DRES

GMO DOMESTIC RESILIENCE ETF

Quarterly Investment Review

PRODUCT OVERVIEW

The GMO Domestic Resilience ETF seeks total return by investing in equities the Focused Equity team believes are poised to benefit as companies bring industrial production back onshore and the United States aims to strengthen its position in a changing world.

The team believes that companies in key sectors, including Manufacturing & Automation, Transportation & Logistics, Energy & Materials, and Defense, are well-positioned to benefit from American reindustrialization.

The GMO Domestic Resilience ETF's disciplined approach to security selection utilizes time-tested GMO principles emphasizing company quality and valuation to select securities with superior risk-adjusted return characteristics and aims to benefit from a long-term investment horizon in an actively managed ETF format.

MAJOR PERFORMANCE DRIVERS

Domestic Resilience posted a negative net return in the third quarter of 2026. The MSCI USA Mid Cap Index returned -4.39% while the S&P 500 returned +2.30%. Interest rates were top of mind for investors during the quarter, with the Fed's 25 basis point (bp) interest rate hike in September widely believed to be the first of several to come. Stocks perceived to be most sensitive to interest rates, including Utilities and Industrials, were the market's worst performers during the month, with the Industrials sectors in the S&P 500 and MSCI ACWI Index returning -9.6% and -10.8%, respectively, during the quarter.

Like a Rock

We have owned shares in Martin Marietta since Domestic Resilience's inception. Martin is classified as a materials company, but we think of it as a high-quality industrial. The company's primary product is crushed rock, known in the industry as aggregates. Behind this humble introduction is a truly excellent business. Aggregates are a unique subset of the U.S. building materials industry. They are an essential ingredient to key building products like cement and asphalt, have no economical substitutes, and are, well, heavy. This is rock, after all. Weight is a big part of the story behind how aggregates companies have been such good long-term businesses. Aggregates are heavy, relatively low-value (a ton of aggregates sells for about $20 nationally), and you need a lot of them to build a building, highway, bridge, house, or anything that requires cement or asphalt.

The need for a large amount of this low-value material means that shipping distance is a significant competitive constraint in the industry. A customer buying the same aggregate from a quarry 50 miles away from its production site is likely to pay a much higher price than they would if buying from a plant just a few miles away, to account for the fuel and trucking cost of moving all that rock so far. As a result, the local competition backdrop in many aggregate markets is quite concentrated, as only a handful of firms can economically serve customers. Owing to this moat and the challenges in building new aggregate sites in America (everyone needs rock, but no one wants a rock pit in their backyard), the U.S. aggregates industry has historically demonstrated strong pricing power, with long-term prices outpacing inflation.

These unique industry dynamics mean that aggregate demand is cyclical, but pricing is not. Over the years, Martin has built its business by regularly purchasing other aggregates companies and improving operations. While Martin is one of the country's largest pure-play aggregates companies, the U.S. aggregates industry is still quite fragmented nationally, with ample room for accretive acquisitions. Martin's deep industry experience and relationships often make it a preferred acquirer for family-owned aggregates companies looking to sell to a stable, long-term operator. Martin is thus able to pay good prices to sellers while turning good deals into great ones by applying its operational expertise to lower the cost of aggregates production. 2026 has been an active year for Martin on the acquisition front, with the company closing a major asset swap with Quikrete in February. The deal involved Martin trading non-core cement and concrete assets for aggregates operations and cash. For many companies, this would have been a productive year on the M&A front, but Martin was just getting started.

MAJOR PERFORMANCE DRIVERS CONT.

In recent years, Martin has talked more about its Specialty Products division, which has long been viewed as a small but profitable niche within Martin's overall portfolio. Specialty materials like magnesia and lime have similar competitive and economic characteristics as aggregates, exhibiting comparable long-term pricing power. Martin management noted at the company's 2025 investor day that its Specialty Products business had "earned the right to grow," and the company backed that statement up with its December 2025 acquisition of Premier Magnesia. Magnesia is a higher-margin industrial mineral used in steel production, pharmaceuticals, and other industrial production processes. With the Premier acquisition, Martin became the largest producer of magnesia-based products in the United States. Specialty Products was indeed growing, but the big move was yet to come.

An Acquisition with a Twist of Lime

On June 28, 2026, Martin announced the acquisition of Lhoist North America. Privately held Lhoist is North America's largest lime producer. We think the acquisition has strong strategic rationale for two primary reasons. First, lime has very similar economic characteristics to aggregates – strong pricing power and limited substitutes – but with the added benefit of diversified end markets (e.g., steel production and soil stabilization) that can improve Martin's overall portfolio diversification. Second, Lhoist's locations have considerable overlap with Martin's own aggregates operations in the Southern United States, increasing potential for synergies. A final long-term aspect we find attractive about the deal relates to Lhoist's aggregate production. Lime is a higher-value mineral – a ton of lime typically sells for at least 10x as much as a ton of aggregate. As a result, when Lhoist encountered aggregates in its mining process, it tried to get them out of the way as quickly as possible so it could get to the more valuable lime underneath. Lhoist typically sold aggregates via offtake agreements as a near-waste product at very low prices. Enter Martin Marietta. Given Lhoist's geographic overlap with Martin, we believe the combined company can start to realize higher prices for offtake aggregates over time, adding an additional long-term upside to the deal. Combining this strong deal rationale with Martin's own history of acquiring companies and improving their operations over time gives us confidence that Lhoist's already-strong business will become even stronger under Martin's ownership. Lhoist's owners appear to agree as they will own approximately 15% of Martin Marietta shares going forward and will have a seat on the company's Board of Directors, an alignment of interests that underscores the deal's attractive long-term power.

