

# USONIAN JAPAN VALUE CREATION FUND

Quarter Ending December 31, 2020

## OVERVIEW

Usonian Japan Value Creation Fund seeks total return over a full market cycle and measures its performance against the TOPIX Total Return Index. The Fund employs a fundamental, value-oriented approach to invest in Japanese equities or companies tied economically to Japan.

## PERFORMANCE (%)

Net of Fees, Class VI, Fair Value, USD	+17.02
Gross of Fees, Class VI, Local Close, USD	+17.70
Tokyo Stock Price Index (TR) <sup>1</sup>	+13.62
<b>Value Added</b>	<b>+4.08</b>

## Major Performance Drivers

In the fourth quarter, equities rallied in Japan like most global markets. During the fourth quarter, Japanese equities performed well on expectations of a cyclical recovery and optimism surrounding reforms under Japan's new Prime Minister Yoshihide Suga's administration. Approval for the first COVID-19 vaccines and conclusion of the US presidential election also contributed to the markets' buoyant mood that lifted Japanese equity markets to post-bubble highs.

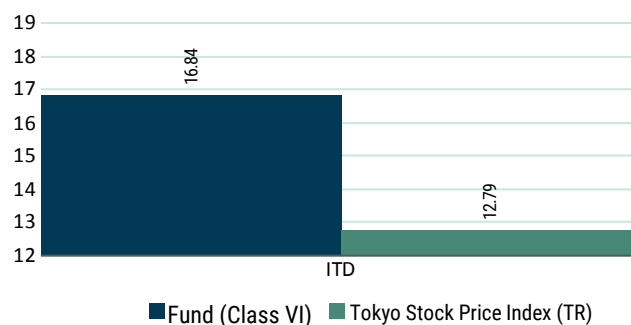
The Fund outperformed the TOPIX TR and MSCI Japan Value indices, which rose by 11.2% and 10.9%, respectively (in JPY). Consistent with most of 2020, style factors yet again presented a headwind in the fourth quarter. Value underperformed growth again, but by a smaller margin than earlier in 2020. Year to date, value has trailed growth by an historic 26.7%. While the value headwind dissipated in the quarter, our small cap bias presented a greater challenge as TOPIX Small and MSCI Japan Small indices trailed their broad benchmarks by 7.8% and 7.1%, respectively, in this period alone. Security selection in Information Technology and Financials were the largest contributors to performance versus TOPIX, while security selection in Materials detracted from relative performance.

## Outlook

On January 7, Prime Minister Suga declared the second state of emergency for Tokyo, Kanagawa, Saitama, and Chiba prefectures. While the government required all restaurants to close by 8pm, other facilities, including schools and department stores, continue to operate as usual. We expect the impact on the equity market will be limited. In 2021, Japan will see the expiration of Prime Minister Suga's term of office at the end of September and that of the House of Representatives on October 21. Although there will be several political events, the opposition party is weak and we expect current strategies where the government is pushing corporate governance and fiscal stimulus to continue. In April, the corporate governance code will be revised, and the market structure of the Tokyo Stock Exchange will be changed. We expect these policy changes to be positive for Japanese equities. (For more, see our 2020 Annual letter.)

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](http://www.gmo.com). Gross Expense Ratio of 0.74% is equal to the Funds Total Annual Operating Expenses set forth in the Funds most recent prospectus dated June 30, 2020.

## ANNUALIZED RETURN (%) AS OF 12/31/2020



Inception date: 09/14/2020

Includes purchase premiums and redemption fees impact if applicable.

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**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 fund's prospectus. To obtain a prospectus please visit [www.gmo.com](http://www.gmo.com). Read the prospectus carefully before investing.**

Risks Associated with investing in the Fund may include, Market Risk-Equities, Management and Operational Risk, Focused Investment Risk, Non-U.S. Investment Risk, and Currency Risk. For a more complete discussion of these risks and others, please consult the Fund's prospectus. The GMO Trust funds are distributed in the United States by Funds Distributor LLC. GMO and Funds Distributor LLC are not affiliated.

<sup>1</sup> 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. TOPIX shows the measure of current market capitalization assuming that market capitalization as of the base date (January 4, 1968) is 100 points.