

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)	1.33	1.33	6.54	2.43	2.95	3.54	4.38
Opportunistic Income Strategy (gross)	1.47	1.47	7.13	3.00	3.52	4.07	4.88
Bloomberg U.S. Securitized+	-0.91	-0.91	1.61	-2.71	-0.25	0.62	0.61
Value Add	+2.24	+2.24	+4.93	+5.14	+3.21	+2.92	+3.77

Major Performance Drivers

Securitized Product returns were positive during the first quarter of 2024 as base rates (swap and Treasury yields) rose and spreads compressed. Led by floating rate products such as Collateralized Loan Obligations (CLO) and Student Loans, returns on the quarter were positive on both a total and excess basis. Fixed rate assets such as Commercial Mortgage Backed Securities (CMBS) and Asset Backed Securities (ABS) also had positive total and excess returns during the quarter. Agency Mortgage Backed Security (MBS) total returns were negative over the quarter while excess returns were closer to flat, though still negative. In corporate credit markets, Investment Grade (IG) total returns were negative, with positive excess returns, while High Yield (HY) returns were positive on both a total and excess basis.

Excess returns (vs. swaps/Libor) in structured products were positive in the first quarter. Credit Risk Transfer (CRT) deals on residential mortgages reported positive excess returns, ranging from +1.5% to +4.2% on various tranches. In the residential space, Non-Agency Residential Mortgage-Backed Securities (RMBS) had mixed excess returns, with various collateral type excess returns from -0.2% to 1.0%. Single Family Rental (SFR), a somewhat hybrid member of the RMBS cohort, posted positive results, with excess returns across the capital structure ranging from 0.3% to 1.5%. In Commercial Mortgage-Backed Securities (CMBS), a longer duration asset, overall performance was up +2.5% in excess on the quarter, with LCF AAA securities posting 1.7% excess returns, while lower-rated BBB tranches posted an even higher 9.9%. Shorter duration fixed rate Auto ABS was positive during the quarter, posting +0.7%. Floating rate ABS performance from Student Loans was positive, finishing at +1%. Overall performance in the Collateralized Loan Obligation (CLO) market was up +1.2% in excess during the quarter; excess returns in the lower part of the capital structure were even higher, with BBB posting +2.9% and BB posting 6.0%.

Absolute performance in GMO Opportunistic Income portfolio was positive, driven by gains in the CMBS, Student Loans, RMBS, CLO, and Small Balance commercial sector. Detracting from overall performance this quarter were Duration Management positions and Credit Spread hedging.

Approximately 72.5% of the portfolio was rated AAA with 77% rated single A or higher. 20% of the portfolio was invested in CMBS, with 15% in RMBS, 15% in Student Loans, 12% in CLO securities, 5% in Small Balance Commercial, 3% in Autos, and 3% 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.)

Inception Date: 3-Oct-11

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 Strategy may include Credit Risk, Market Risk - Asset-Backed Securities, Illiquidity Risk, Focused Investment Risk, and Market Risk - Fixed Income. 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 Returns: 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. **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. The local market in which some accounts in the composite are priced was closed for Good Friday on March 29, 2024. Therefore, the performance for the strategy 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. 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%. The portfolio is not managed relative to a benchmark. References to an index are for informational purposes only.

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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, periods of challenging past performance, and very high number of discrete investment opportunities create considerable potential for alpha generation, and that our relatively unconstrained approach and attempts to diversify risk are ideal to dive deeply into sub-sectors and individual securities to access this potential.

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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