While we're excited about the Lhoist deal, the announcement came at a complicated time in the aggregates industry, where concerns regarding the size of the next U.S. highway bill (highway spending and other public infrastructure account for roughly 40% of Martin's revenue), the timing of aggregates' mid-year price increases to catch up with rising inflation, and broader malaise in the U.S. industrial sector all combined to drive Martin's stock to the bottom of its long-term valuation range. We believe these short-term concerns will resolve favorably and are excited at the chance to purchase a high-quality company at an attractive price. Martin Marietta was our largest net purchase in Domestic Resilience during the quarter and now represents the portfolio's 2nd largest overall position. Although we have no certainty as to exactly when Martin's stock will recover, we believe that purchasing great companies when they're on sale is a favorable long-term strategy.

Final Thoughts

While negative short-term performance is never fun, we approach such environments with opportunistic resolve. A willingness to buy when others are selling is a differentiator that we believe underscores the benefit of an active strategy and will add long-term value against the backdrop of American reindustrialization.

Domestic Resilience Q3 2026 Performance

While we don't manage the portfolio in a benchmark-aware manner, portfolio underperformed our primary benchmark, the MSCI USA Mid Cap Index, and our alternate benchmark, the S&P 500 in the third quarter. Given our focused investment strategy, we expect that portfolio returns will often differ, sometimes substantially, from benchmark returns over shorter time periods. Over the long term, we aim to exceed the performance of both benchmarks, but the path to doing so will have its short-term ups and downs.

Portfolio weights, as a percent of equity, for the positions mentioned were: Martin Marietta (4.9%), Quikrete (0%), and Lhoist (0%).

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ANNUALIZED RETURNS (USD, %) (QUARTER-END)

	Quarter-End	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
NAV	-9.75	10.42	13.14	-	-	-	13.14
MSCI USA Mid Cap (Gross)	-4.39	7.29	7.52	-	-	-	7.52
S&P 500	2.30	12.75	15.74	-	-	-	15.74
Market Price	-9.49	10.62	13.38	-		-	13.38
MSCI USA Mid Cap (Gross)	-4.39	7.29	7.52	-		-	7.52
S&P 500	2.30	12.75	15.74	-		-	15.74

NAV Inception Date: 30-Sep-25
Market Price Inception Date: 30-Sep-25

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. To obtain performance information to the most recent month-end, visit www.gmo.com. Exchange Traded Funds (ETFs) are bought and sold through exchange trading at market price (not NAV), and are not individually redeemed from the fund. Shares may trade at a premium or discount to their NAV in the secondary market. Brokerage commissions will reduce returns. The portfolio is actively-managed, is not managed relative to a benchmark and uses an index for performance comparison purposes only and, where applicable, to compute a performance fee.

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.

Risks: Risks associated with investing in the Fund may include: (1) Focused Investment Risk: the Fund invests its assets in the securities of a limited number of issuers, and a decline in the market price of a particular security held by the Fund may affect the Fund's performance more than if the Fund invested in the securities of a larger number of issuers; (2) Market Risk - Equities: the market price of equities may decline due to factors affecting the issuer, its industries, or the economy and equity markets generally. Declines in stock market prices generally are likely to reduce the net asset value of the Fund's shares; and (3) Management and Operational Risk: the risk that GMO's investment techniques will fail to produce desired results, including annualized returns and annualized volatility. For a more complete discussion of these and other risks, please consult the Fund's Prospectus. **Performance Returns:** Exchange Traded Funds (ETFs) are bought and sold through exchange trading at market price (not NAV), and are not individually redeemed from the fund. Shares may trade at a premium or discount to their NAV in the secondary market. Brokerage commissions will reduce returns. The GMO ETFs are distributed in the United States by Foreside Fund Services LLC. GMO and Foreside Fund Services LLC are not affiliated. **Total Annual Fund Operating Expenses: 0.50%; Expense Ratio is equal to the Fund's Total Annual Operating Expenses set forth in the Fund's most recent prospectus dated 30 June 2026.**

IMPORTANT INFORMATION

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. Read the prospectus carefully before investing.

Comparator Index(es): The MSCI USA Mid Cap (Gross) Index is an independently maintained and widely published index comprised of mid cap segments of the US market. MSCI data may not be reproduced or used for any other purpose. MSCI provides no warranties, has not prepared or approved this report, and has no liability hereunder.The S&P 500 Index is an independently maintained and widely published index comprised of U.S. large capitalization stocks. S&P does not guarantee the accuracy, adequacy, completeness or availability of any data or information and is not responsible for any errors or omissions from the use of such data or information. Reproduction of the data or information in any form is prohibited except with the prior written permission of S&P or its third party licensors.

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