

QUARTERLY INVESTMENT REVIEW

Systematic Investment Grade Credit Strategy

Performance returns (USD)

ANNUALIZED RETURNS (QUARTER-END)	Quarter-End	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
Systematic Investment Grade Credit Strategy (net)	6.05	6.21	15.52	-0.62	-	-	0.49
Systematic Investment Grade Credit Strategy (gross)	6.12	6.41	15.81	-0.37	-	-	0.74
Bloomberg U.S. Corporate Index	5.84	5.32	14.28	-1.18	-	-	-0.46
Value Add	+0.21	+0.89	+1.24	+0.56	-	-	+0.94

MAJOR PERFORMANCE DRIVERS

Index Performance

During the third quarter, as the unemployment rate ticked higher and price inflation continued to moderate, the Federal Reserve's dual mandate came squarely into focus. Overall, the environment was constructive for duration bearing assets, and the Bloomberg U.S. Corporate index) returned +5.84% during the period. All-in yields moved aggressively lower, the yield curve steepened, and investment-grade corporate spreads tightened during the period. AAA-rated credits outpaced their lower-rated brethren, while the Electric sector generated the highest excess returns.

Strategy Returns

The Systematic Investment-Grade Credit Strategy delivered positive alpha during the third quarter, attributable to a mix of sector timing and bond selection, while active duration positioning was a slight drag on performance. Through a factor lens, the value signal drove relative returns, but momentum and quality indicators drew down. From an allocation perspective, the strategy was short the Electric sector, which pared gains but active overweight positioning in Consumer Non-Cyclicals and REITs helped. Bond selection was additive within the Capital Goods and Technology sectors.

Composite Inception Date: 30-Sep-20

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) Market Risk - Fixed Income Investments: The market price of a fixed income investment can decline due to a number of market-related factors, including rising interest rates and widening credit spreads or decreased liquidity stemming from the market's uncertainty about the value of a fixed income investment (or class of fixed income investments). (3) 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. 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.**

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PRODUCT OVERVIEW

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. The Strategy allocates to measures of value, quality, and momentum captured through proprietary fair value models, measures of changes in default risk, and momentum signals derived from credit and equity assets. ESG factors are considered a component of the quality pillar at GMO and the portfolio is managed to target an overall ESG profile that is higher than that of the Bloomberg U.S Corporate Index. Risk is managed through quantitative portfolio construction methods that control for overall benchmark spread, duration, and risk characteristics.

IMPORTANT INFORMATION

Benchmark(s): The Bloomberg US Corporate Index measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD denominated securities publicly issued by US and non-US industrial, utility, and financial issuers. The index includes securities with remaining maturity of at least one year.

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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