

QUARTERLY INVESTMENT REVIEW

Usonian Japan Value Creation Fund

RETURNS (%) (USD)

	Cumulative (%)		Annualized (%)				
	QTD	YTD	1 Year	3 Years	5 Years	10 Years	ITD
Net of Fees (Class VI)	0.79	14.11	28.12	5.49	–	–	5.36
Gross of Fees (Class VI)	0.94	14.59	28.85	6.09	–	–	5.96
Tokyo Stock Price Index (TR)	-0.91	10.75	25.41	2.44	–	–	2.16
Value Added (vs. Tokyo Stock Price Index (TR))	1.70	3.36	2.72	3.05	–	–	3.20

Major Performance Drivers

After performing strongly in the second quarter, the Tokyo Stock Price Index (TOPIX TR) extended its rally in the third quarter. Inflation expectations for the Japanese economy continued to firm, bolstered by the decision of the Bank of Japan to loosen its Yield Curve Control (YCC) policy and allow 10-year Japanese Government Bonds (JGBs) to trade in a wider band. As a result, 10-year JGB yields nearly doubled during the quarter, from 0.40% to 0.77%. U.S. 10-year Treasury yields also rose amid "higher for longer" expectations, from 3.8% to 4.6%. The expanded yield differential between the U.S. and Japan was likely behind the weakening of the yen from JPY144 to JPY149 relative to USD. In addition to macro tailwinds from firming inflation and a weaker yen, positive factors included strong earnings for the March-June quarter (announced in August), more share buybacks, and increasingly active shareholders during Annual General Meeting (AGM) season.

Given the strong increase in interest rates, it is no surprise that the value factor outperformed growth during the quarter, with the MSCI Japan Value Index outperforming the MSCI Japan Growth index by 14.5%. Size played a smaller role in relative performance this quarter with small caps outperforming, although small caps still trailed the broader index for the year.

Against this backdrop, the portfolio outperformed TOPIX during the period. Stock selection in Industrials and Information Technology contributed the most to relative performance during the period, while stock selection in Consumer Discretionary and Financials modestly detracted.

For a more detailed discussion on these topics, please see our complete Quarterly Letter, available from your GMO relationship manager.

Inception Date: 14-Sep-20

Risks: Risks associated with investing in the Fund may include: (1) Market Risk - Equities: The market price of an equity may decline due to factors affecting the issuer or its industry 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. (2) Management and Operational Risk: The risk that GMO's investment techniques will fail to produce desired results. (3) 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. 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. To obtain performance information to the most recent month-end, visit www.gmo.com. 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: 0.58%; Gross Expense Ratio: 0.71%** Net Expense Ratio reflects the reduction of expenses from fee reimbursements. The fee reimbursements will continue until at least June 30, 2024. 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, 2023.

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.

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PRODUCT OVERVIEW

The Fund seeks total return over a full market cycle and measures its performance against the TOPIX Total Return Index (the "Index") for performance comparison purposes. The Fund employs a fundamental, value-oriented approach to invest in Japanese equities or companies tied economically to Japan.

In managing the Fund, the Usonian Japan Equity team follows a disciplined, bottom-up approach using fundamental research to identify equities that we believe are undervalued and profitable with high quality balance sheets. The team spends considerable time developing a high level of knowledge about our companies and focusing on downside risk. Additionally, as long-term investors, we engage collaboratively with corporate management to unlock shareholder value.

IMPORTANT INFORMATION

Comparator Index(es): TOPIX (Net of dividend withholding tax) is a free-float adjusted market capitalization-weighted index that is calculated based on all the domestic common stocks listed on the TSE First Section.

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.

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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