QUARTERLY INVESTMENT REVIEW

Systematic Global Macro Strategy

Performance returns (USD)

ANNUALIZED RETURNS (QUARTER-END)	Quarter-End	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
Systematic Global Macro Strategy (net)	2.15	9.11	1.38	3.65	2.30	2.37	5.06
Systematic Global Macro Strategy (gross)	2.40	9.65	2.40	5.08	3.70	3.80	7.16
FTSE 3-Mo. TBill	1.09	2.21	4.88	4.75	2.88	2.01	1.65
Value Add	+1.05	+6.90	-3.50	-1.11	-0.59	+0.35	+3.41

MAJOR PERFORMANCE DRIVERS

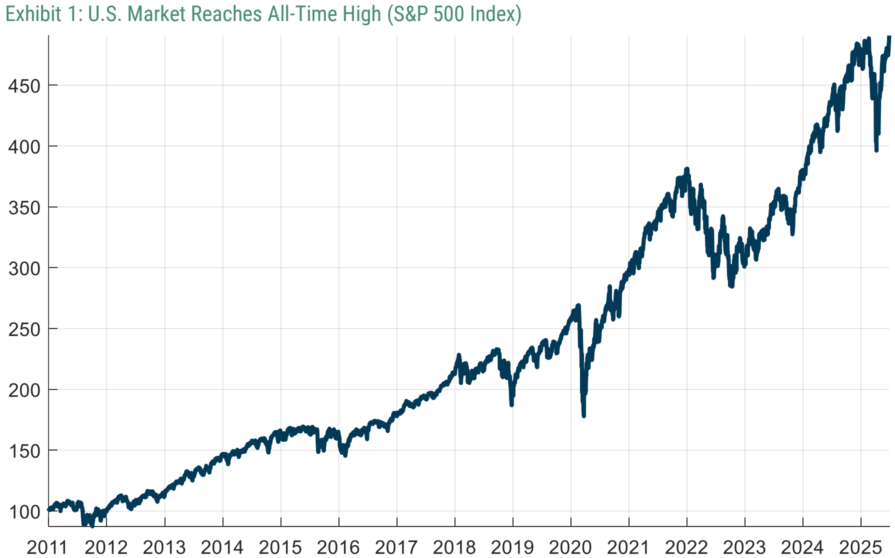
Quarter in Review

GMO's Systematic Global Macro Strategy had a positive quarter, up 2.2% net of fees. Continuing the theme for the year, equities dominated the portfolio's returns in the second quarter. Currencies and bonds were also positive, while commodities detracted value.

Performance Drivers

Equities have had a stellar quarter, with global equities up nearly 10%. Several markets reached all-time highs, including the U.S., Australia, and several key European markets. The portfolio has been short equities overall, and as such, the returns generated have all been from relative value style trading (or stock selection, as opposed to beta timing).

Exhibit 1: U.S. Market Reaches All-Time High (S&P 500 Index)



As of June 2025 | Source: Factset

RISKS

Risks associated with investing in the Strategy may include: (1) Derivative Instruments Risks: the risk that their value may not change as expected relative to changes in the value of the underlying assets, pools of assets, rates, currencies or indices. Derivatives also present other risks, including market risk, illiquidity risk, currency risk, credit risk, leveraging risk, commodities risk and counterparty risk; (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) Currency Risk: Fluctuations in exchange rates can adversely affect the market value of the Fund's non-U.S. currency holdings and investments denominated in non-U.S. currencies. This is not a complete list of risks associated with investing in the Strategy. Please contact GMO for more information.

