for purposes of the ending valuation for the March return and the starting valuation for the April return.

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## 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

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