U.S. QUALITY STRATEGY

Quarterly Investment Review

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 U.S. domiciled companies and aims to exploit a long-term investment horizon while withstanding short-term volatility.

MAJOR PERFORMANCE DRIVERS

In a strong quarter for equities, the U.S. Quality portfolio posted a positive return, and the S&P 500 posted 15.20%.

The second quarter of 2026 was marked by a clear shift in market tone and a strong risk-on environment. The market largely moved past concerns around Iran by the end of March, the VIX peaked, and oil prices mostly drifted lower from there. The S&P 500 then posted a robust quarterly gain, while semiconductor shares that had been relatively subdued in the first quarter surged in the second quarter. Technology was the strongest sector by a wide margin, while Energy reversed sharply, moving from the best-performing sector in the first quarter to the worst in the second quarter. Outside Technology, the quarter also brought weakness in some cyclical heavy asset sectors, which mattered for relative returns given our portfolio positioning.

Returns were concentrated during the quarter. Semiconductors performed the best, and the portfolio's strongest results came from holdings tied to that theme. Lam Research and KLA stood out as major contributors as investors continued to back suppliers to the AI capacity expansion. Texas Instruments also added meaningfully, as strength extended beyond equipment manufacturers into other parts of the chip ecosystem. Managed care was another important area of strength, led by UnitedHealth, as regulatory pressures on companies serving government programs, including Medicare, eased. Relative returns also benefited from our lack of exposure to Energy, while avoiding Materials, Utilities, and Real Estate added support in a quarter when those benchmark sectors lagged.

On the other hand, software and related businesses facing an AI disruption narrative weighed on results. Accenture and Salesforce were notable detractors as the market favored more direct AI hardware beneficiaries over parts of software exposed to changing customer spending patterns and competitive pressures. Healthcare outside managed care also detracted, with weakness centered in Abbott and extending to Thermo Fisher, while Eli Lilly also weighed on relative returns. Our lack of exposure to Micron and AMD hurt as investors rewarded memory and semiconductor names that were more levered to the quarter's hardware rally.

Portfolio Review

Portfolio activity in the quarter included a new purchase, Nvidia. We added Nvidia as a diversifying move within our AI semiconductor exposure, which had become increasingly concentrated in equipment, while keeping a sizable position in semiconductor capital equipment. We continued to add to Netflix and Mastercard, both positions we initiated in the first quarter. These purchases were balanced by reductions in Alphabet, U.S. Bancorp, Hilton, and Lam Research.

Elsewhere in the portfolio, our software exposure remained stable overall. We did modest net selling in semiconductors during the quarter after larger reductions in the first quarter, and total semiconductor selling for the year to date reached roughly four percent, with trims to Lam Research part of that activity, even as we broadened exposure through Nvidia.

Investment Outlook

We remain very excited about the prospects of the companies in the U.S. Quality portfolio. We have many businesses we would like to buy, and we continue to find relatively few holdings that we want to sell. Our enthusiasm is grounded in the portfolio companies themselves rather than in a single market theme.

More broadly, we observe that Quality stocks have maintained strong fundamentals, including profitability, growth, and balance sheet strength. For the most part, their stock market returns also remain solid in absolute terms. We continue to see opportunities across the portfolio without changing our discipline around valuation and portfolio balance. We continue to anchor the U.S. Quality portfolio in businesses that meet our quality mandate.

Portfolio weights as a percent of equity for the securities mentioned are as follows: Lam Research (6.4%), KLA (4.7%), Texas Instruments (4.1%), UnitedHealth (2.9%), Accenture (1.5%), Salesforce (2.1%), Abbott (2.2%), Thermo Fisher (3.3%), Eli Lilly (2.7%), Micron (0%), AMD (0%), Nvidia (2.3%), Netflix (1.9%), Mastercard (2.3%), Alphabet (5.3%), U.S. Bancorp (2.1%), Hilton (2.1%).

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ANNUALIZED RETURNS (USD, %) (QUARTER-END)

	Quarter-End	*YTD*	*1-Year*	*3-Year*	*5-Year*	*10-Year*	*Since Inception*
U.S. Quality Strategy (net)	15.19	8.69	22.75	20.06	-	-	20.06
U.S. Quality Strategy (gross)	15.34	8.95	23.36	20.64	-	-	20.64
S&P 500	15.20	10.21	22.32	20.61	-	-	20.61
Value Add	-0.01	-1.52	+0.42	-0.55	-	-	-0.55

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 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.** 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): 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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