Composite Inception Date: 31-Mar-02

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 predictive of future performance.** Net returns are presented after the deduction of a model advisory fee and incentive fee 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. Fees paid by accounts within the composite may be higher or lower than the model fees used. Gross returns are presented gross of management fees and any incentive fees if applicable. These returns include transaction costs, commissions, withholding taxes on foreign income and capital gains and include the reinvestment of dividends and other income, as applicable. If management and incentive fees were deducted performance would be lower. For example, if, before fees, the strategy were to achieve a 10% annual rate of return above its hurdle rate each year for ten years, and an annual advisory fee of 1% and incentive fee of 20% of net returns above the hurdle rate were charged during that period, the resulting average annual net return (after the deduction of management and incentive fees) would be approximately 7.20%. **GMO LLC claims compliance with the Global Investment Performance Standards (GIPS®). A Global Investment Performance Standards (GIPS®) Composite Report is available at www.gmo.com by clicking the GIPS® Composite Report link in the documents section of the strategy page. GIPS® is a registered trademark owned by CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein. Actual fees are disclosed in Part 2 of GMO's Form ADV and are also available in each strategy's Composite Report.**

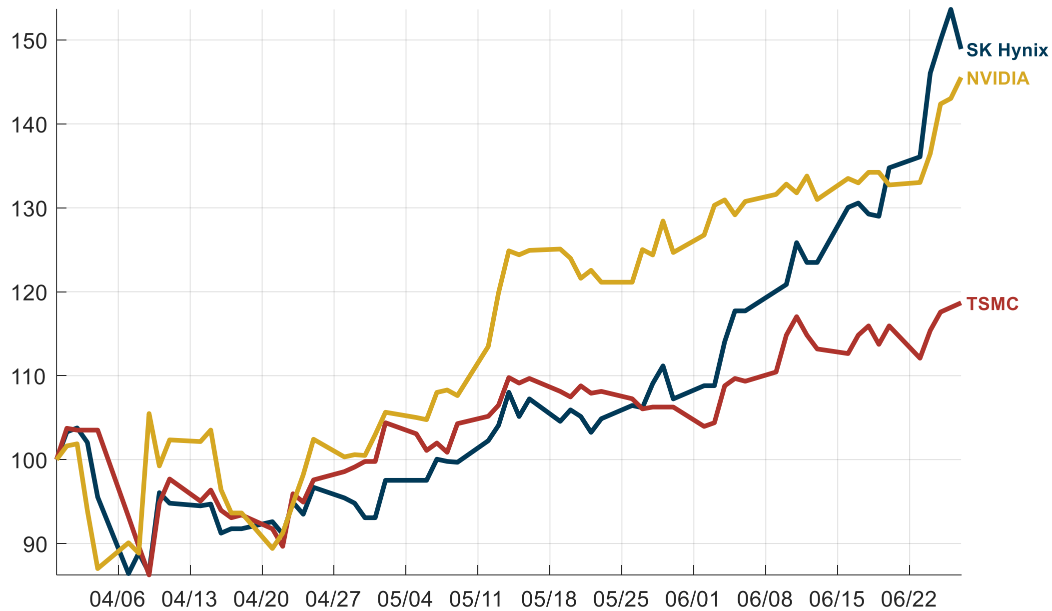
QUARTERLY INVESTMENT REVIEW

MAJOR PERFORMANCE DRIVERS CONT.

Within equities, some Asian markets added strongly to the portfolio, namely long positions in Taiwan and Korea. A key component of this was the huge rise in key semiconductor stocks. On a relative basis (stock selection), short positions in India were also a strong contributor.

TSMC dominates the Taiwanese market, so clearly the news behind TSMC is highly influential on the returns in this market. (It is 20% of the capped index that SGM trades, but around 40% of the uncapped index.) TSMC's share price dropped dramatically in Q1 amid trade tensions but saw a strong resurgence in Q2. TSMC has also seen very strong growth on the back of the AI boom (TSMC is the leading chip supplier for Apple and Nvidia). May sales were up 40% year over year, and expectations are for continued strong growth.

Exhibit 2: The AI Boom: Share Prices of Major Players



As of June 2025 | Source: Factset

Similarly, the Korean market had an extremely strong quarter, up over 20%. Of this, SK Hynix alone contributed over 4% of the index return (SK Hynix was up nearly 50% for the quarter). SK Hynix is a market leader in high-bandwidth memory chips and is a major supplier to Nvidia. There is a lot of bullish sentiment around the stock, with expectations of continued high earnings growth.

