

QUARTERLY INVESTMENT REVIEW

Opportunistic Income Strategy

Performance returns (USD)

ANNUALIZED RETURNS (QUARTER-END)	Quarter-End	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
Opportunistic Income Strategy (net)	2.93	5.81	8.98	3.52	3.31	3.73	4.56
Opportunistic Income Strategy (gross)	3.07	6.24	9.58	4.09	3.88	4.26	5.06
Bloomberg U.S. Securitized+	5.44	4.61	12.22	-1.11	0.15	1.15	1.01
Value Add	-2.51	+1.20	-3.25	+4.63	+3.17	+2.58	+3.55

MAJOR PERFORMANCE DRIVERS

Securitized Product returns were positive during the third quarter as base rates (swap and Treasury yields) fell and spreads continued to compress. Following the Federal Reserve's first rate cut since 2020, fixed rate portions of the securitized market outperformed floating rate sectors. Commercial Mortgage Backed Securities (CMBS), specifically Single Asset Single Borrower profiles, and fixed rate Asset Backed Securities (ABS) had positive total and excess returns this quarter. Floating rate sectors such as Collateralized Loan Obligations (CLO) and Student Loans also had positive total and excess returns, albeit lagging fixed rate peers. Agency Mortgage Backed Securities (MBS) had positive total and excess returns across product types and coupons this quarter. In corporate credit markets, Investment Grade (IG) returns outpaced High Yield (HY) counterparts modestly on a total return basis this quarter, while shorter duration HY outperformed on an excess return basis.

Excess returns (vs. swaps) in structured products were mostly positive in the third quarter. Credit Risk Transfer (CRT) deals on residential mortgages reported positive excess returns, ranging from +0.3% to +1.0% on various tranches. In the residential space, Non-Agency Residential Mortgage-Backed Securities (RMBS) enjoyed positive excess returns ranging from +2.3% to 4.7% across profiles. Single Family Rental (SFR), a somewhat hybrid member of the RMBS cohort, lagged this quarter with excess returns across the capital structure around -2.5%. In CMBS, a longer duration asset, overall performance was up +0.2% in excess on the quarter, with LCF AAA securities posting 0.2% excess returns, while lower-rated BBB were lower at -0.2%. Shorter duration fixed rate Auto ABS were flat on an excess basis this quarter. Floating rate ABS excess performance from Student Loans was positive in Q3 with +0.4%. Overall performance in the CLO market was up +0.8% in excess during the quarter; excess returns in the lower part of the capital structure were higher, with BBB posting +1.3% and BB posting +2.3%.

Absolute performance in the Opportunistic Income portfolio was positive, driven by gains in the Duration Management, CMBS, and RMBS sectors. Detracting modestly from overall performance this quarter were credit hedging positions.

Approximately 72% of the portfolio was rated AAA with 78% rated single A or higher. Across the portfolio, 20% was invested in CMBS, 16% in RMBS, 13% in Student Loans, 9% in CLO securities, 4% in Small Balance Commercial, 3% in Autos, and 5% in other ABS.

(Ratings are lowest of Moody's, Standard & Poor's, Fitch, DBRS, and Kroll. No rating is used if none of the five listed provides a rating.)

Composite Inception Date: 31-Oct-11

Risks: Risks associated with investing in the Strategy may include: (1) Credit Risk: The risk that the issuer or guarantor of a fixed income investment or the obligor of an obligation underlying an asset-backed security will be unable or unwilling to satisfy its obligation to pay principal and interest or otherwise to honor its obligations in a timely manner. (2) Market Risk-Asset-Backed Securities Risk: The market price of asset-backed securities, like that of other fixed income investments with complex structures, can decline for a variety of reasons, including investor uncertainty about their credit quality and the reliability of their payment streams. Payment streams associated with asset-backed securities held by the Fund depend on many factors (e.g., the cash flow generated by the assets backing the securities, deal structure, and creditworthiness of any credit-support provider), and a problem in any of these factors can lead to a reduction in the payment stream GMO expected the Fund to receive when the Fund purchased the asset-backed security. (3) Illiquidity Risk: Low trading volume, lack of a market maker, large position size, or legal restrictions may limit or prevent the Fund from selling particular securities or closing derivative positions at desirable prices. 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. **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 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 Opportunistic Income Strategy seeks capital appreciation and current income by investing in what we believe are the most attractively priced sectors and securities in the structured finance marketplace. The Structured Products team utilizes both top-down and bottom-up security selection methods to identify what we believe are the best opportunities from a pure risk/return perspective.

The structured finance asset class offers a range of opportunities due to both its inherently fragmented nature and the inefficiencies caused by market segmentation and structural anomalies. We believe that the marketplace's complexity, volatile historical performance, and very high number of discrete investment opportunities create considerable potential for alpha generation. Our relatively unconstrained approach to risk diversification, sub-sector allocation, and security selection is designed to identify and benefit from those opportunities.

IMPORTANT INFORMATION

Comparator Index(es): The Bloomberg U.S. Securitized + Index is an internally maintained benchmark computed by GMO, comprised of (i) the J.P. Morgan U.S. 3 Month Cash through 12/30/2016 and (ii) the Bloomberg U.S. Securitized thereafter.

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.

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