

QUARTERLY INVESTMENT REVIEW

U.S. Quality Strategy

Performance returns (USD)

| ANNUALIZED RETURNS (QUARTER-END) | Quarter-End | YTD | 1-Year | 3-Year | 5-Year | 10-Year | Since Inception |
|----------------------------------|-------------|-------|--------|--------|--------|---------|-----------------|
| U.S. Quality Strategy (net) | 9.33 | 7.14 | 11.39 | - | - | - | 18.76 |
| U.S. Quality Strategy (gross) | 9.43 | 7.34 | 11.81 | - | - | - | 19.20 |
| S&P 500 | 10.94 | 6.20 | 15.16 | - | - | - | 19.75 |
| Value Add | -1.62 | +0.94 | -3.77 | - | - | - | -1.00 |

MAJOR PERFORMANCE DRIVERS

The U.S. Quality portfolio posted a positive return this quarter but underperformed the S&P 500. Generally, we refrain from commenting on intra-quarter moves, but the opening sentence does not begin to convey the drama and significance of recent stock market movements. This quarter, therefore, we will make an exception.

A precipitous decline hit global markets in the first days of the quarter as investors reacted to the “Liberation Day” imposition of tariffs on America’s friends and foes. Double-digit falls took the S&P 500 close to bear market territory. Quality likes chaos, at least in a relative sense, and the portfolio held up about three percentage points better than the broader markets in the first week of the quarter. We have seen this relative behavior often in the past as market participants naturally gravitate toward the more conservative, higher quality businesses in moments of duress. At this point, the portfolio was well ahead of the indices for 2025.

RISKS

Risks associated with investing in the Strategy 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. This is not a complete list of risks associated with investing in the Strategy. Please contact GMO for more information.

Composite Inception Date: 30-Jun-23

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

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MAJOR PERFORMANCE DRIVERS CONT.

Our approach to macro events is typically to navigate using the rearview mirror, i.e., by reacting rather than forecasting. Short-term macro events are hard to predict and even harder to invest ahead of (as what's already in the price is never telegraphed clearly). Instead, when there has been some sort of macro excitement, we look for opportunities to buy what is being put on sale. On this occasion, we took the opportunity to add to the racier "growth" part of the portfolio which had been hit relatively hard, funded by a portion of more defensive positions in Consumer Staples and Healthcare (alongside some others where contrarianism needs to be balanced with a consideration of where change might be longer lasting). The most significant purchase was in Broadcom. The company's stock had sold off alongside the semi-conductor AI businesses susceptible to market nerves and to tariffs - the latter was at least partially unwarranted as 40% of Broadcom's revenues derive from software.

Our intention was to continue to trade along these broad lines should the sell-off persist, but the buying opportunity turned out to be short lived. What followed was one of the most explosive rallies in modern stock market history. Returns were highest in AI, crypto, clean energy, and other varieties of "risk on." The stock market rose by almost 25% in 11 weeks, the fastest retracement of a 15%+ sell-off in the S&P 500 in several decades. Broadcom was the best performing stock in the portfolio. Despite the positive contribution from trading, this was a challenging period for the portfolio in a relative sense. The quid pro quo for the U.S. Quality portfolio's tendency to win in weak markets is a propensity to lose in raging markets and this was one for the books.

Consumer Staples and Healthcare were notable laggards in terms of GICS sector returns. Of the two, Healthcare was particularly impactful, but it is not a monolithic exposure. The portfolio's holdings here span the gamut of pharmaceuticals, managed care, diagnostics, medical devices, robotic surgery, and consumer healthcare. These healthcare positions lagged the rebound across the board. Pharmaceutical companies remain under the cloud of the political rhetoric, caught between tariff risk for overseas production and the possibility of constrained drug pricing in the United States (or perhaps reduced sales outside of the United States if "most favored nation" pricing sticks). The cloud is real but there is a building precedent for the administration to favor negotiated settlements; we expect that the demand for medical innovation to address unmet needs will remain an appropriately rewarded activity over time. Several of these names are well out of favor today.

U.S. managed health companies have been under pressure for some time now. Last quarter we published a white paper arguing that much of the bad press suffered by the sector reflects an incomplete picture of how the industry works, with other participants more heavily incentivized to shady practices than the managed care companies themselves. However, UnitedHealthcare added their own contribution to the malaise by delivering poor underwriting results associated with Medicare Advantage, an enhanced version of the government funded healthcare assistance for retirees. UnitedHealthcare's board reacted decisively with a change in CEO, reinstalling previous incumbent Steve Helmsley. We view this change as positive - Helmsley is a details guy, and we expect operations to get sharper. The annual repricing of U.S. health insurance allows for a relatively speedy set of modifications to improve underwriting results. Furthermore, the company's stock trades at undemanding valuations, and we suspect that even a modest improvement in operating trajectory could have an outsized, positive impact on the share price.

As the aphorism goes, markets climb a wall of worry. It seems perverse in some ways that markets can shrug off unresolved trade spats and an escalation of conflict in the Middle East, and yet excitement over the possibilities of technology continues afresh. The market has its mojo back for now. We believe that there are quality businesses available at attractive prices as a result and we continue our work to identify them, this quarter adding a new position in TradeWeb which has winner-takes-most economics in some areas of fixed income trading. We expect a certain amount of noise going forward as markets process the risks and impacts of evolving trade and other policies on companies and on the economy. As ever, the portfolio can offer participation in the fundamental returns of productive businesses with some market protection as events unfold.

Portfolio weights, as a percentage of the equity, for the securities mentioned are as follows: Broadcom (4.8%), UnitedHealthcare (2.0%), TradeWeb (0.6%). Holdings subject to change.

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PRODUCT OVERVIEW

The GMO U.S. Quality Strategy seeks to generate total return by investing primarily in U.S. 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 Strategy'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

Comparator Index(es): The S&P 500 Index is an independently maintained and widely published index comprised of U.S. large capitalization stocks. 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 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.

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