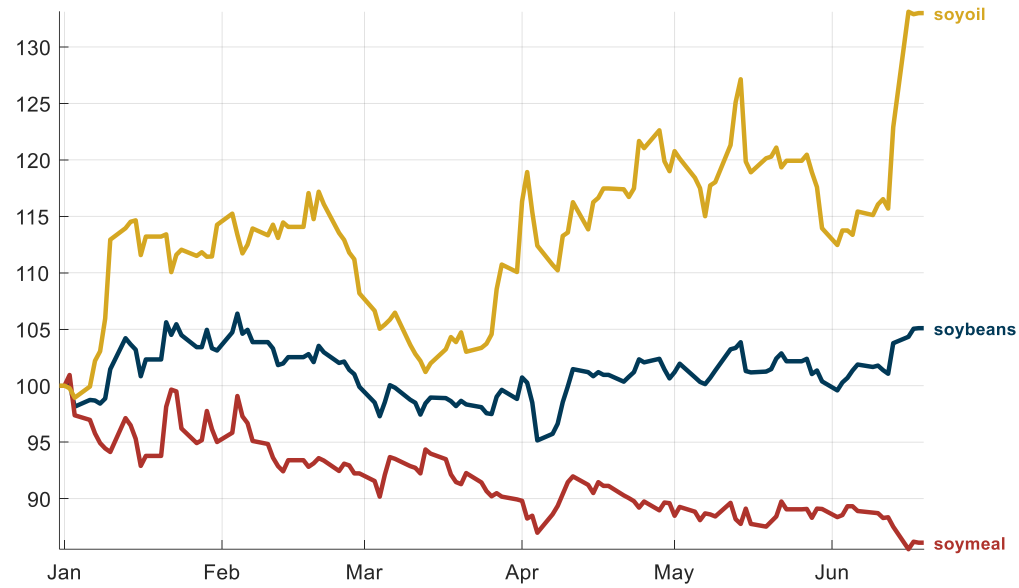
Short positions in India also added relative value. The Indian market rose for the quarter, but not as much as equity markets broadly.

On the negative side, short positions in soybean oil detracted value. The portfolio trades three soy-based products: soybeans, soybean meal, and soybean oil. (All three contracts are related, as soybeans are “crushed” to create soybean meal and soybean oil. This relationship can be traded in what is known as “trading the crush.”) We have seen soybean oil prices boom, particularly at the expense of soybean meal.

QUARTERLY INVESTMENT REVIEW

MAJOR PERFORMANCE DRIVERS CONT.

