QUARTERLY INVESTMENT REVIEW

Small Cap Quality Fund

Performance returns (USD)

ANNUALIZED RETURNS (QUARTER-END)	Quarter-End	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
Small Cap Quality Fund (net)	-9.80	-9.80	-6.72	-	-	-	14.77
Small Cap Quality Fund (gross)	-9.65	-9.65	-6.10	-	-	-	15.53
S&P 600	-8.93	-8.93	-3.38	-	-	-	6.43
Value Add	-0.88	-0.88	-3.34	-	-	-	+8.34

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.** The portfolio is actively-managed, is not managed relative to a benchmark and uses the Index for performance comparison purposes only and, where applicable, to compute a performance fee.

MAJOR PERFORMANCE DRIVERS

The U.S. market began the quarter with strong gains, and the S&P 500 rose 4.6% through February 19th, but as the prospects of high tariffs and an economic slowdown became more likely, the S&P 500 declined rapidly, finishing the quarter down 4.3%. Our benchmark, the more cyclical S&P 600, fell 8.9% through the quarter.

The Small Cap Quality portfolio declined over the period, underperforming our benchmark in the first quarter. Our portfolio is intended to be defensive in a downturn, and from the start of the downturn it delivered, outperforming from February 19th. However, this was not enough to overcome poor performance at the start of the quarter.

Through the quarter our stock selection was favorable, but our sector selection was poor. In particular, our overweight in Information Technology held back our results, as did our underweight to Financials and Real Estate. Our IT holdings—generally tech hardware—were hurt by trade fears and increasingly negative sentiment toward AI beneficiaries. Financials and Real Estate held up relatively well, in part because they face little direct impact from potential tariffs. Our weights in RBC Bearings, Ollie's Bargain Outlet, and Woodward contributed to our strong stock selection, partially offset by our positions in Onto Innovation, Ciena, and ASGN.

RBC Bearings is a maker of ball bearings and other highly engineered parts for the aerospace, defense, and industrial industries. It benefited from a strong earnings release in the quarter, as its industrial business recovered from a slump and returned to growth; the company, as a U.S. manufacturer, is well positioned for tariffs, and has benefited from Trump's election.

Ollie's Bargain Outlet is a fast-growing discount retailer focused on closeout merchandise. A large competitor more focused on furniture, Big Lots, went bankrupt in late 2021 and began to liquidate after an acquisition of its assets fell through. Ollie's performed well as it became clear that the headwinds from the Big Lots store liquidations were abating and turning into market share tailwinds.

Inception Date: 20-Sep-22
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 - 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) Smaller Company Risk: smaller companies may have limited product lines, markets, or financial resources, lack the competitive strength of larger companies, have less experienced managers or depend on a few key employees. The securities of companies with smaller market capitalizations often are less widely held and trade less frequently and in lesser quantities, and their market prices often fluctuate more, than the securities of companies with larger market capitalizations.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: 0.66%; Gross Expense Ratio: 0.87% Net Expense Ratio reflects the reduction of expenses from fee reimbursements. The fee reimbursements will continue until at least June 30, 2025. 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, 2024.

QUARTERLY INVESTMENT REVIEW

MAJOR PERFORMANCE DRIVERS CONT.

Woodward is a supplier of aerospace, defense, and industrial equipment focused on various control systems and components for engines and turbines. Strong earnings results, stimulus measures in China supportive of LNG trucks (an important Woodward market), and Woodward's largely localized supply chain well-suited to tariff risks all helped support the stock.

Onto Innovation is a semiconductor capital equipment company focused on defect detection tools. Their equipment is particularly well suited for the high bandwidth memory chips used in AI computing tasks, and AI has driven recent growth, but their product portfolio addresses use cases across power devices, advanced logic, and other chips. The stock fell rapidly after it became clear that the HBM end-market would decline this year, driven by major customer Samsung's struggles in the HBM market. We added to our position as the stock fell, as the current price does not give Onto credit for non-AI related growth drivers, including an improving DRAM market and various new products.

Ciena is a leader in coherent optical technology; their products are used to transmit data and high speeds over extended distances, and they hold a dominant market share in these "long-haul" applications. Ciena is seen as a likely beneficiary of AI-related data center spend; fears of a slowdown in data center investment thus pressured the stock. We had been reducing our weight in Ciena, before this quarter's turnaround, as the stock had begun to discount incredibly bullish outcomes by late 2024. We do not believe the data center capex concerns are unjustified, and we continued to reduce our weight in Ciena through the quarter.

ASGN is an IT consulting company and staffing agency. Their stock suffered due to weak results, as the market for short-term tech projects remains soft. DOGE-related risks to ECS, their federal government consulting business, also contributed to the share price performance. We exited this position during the quarter, as the DOGE risk to ECS concerned us, while the ongoing softness in their commercial business appeared to us less cyclical and more secular than we had previously believed, in part due to AI-related pressures.

This quarter was a difficult one for our portfolio, but we were pleased to see performance improving in the second half of the quarter as markets began to fall. We anticipate our portfolio will remain defensive and well positioned to outperform in choppy markets. We believe that focusing on high quality businesses is an effective and highly differentiated way to invest in small caps. Through careful risk control at the portfolio level, we limit our exposure to bets on value or growth, or difficult-to-predict macroeconomic trends such as the trajectory of interest rates. Instead, we are able to focus on identifying companies benefiting from strong competitive advantages, healthy balance sheets, and good management teams that are available at attractive valuations. Over time, we expect the strong performance of these businesses will continue to drive healthy returns for our investors.

Portfolio weights, as a percent of equity, for the securities mentioned were: RBC Bearings (3.6%), Ollie's Bargain Outlet (4.3%), Woodward (3.7%), Onto Innovation (2.7%), Ciena (1.2%), ASGN (0.0%), Big Lots (0.0%), Samsung (0.0%).

QUARTERLY INVESTMENT REVIEW

PRODUCT OVERVIEW

The GMO Small Cap Quality Fund seeks to generate total return by investing primarily in equities of U.S. small cap companies that 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 Fund's disciplined approach uses both quantitative and fundamental techniques to assess the relative quality and valuation of U.S. small cap companies and aims to exploit a long-term investment horizon while withstanding short-term volatility.

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 S&P SmallCap 600® seeks to measure the small-cap segment of the U.S. equity market. The index is designed to track companies that meet specific inclusion criteria to ensure that they are liquid and financially viable. 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.

The GMO Trust funds are distributed in the United States by Funds Distributor LLC. GMO and Funds Distributor LLC are not affiliated.