QUALITY TRUST

Quarterly Investment Review

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

	Quarter-End	*YTD*	*1-Year*	*3-Year*	*5-Year*	*10-Year*	*Since Inception*
Quality Trust (net)	-9.92	-9.92	1.58	15.10	13.50	-	15.04
Quality Trust (gross)	-9.78	-9.78	2.20	15.79	14.19	-	15.73
MSCI World	-6.11	-6.11	8.18	15.90	12.64	-	13.99
Value Add	-3.80	-3.80	-6.60	-0.80	+0.86	-	+1.05

MAJOR PERFORMANCE DRIVERS

Equity markets were weak in the first quarter, with the S&P 500 and MSCI World indices down 4.3% and 3.6% in dollar terms, respectively. The Quality portfolio lagged the broader markets for the quarter. Two themes shaped markets. First, a more assertive U.S. foreign policy, highlighted by operations in Venezuela and Iran, increased geopolitical and economic tail risk. Second, concerns intensified that AI could disrupt incumbent business models, alongside ongoing questions about where capex will ultimately accrue across the AI ecosystem. Energy stocks were the clearest beneficiaries of the geopolitical backdrop, tracking moves in oil prices and outperforming the broader market by an extraordinary 40 points over the quarter. Other asset-heavy businesses also performed well. The Iran war, the HALO trade, and earlier-quarter expectations for strong cyclical growth in 2026 helped drive that leadership, while the asset-light characteristics that typically define our investment universe were out of favor. Within AI, performance diverged: semiconductor supply-chain companies held up well, while hyperscalers and software-related businesses came under pressure. Continued policy risk in managed care, concerns around private credit, and weakness in luxury and travel following the war in Iran added to the quarter's crosscurrents.

In this environment, our semiconductor supply-chain holdings performed well. Lam Research, Taiwan Semiconductor, KLA, and Texas Instruments benefited from AI-related demand growth and were among our most significant contributors. Johnson & Johnson also added meaningfully and stood out within a healthcare backdrop that was otherwise mixed across our holdings. Financials supported relative results as well, as our underweight position and focus on businesses with less credit risk proved helpful amid concerns about AI exposure and private credit.

RISKS

Risks associated with investing in the Trust may include: (1) 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; (2) Management and Operational Risk: the risk that GMO's investment techniques will fail to produce desired results, including annualized returns and annualized volatility; and (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 and other risks, please consult the Trusts Product Disclosure Statement.

Inception Date: 24-Sep-20

Performance Returns: 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. To obtain performance information to the most recent month-end, visit www.gmo.com. **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.** Net returns are presented after the deduction of management fees and incentive fees if applicable. These returns include transaction costs, commissions and withholding taxes on foreign income and capital gains and include the reinvestment of dividends and other income, as applicable. Gross returns are presented gross of management fees and incentive fees if applicable. These returns include transaction costs, commissions and withholding taxes on foreign income and capital gains and include the reinvestment of dividends and other income, as applicable. The inception date of the fund is 23 September 2020. The inception date of the performance data above is 24 September 2020, the first full day that the GMO Quality Trust was fully invested. Performance data using an inception date of 23 September 2020 would produce a different outcome and compare fund performance over a period different to that reflected in the benchmark performance. The GMO QualityTrust ARSN 643 940 872 ("the Trust") is issued by GMO Australia Limited ABN 30 071 502 639, AFS Licence No. 236 656.

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MAJOR PERFORMANCE DRIVERS CONT..

Our largest headwind was our limited exposure to asset-heavy sectors, most notably Energy, with additional drag from Materials, Utilities, and Real Estate. Managed care holdings detracted as policy risk persisted and the 2027 Medicare advance rate notice weighed on the group. Software and software-like companies were another meaningful source of weakness as AI disruption fears rose, with particular pressure evident in Salesforce, Accenture, SAP, Microsoft, Dassault Systèmes, and Amadeus. Thermo Fisher also detracted, adding to broader pressure in healthcare beyond managed care. Global luxury and travel names underperformed following the Iran attacks, while weakness in hyperscalers compounded the challenge across parts of the market that are typically central to our opportunity set.