Exhibit 3: Soy Product Returns

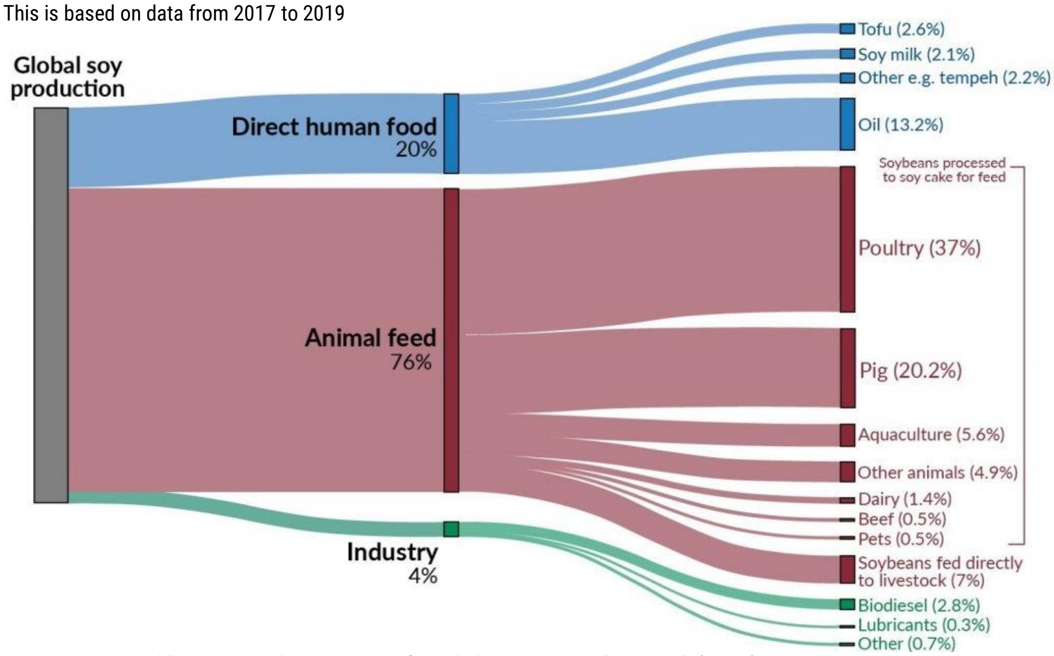


As of June 2025 | Source: Factset

So, what has been driving this price boom? Where are soybeans grown, and what is soy used for anyway? The U.S. and Brazil each make about one third of the world's soybean supply. The chart below shows how soy is used. As we can see, soy is used in human food but predominantly in animal feeds and, to a lesser extent, biofuels.

Exhibit 4: The World's Soy: Is It Used for Food, Fuel, or Animal Feed?

Shown below is the allocation of global soy production to it end uses by weight.
This is based on data from 2017 to 2019



Source: OurWorldinData.org, data courtesy of Food Climate Research Network (FCRN), University of Oxford, and USDA PSD Database

It's this biofuel use that has pushed the soybean oil price up. On June 13, the EPA released a proposal to commit to a massive increase in biofuel production. The goal is for biomass diesel production to increase 67% in 2026 and a further 4.5% in 2027. What's more, the EPA has put in a system that gives preference to domestically grown biofuel. These have all combined to push soy oil prices higher. The team will monitor this legislation's progress to see the impact on long-term demand and other market dynamics.

QUARTERLY INVESTMENT REVIEW

PORTFOLIO ATTRIBUTION AND POSITIONING

Exhibit 5: Performance Attribution

3-MONTH CONTRIBUTION	Percent (Gross)
Equities	1.4
Fixed Income	0.1
Commodities	-0.8
Currencies	0.1
Other	0.6
Cash	1.0
Total Return	**2.4**

The performance analysis above is calculated based on gross of fee returns and local close valuations.

Exhibit 6: Strategy Positioning

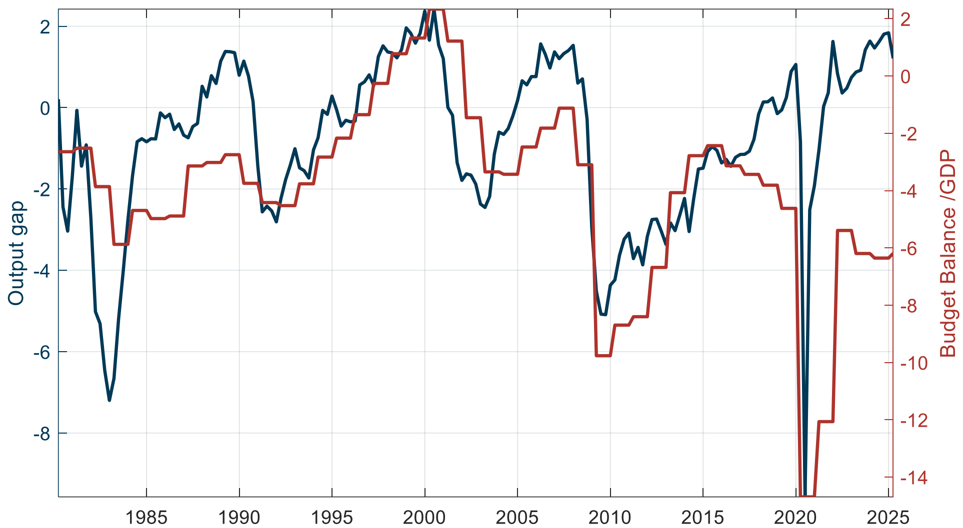
Asset Class	Sub Category	Long (%)	Short (%)	Total (%)
Stock Markets	North America	33	-13	19
	Europe	8	-18	-10
	Asia and Oceania	19	-42	-23
	Total	**60**	**-73**	**-13**
Fixed Income	North America	5	0	5
	Europe	19	0	19
	Asia and Oceania	5	0	5
	Total	**28**	**0**	**28**
Currencies	North America	12	0	12
	Europe	22	-56	-34
	Asia and Oceania	6	-6	0
	South America and Africa	10	0	10
	Total	**12**	**0**	**12**
Commodities	Energy	0	-3	-3
	Metals	8	-7	1
	Agriculture	19	-29	-10
	Total	**28**	**-39**	**-11**

