

EVENT-DRIVEN STRATEGY

The Opportunity

The Event-Driven universe consists of investment opportunities that arise from significant corporate events, where there is generally some uncertainty about the outcome of each event, and where the outcome will be known relatively soon. The GMO Event-Driven Strategy provides:

AN APPEALING MANDATE...

- Good returns with low correlation

...THAT'S DIFFICULT TO ACHIEVE

- Some sacrifice correlation in search of returns
- Others sacrifice returns in search of correlation

The GMO Solution

The GMO Event-Driven Strategy focuses primarily on Merger Arbitrage transactions, supplemented by other event-driven situations including, without limitation, corporate buy-ins, hostile mergers, pre-bid acquisitions, corporate spin-offs, likely transactions, restructurings, corporate litigation, and regulatory events. GMO's Event-Driven team approaches this opportunity set with a focus on expected value. The team assesses the likelihood and associated returns of each potential outcome for a corporate event and invests in situations where our assessment of the expected value is greater than that implied by the market.

MERGER ARBITRAGE-HEAVY EVENT

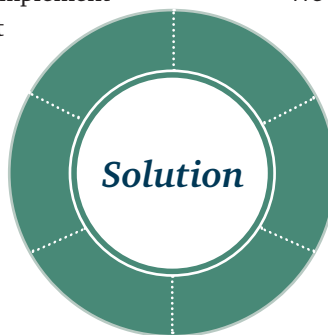
- We focus on Merger Arbitrage and complement that with other situations that exhibit similar risk and return dynamics to increase the breadth of opportunity.

FOCUS ON VALUE

- We target the subset of situations where we have a differentiated view from the market.

EXPERIENCE

- The team has more than four decades of cumulative investment experience and historically the firm has exhibited a value philosophy and contrarian mindset.



EXTEND THAT FOCUS ON VALUE TO POSITION STRUCTURING

- We utilize options-based implementations to enhance expected value.

BE DYNAMIC

- We are not required to invest in all Merger Arbitrage, all the time. We utilize all situations and structures to enhance expected value.

SIZE TO THE DOWNSIDE

- In an asymmetric field like Event-Driven, where losses are often disproportionate to gains, sizing each position with a view of the downside first is critical.

The Client Fit

In GMO's Asset Allocation strategies that have exposure to Event-Driven, we have made an investment as part of a broader allocation to alternatives. Our clients often consider an Event-Driven strategy as a complementary piece within a multi-manager equity portfolio structure. Event-Driven's ability to generate favorable risk-adjusted returns without significant correlation to the equity market can play a key role in a broader portfolio. In addition to its lack of sensitivity to market moves, other attributes such as low sensitivity to market valuations and minimal interest rate duration make Event-Driven appealing. We believe Event-Driven should be successful over the long term because varying market conditions create different types of opportunities for attractive investments within the asset class.

Who We Are

Founded in 1977, GMO is a private partnership whose sole business is investment management. The firm manages global portfolios with offices and clients around the world. Investment offerings include equity, fixed income, multi-asset class, and alternative strategies. GMO is known for blended fundamental and quantitative investment research expertise and a long-term orientation toward value opportunities.

The Team

GMO's Event-Driven team is led by Doug Francis, who has been managing Event-Driven portfolios since 1994. The team employs a portfolio and risk management philosophy governed by the belief that, in an asymmetric field like Event-Driven where losses are often disproportionate to gains, a competitive advantage can be gained by combining a probabilistic framework at the position and portfolio levels.

RISK

Risks associated with investing in the Strategy may include Merger Arbitrage Risks, Special Situation Investment Risks, Equities Risks, Options Risks, and Forward Contracts Risks.