We were relatively active during the first quarter, with volatility creating opportunities to adjust the portfolio. We initiated positions in Mastercard, Synopsys, Netflix, Constellation Software, and Experian, and we added materially to Microsoft and SAP. We also added to a basket of software holdings impacted by AI disruption concerns, including Salesforce, Dassault Systèmes, Amadeus, and Accenture. We believe these businesses will prove far more resilient to disruption than the market currently implies, and we were able to add at very undemanding valuations. In addition, we increased Broadcom and viewed both it and Synopsys primarily as AI beneficiaries, even though they sit close to software. Collectively, these purchases expanded our exposure to software, payments, data, and select AI-linked businesses during the quarter.

Elsewhere, we took profits in semiconductor winners by trimming Taiwan Semiconductor and Lam Research, and we exited ASML. In managed care, we rebalanced from Elevance to Cigna, reflecting a more cautious stance toward government-run insurance programs and a different view of management changes at the two companies. We also sold Wells Fargo following a period of strong performance, given the risk that private credit concerns could pressure major bank stocks. Finally, we liquidated Magnum Ice Cream after its spinout from Unilever (another holding).

A prolonged shutdown of the Strait of Hormuz could lead to a broader economic downturn and a potentially stagflationary environment, an outcome that could benefit Quality on a relative basis. Conversely, an easing of tensions would likely favor the sectors we do not currently own and that have recently outperformed. Within AI, we believe the market has sold off too broadly across companies where an AI disruption narrative can be constructed. We also think the divergence between hyperscalers and semiconductors is overdone, since the same macro drivers ultimately support both categories.

Portfolio weights as a percent of equity for the securities mentioned are as follows: Lam Research (4.0%), Taiwan Semiconductor (4.5%), KLA (1.6%), Texas Instruments (2.6%), Johnson & Johnson (4.7%), Salesforce (2.2%), Accenture (2.0%), SAP (2.0%), Microsoft (6.1%), Dassault Systèmes (0.7%), Amadeus (0.7%), Thermo Fisher (3.4%), Mastercard (1.3%), Synopsys (1.0%), Netflix (1.1%), Constellation Software (0.7%), Experian (0.5%), Broadcom (2.7%), ASML (0%), Elevance (1.5%), Cigna (1.8%), Wells Fargo (0%), Magnum Ice Cream (0%), and Unilever (1.7%).

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PRODUCT OVERVIEW

The GMO Quality Trust seeks to generate total return by investing primarily in equities the Focused Equity team believes to be of high quality.

The team believes that companies with established track records of historical profitability and strong fundamentals – high quality companies – are able to outgrow the average company over time and are therefore worth a premium price. The Trust's disciplined approach uses both quantitative and fundamental techniques to assess the relative quality and valuation of global companies and aims to exploit a long-term investment horizon while withstanding short-term volatility.

IMPORTANT INFORMATION

The Trust accepts investments from wholesale investors only. Retail investors are not able to directly invest in the Trust but may gain exposure to the Trusts by investing with certain investor directed portfolio services, master trusts, wrap accounts or custodians ("services"). GMO Australia Limited, GMO LLC, and their affiliates, do not guarantee the performance of the Trust or the repayment of an investor's capital. This information is of a general nature only and is not advice. It does not take into account the objectives, financial situation or needs of any specific investor. The offer to invest in the Trust for wholesale investors is contained in the current information memorandum. A Product Disclosure Statement ("PDS") is also available solely for use by retail investors gaining exposure to the Trust through a service. A Target Market Determination (TMD) has also been prepared for the Trust. The information memorandum PDS and TMD can be obtained by visiting our website www.gmo.com. Investors should read the information memorandum or PDS, consider their own circumstances, and obtain their own advice before making an investment decision.

Benchmark(s): The MSCI World Index (MSCI Standard Index Series, net of withholding tax) is an independently maintained and widely published index comprised of global developed markets. 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.