LOOKING FORWARD

U.S. debt levels have become a major issue in markets. We have already seen this play out in a bond market “backlash” at the beginning of April and a credit downgrade from Moody’s in the middle of May. The issue of unrestrained spending is hardly new, as we have seen a decade of economically unwarranted spending. Since 2016, the U.S. economy has been running at or close to maximum capacity – a time when governments should be tightening budgets and reducing deficits. But what we’ve seen instead is an increasing budget deficit.

LOOKING FORWARD CONT.

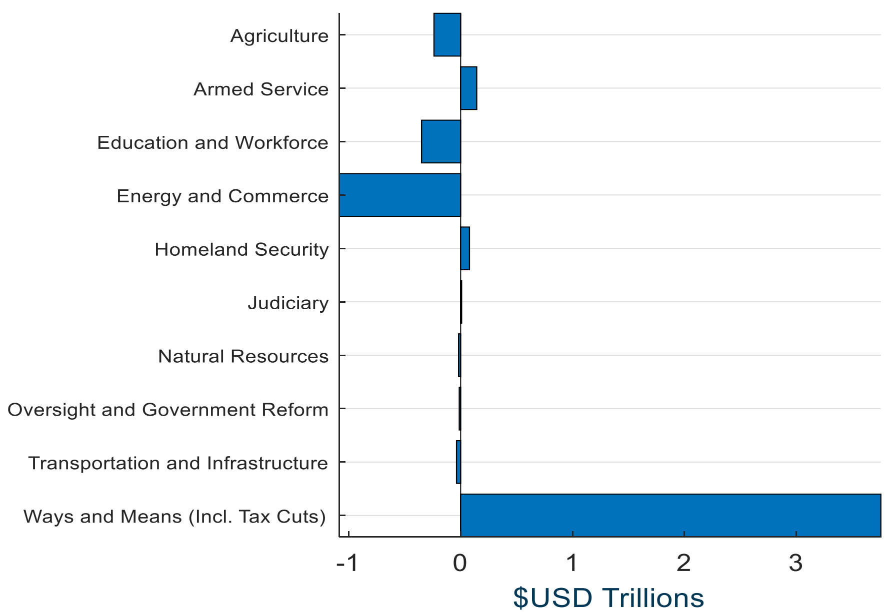
Exhibit 7: Budget Balance vs. Output Gap



As of June 2025 | Source: Factset

This, in turn, has seen an explosion of debt, which will soon cost over $1 trillion per year just to service. The U.S. is now in a situation where reducing the deficit requires either a massive reduction in spending or an increase in taxes. Neither are politically palatable, and neither seems likely any time soon. Cuts would need to come from significant areas such as defense, social security, health, and Medicare, which the current administration and others are politically reluctant to touch. Conversely, the "Big Beautiful Bill" is cutting taxes, and according to the Congressional Budget Office, will add a further $2.5 trillion to the national deficit over 10 years.

