

# QUARTERLY INVESTMENT REVIEW

## Opportunistic Income Fund

### Performance returns (USD)

ANNUALIZED RETURNS (QUARTER-END)	Quarter-End	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
Opportunistic Income Fund (net)	1.47	2.87	6.82	2.79	3.05	3.60	4.43
Opportunistic Income Fund (gross)	1.59	3.11	7.34	3.27	3.53	4.05	4.85
Bloomberg U.S. Securitized+	0.12	-0.79	2.38	-2.81	-0.63	0.62	0.61
Value Add	+1.35	+3.66	+4.44	+5.60	+3.68	+2.98	+3.82

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. To obtain performance information to the most recent month-end, visit [www.gmo.com](http://www.gmo.com).

### MAJOR PERFORMANCE DRIVERS

Securitized Product returns were positive during Q2 2024 as base rates (swap and Treasury yields) rose and spreads compressed. Floating rate products such as Collateralized Loan Obligations (CLO) and Student Loans continue to outperform on both a total and excess return basis. Fixed rate securitized 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 turned positive this quarter while excess returns were flat to negative across product types. In corporate credit markets, High Yield (HY) returns were positive on both a total and excess basis, outperforming Investment Grade (IG) corporates, which had close to flat total returns and negative excess returns.

Excess returns in structured products were broadly positive in the second quarter of 2024. Credit Risk Transfer (CRT) deals on residential mortgages reported positive excess returns, ranging from +0.8% to +1.3% on various tranches. In the residential space, Non-Agency Residential Mortgage-Backed Securities (RMBS) enjoyed positive excess returns ranging from +0.5% to 0.8% across profiles. Single Family Rental (SFR), a somewhat hybrid member of the RMBS cohort, posted mixed results, with excess returns across the capital structure ranging from -0.2% to 0.8%. In Commercial Mortgage-Backed Securities (CMBS), a longer duration asset, overall performance was up +0.2% in excess on the quarter, with LCF AAA securities posting 0.1% excess returns, while lower-rated BBB tranches posted a markedly higher 2.0%. Shorter duration fixed rate Auto ABS was positive during the quarter, posting +0.2% excess returns. Floating rate ABS performance from Student Loans was positive in Q2 with a return of +0.9%. Overall performance in the CLO market was up +1.0% in excess during the quarter; excess returns in the lower part of the capital structure were even higher, with BBB posting +2.2% and BB posting +3.2%.

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 Fund may include those as follows. (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. The market price of a fixed income investment will normally decline due to the issuer's, guarantor's, or obligor's failure to meet its payment obligations or in anticipation of such failure. (2) Market Risk - Asset-Backed Securities: 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 market uncertainty about their credit quality and the reliability of their payment streams. (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 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.

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: 0.48%; Gross Expense Ratio: 0.51%** 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

## MAJOR PERFORMANCE DRIVERS CONT.

Absolute performance in the portfolio was positive, driven by gains in CMBS, Student Loans, RMBS, CLO, and the Small Balance Commercial sector. Detracting from overall performance this quarter were Duration Management positions.

Approximately 72% 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, 14% 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.)

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## PRODUCT OVERVIEW

The GMO Opportunistic Income Fund 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.

**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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