USONIAN JAPAN VALUE STRATEGY

Quarterly Investment Review

PRODUCT OVERVIEW

The Strategy seeks long term capital appreciation over a full market cycle and measures its performance against the TOPIX Total Return Index (the "Index") for performance comparison purposes. The Strategy employs a fundamental, value-oriented approach to invest in Japanese equities. Additionally, the Strategy focuses on protecting capital in down markets and strives to have lower total volatility compared to the Index.

In managing the Strategy, GMO's Usonian Japan Equity team follows a disciplined, bottom-up approach using fundamental research to identify Japanese 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.

MAJOR PERFORMANCE DRIVERS

Japanese equities paused in the third quarter, with the Nikkei falling roughly 5% to 66,754 and snapping a five-quarter winning streak, though the index remains up more than 30% year to date. The AI- and semiconductor-linked names that led the first-half advance reversed sharply in July amid a global reassessment of AI spending, while the broader TOPIX proved more resilient as investors rotated into banks, trading companies, and other value names. Hopes for a durable Middle East settlement faded as U.S.-Iran hostilities resumed, reviving oil-driven inflation concerns. A global bond sell-off, led by a surge in U.S. Treasury yields to near two-decade highs and compounded by expectations of further BOJ tightening and fiscal concerns at home, pushed Japan's 10-year yield above 3% for the first time since 1996.

Despite heightened volatility and a less supportive macro backdrop, we continue to view the outlook for Japanese equities as constructive. The broadening of market leadership beyond a narrow group of AI beneficiaries is a welcome development, while ongoing corporate governance reforms, sustained focus on capital efficiency, and improving shareholder returns remain important medium- to long-term supports. Higher domestic interest rates further reinforce the value of disciplined capital allocation. The portfolio remains oriented towards cash-generative companies with improving governance and conservative balance sheets, where engagement and identifiable company-specific catalysts provide clear paths to value creation without relying on any particular macro outcome or narrow market leadership.

Q3 PERFORMANCE REVIEW & POSITIONING

During the third quarter, the portfolio underperformed the benchmark in JPY terms. Over the period, value stocks outperformed the index by approximately 5.4%, and small-cap stocks underperformed by 1.2%. Stock selection contributed positively in Information Technology and Consumer Discretionary, while Industrials and Financials detracted.

The AI trade reversed sharply in July as investors reassessed global AI spending, and market leadership broadened beyond the narrow group of semiconductor-linked names that had driven the first half. The portfolio's AI-related exposure, held across a range of sectors rather than concentrated in Technology, had supported performance in the second quarter but gave back some of those gains. These headwinds were offset by the portfolio's limited exposure to the market's semiconductor leaders, which fell sharply, along with strong gains in holdings with company-specific catalysts. In Financials, our bank holdings benefited from rising domestic yields and the Bank of Japan's rate hike, but our overall sector exposure lagged the broader rally.

We continue to approach each holding as engaged stewards, pursuing long-term dialogue to support shareholder-aligned change, while concentrating capital in high-quality businesses purchased at attractive valuations.

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PRELIMINARY ANNUALIZED RETURNS (JPY, %) (QUARTER-END)

	Quarter-End	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
Usonian Japan Value Strategy (net)	3.30	27.96	40.73	27.98	21.74	14.77	14.38
Usonian Japan Value Strategy (gross)	3.44	28.43	41.38	28.49	22.42	15.66	15.38
Tokyo Stock Price Index (TR, Local)	3.65	22.66	33.45	23.35	17.55	14.25	13.24
Value Add	-0.35	+5.30	+7.28	+4.63	+4.19	+0.52	+1.14

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: 31-Jul-11

***Preliminary Performance: Final performance numbers are generally available on GMO's website within fifteen business days after month end. Investors should not rely on preliminary numbers to make investment decisions.**

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.** 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.** Data presented prior to August 1, 2017, was generated by the Japan Value Strategy manager, Drew Edwards, and his team while employed at Advisory Research, Inc. In August 2017, Usonian Investments LLC began operations, and Mr. Edwards continued his management of the Strategy with Usonian. On August 7, 2020, Usonian Investments LLC was acquired by GMO and GMO became the investment adviser to the Japan Value Strategy. Following the acquisition, Mr. Edwards continues to manage the Strategy as an employee of GMO using the same investment process. Performance shown here reflects the performance of other investment firms unaffiliated with GMO at which the accounts were managed. Performance results from prior firms have been linked to the results achieved at GMO beginning on August 7, 2020. GMO did not calculate the performance data prior to the acquisition but believes such data to be accurate. 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.

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.

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.

For private bank intermediaries in Singapore and Hong Kong, these materials are intended for institutional and Accredited/Professional Investors Use Only.

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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*GMO's West Coast Hub is comprised of members of Investment, Global Client Relations, and other teams located in and around the Greater San Francisco area
**Representative Office