Exhibit 8: The Big Beautiful Bill: Contribution to the Deficit



As of June 2025 | Source: Congressional Budget Office

Moody's downgrade of its U.S. credit rating on May 16 is a further example of the markets' waning confidence in the ability of the U.S. to service its growing level of debt. As Moody's press release stated:

"This one-notch downgrade on our 21-notch rating scale reflects the increase over more than a decade in government debt and interest payment ratios to levels significantly higher than similarly rated sovereigns. Successive U.S. administrations and Congress have failed to agree on measures to reverse the trend of large annual fiscal deficits and growing interest costs. We do not believe that material multi-year reductions in mandatory spending and deficits will result from current fiscal proposals under consideration. Over the next decade, we expect larger deficits as entitlement spending rises while government revenue remains broadly flat."

QUARTERLY INVESTMENT REVIEW

LOOKING FORWARD CONT.

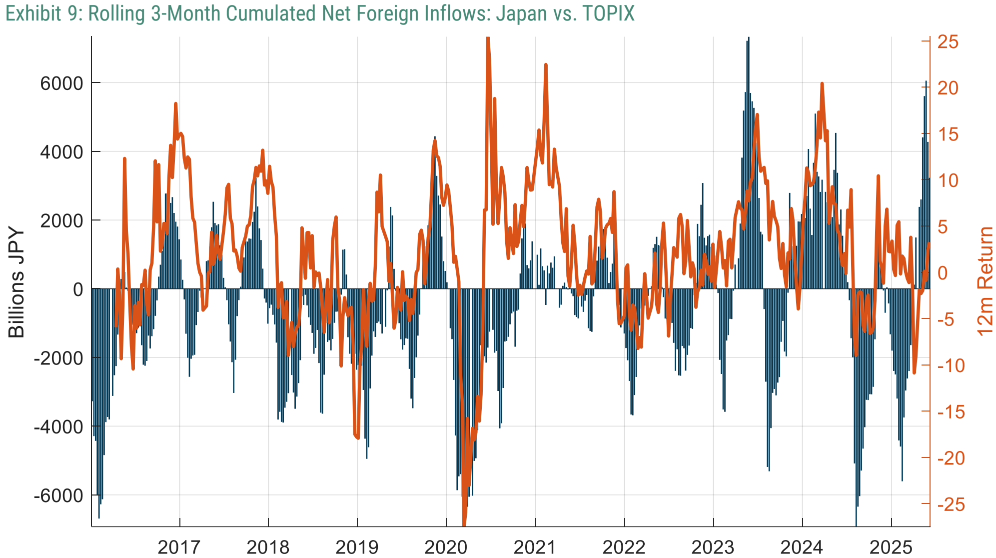
We have also seen a significant change in behavior, which could be a canary in the coal mine moment for investors. In times of crisis and in high-risk situations, we would typically see investors flood into safe-haven assets, most notably towards U.S. assets, particularly U.S. bonds – a rule of thumb that has been challenged. In Q2, amid heightened volatility around tariffs, the U.S. was seen as the risk, prompting investors to abandon U.S. assets. In the first week of April, U.S. equities dropped over 10%, 10-year yields rose 30 bps, and the dollar fell 4%. This investor concern has since continued with the issue of spiraling debt within the U.S. The safe-haven status of the U.S. is being questioned, something investors will need to consider moving forward.

Given there is little chance of the U.S. becoming fiscally constrained anytime soon, this will likely remain an issue going forward. Ultimately, it means more debt at a lower quality. We will continue to watch this area, particularly the assumption that markets see U.S. assets as a safe haven.

KEY POSITIONS FOR Q3

1. Long TOPIX. While our valuation models are somewhat positive on Japan, our sentiment models also have positive points. In combination, we have a broadly positive view on Japanese equities. Our models note that there have been good flows into the market.

