HIGH YIELD FUND

Quarterly Investment Review

PRODUCT OVERVIEW

The GMO High Yield Fund seeks to generate total return in excess of that of its benchmark, the Markit iBoxx USD Liquid High Yield Index, by applying a systematic, factor-based approach to portfolio construction. It is designed to capture alpha from top-down sources of risk premia, taking advantage of structural market inefficiencies, while maintaining a liquid portfolio. Our top-down, data-driven approach (in what is still largely a fundamentally managed asset class) brings a unique perspective that allows us to allocate capital across a range of high yield instruments in an effort to achieve optimal risk-adjusted returns in excess of the Fund's benchmark.

MAJOR PERFORMANCE DRIVERS

High yield markets delivered negative total and excess returns in the third quarter of 2026, with the Markit iBoxx USD Liquid High Yield Index declining 1.9%. Market conditions remained relatively orderly for much of the quarter but weakened in September as rising Treasury yields and tighter financial conditions pressured credit valuations. The Bloomberg U.S. High Yield Index option-adjusted spread widened by 41 basis points, from 270 basis points at the end of June to 311 basis points at the end of September, with much of the widening occurring late in the quarter. Higher rates also presented a meaningful headwind, with the 2-year Treasury yield rising 71 basis points over the period. Excess returns were negative across rating cohorts, although single-B bonds held up better than both BB-rated and CCC-rated securities, with the lowest-quality segment coming under particular pressure during the late-quarter selloff.

The High Yield portfolio outperformed the benchmark, primarily supported by its Carry allocation through long positions in CDX HY. Benchmark Arbitrage positions, implemented through total return swaps referencing the benchmark index, also added value as the opportunity to capture the index's discount to net asset value increased during the quarter. Allocations to the Quality factor through BB-rated bonds just about kept up with the broad HY market, but this was more than offset by strong credit selection within the BB allocation. Fallen Angels provided a modest positive contribution to relative performance.

Portfolio positioning was adjusted modestly during the quarter. In August, the portfolio initiated a 10% allocation to the Short Duration, Low Rated factor, funded through reductions in Quality, Carry, and Benchmark Arbitrage. This factor seeks to capture a structural premium in short-maturity, lower-rated bonds by investing in a diversified basket of one- to three-year single-B and CCC-rated securities. Its investable universe is screened using GMO's bond-alpha signals, focusing on more highly ranked securities while excluding the widest- and tightest-spread tails. Diversification and issuer limits are used to mitigate idiosyncratic credit risk, while the allocation is capped at 10% in recognition of the universe's size, liquidity, and potential default risk. In September, the portfolio further reduced its Quality allocation in favor of Carry and Benchmark Arbitrage as high yield spreads widened and dispersion increased.

Entering the fourth quarter, the portfolio remained diversified across liquid portfolio instruments and high yield bonds. Factor allocations were 20% to Quality, 28% to Carry, 41% to Benchmark Arbitrage, and 10% to Short Duration, Low Rated.

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

	Quarter-End	*YTD*	*1-Year*	*3-Year*	*5-Year*	*10-Year*	*Since Inception*
High Yield Fund (net)	-1.63	0.31	1.85	8.38	4.39	-	5.42
High Yield Fund (gross)	-1.52	0.62	2.27	8.85	4.86	-	5.92
Markit iBoxx USD Liquid High Yield	-1.88	-0.07	1.40	7.96	3.57	-	4.59
Value Add	+0.26	+0.39	+0.45	+0.42	+0.82	-	+0.83

Net of all fees and expenses after reimbursement by the Manager, but not transaction costs, if any. If certain expenses were not reimbursed, performance would be lower. Gross of fees, expenses and transaction costs, if any. If these fees, expenses and costs were included, performance would be lower. **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.**

Inception Date: 25-Jun-18

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) 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); and (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 and other risks, please consult the Fund's Prospectus. **Performance Returns:** Annualized Returns may include the impact of purchase premiums and redemption fees. The GMO Trust funds are distributed in the United States by Funds Distributor LLC. GMO and Funds Distributor LLC are not affiliated.

Net Expense Ratio: 0.36%; Gross Expense Ratio: 0.57% Net Expense Ratio reflects the reduction of expenses from fee reimbursements. The fee reimbursements will continue until at least 30 June 2027. 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 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.

Benchmark(s): The Markit iBoxx USD Liquid High Yield Index is an independently maintained index consisting of liquid USD high yield bonds, selected to provide a balanced representation of the broad USD high yield corporate bond universe.

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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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*GMO's West Coast Hub is comprised of members of Investment, Global Client Relations, and other teams located in and around the Greater San Francisco area
**Representative Office