Exhibit 9: Rolling 3-Month Cumulated Net Foreign Inflows: Japan vs. TOPIX



As of June 2025 | Source: Factset

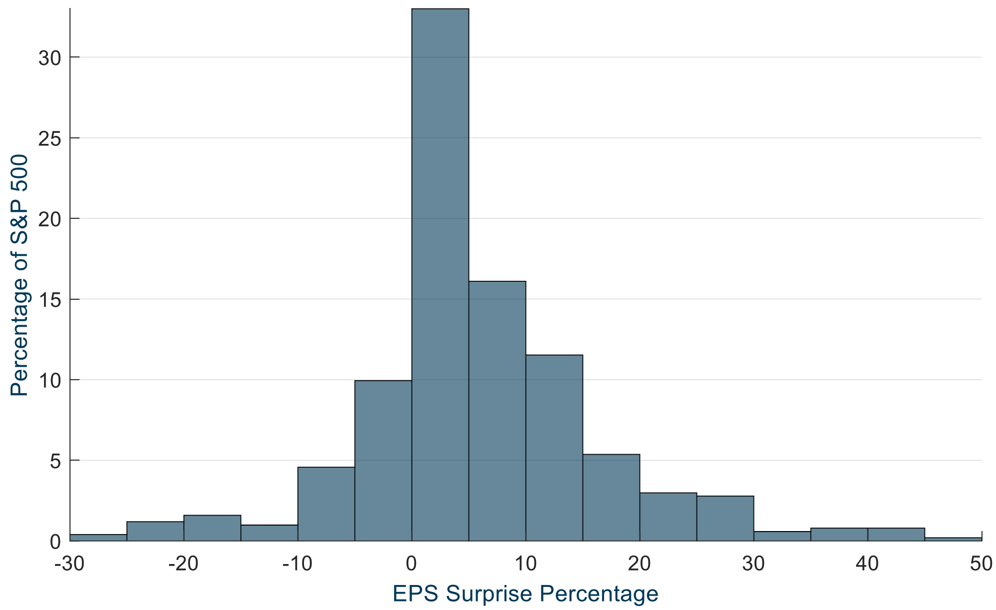
2. Short Swiss Franc. The Swiss franc scores extremely poorly on our valuation models, with negative carry being a major detractor. With inflation going negative for May 2025, the Swiss National Bank cut rates to zero on June 19. This represents a significant discount to other countries, both in real and nominal terms, while other parts of our valuation models are at best flat. As such, we see the Swiss franc as a poor value.

3. Long U.S. equities. We have seen significant movements during the quarter with our U.S. equity positioning, and as of the start of the third quarter, the portfolio has moved significantly long the S&P 500 again. While we see U.S. equities as significantly expensive on both an absolute and relative basis, the U.S. continues to have a wave of positive earnings sentiment. As an example, if we look at the earnings announcements during Q2, the vast majority of them (78%) came in ahead of analyst estimates (a positive surprise). In contrast, many economic indicators in the U.S. are less favorable, including economic surprise. This, combined with a very negative value signal, means that the U.S. position could be more short-term.

QUARTERLY INVESTMENT REVIEW

KEY POSITIONS FOR Q3 CONT.

Exhibit 8: S&P 500 Earnings Surprises: Q2 2025



As of June 2025 | Source: Congressional Budget Office

CONCLUSIONS

The portfolio delivered good returns in the second quarter, making for a strong first half of the year. Several geopolitical risks are still dominating news and markets. However, the portfolio continues to remain relatively beta neutral, taking advantage of the substantial price dislocations that are available in the macro universe.

PRODUCT OVERVIEW

The Strategy's investment objective is long-term total return. The Strategy takes both long and short positions in a range of global equity, bond, currency, and commodity markets using exchange-traded and over-the-counter (OTC) futures and forward foreign exchange contracts, swaps on commodity indices, equity indices and equities, and index options and other investments.

The Systematic Global Macro team's investment process systematically applies value and sentiment strategies across global markets. We believe that markets are inefficient but, in the long term, that economic reality will prevail and markets will revert toward fair value; however, the timing of this is uncertain. We aim to profit from mean reversion by buying markets that we believe are depressed in price and shorting markets that we believe are trading at inflated values. To deal with the uncertainty of timing, we model investor sentiment.

IMPORTANT INFORMATION

Benchmark(s): The FTSE 3-Month Treasury Bill Index is an independently maintained and widely published index comprised of short-term U.S. Treasury bills.

The above information is based on a representative account in the Strategy selected because it has the fewest restrictions and best represents the implementation of the Strategy.

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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