

QUARTERLY INVESTMENT REVIEW

Quality Investment Fund

PRODUCT OVERVIEW

The GMO Quality Investment Fund seeks to generate total return by investing primarily in 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 Fund'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.

This is a marketing communication and a financial promotion. Past performance does not predict future returns.

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ANNUALIZED RETURNS (QUARTER-END)	QTR-End		YTD	1-Year	3-Year	5-Year	10-Year	Inception		
Quality Investment Fund USD Class (net)	-1.32		-1.32	5.62	10.71	17.65	13.18	13.25		
MSCI World	-1.79		-1.79	7.07	7.58	16.13	9.50	9.69		
Value Add vs. MSCI World	+0.47		+0.47	-1.45	+3.13	+1.52	+3.69	+3.56		
S&P 500 (Net)	-4.37		-4.37	7.82	8.56	18.05	11.90	12.68		
Value Add vs. S&P 500 (Net)	+3.05		+3.05	-2.20	+2.15	-0.40	+1.29	+0.56		
ANNUAL RETURNS (10 YRS)	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Quality Investment Fund USD Class (net)	18.58	29.04	-15.56	25.53	17.49	30.40	0.00	28.02	9.05	1.01
MSCI World	18.67	23.79	-18.14	21.82	15.90	27.67	-8.71	22.40	7.51	-0.87
Value Add vs. MSCI World	-0.09	+5.26	+2.58	+3.72	+1.59	+2.73	+8.71	+5.62	+1.54	+1.88
S&P 500 (Net)	24.50	25.67	-18.51	28.16	17.75	27.67	-4.94	21.10	11.23	0.75
Value Add vs. S&P 500 (Net)	-5.92	+3.38	+2.95	-2.62	-0.26	-0.30	+4.94	+6.92	-2.18	+0.26

Data Source: GMO

RISKS

Risks associated with investing in the Fund 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. For a more complete discussion of these and other risks, please consult the Fund's Prospectus.

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. 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. 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. A dilution adjustment may be applied on a subscription or redemption of shares to reflect the costs of dealing in the Fund's assets. The return on investment in the Fund may increase or decrease as a result of currency fluctuations if an investor's investment is made in a currency other than that used in the past performance calculation. If the Fund holds assets in currencies other than the base currency of the Fund and/or you invest in a share class that is denominated in a different currency than the base currency of the Fund, subject to any hedging at share class or Fund level, the value of your investment may be impacted by changes in the relative prices of the relevant currencies. The use of financial derivative instruments by the Fund may result in increased gains or losses within the Fund. 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.

Singapore Accredited Investors and Hong Kong Professional Investors Use Only.

UCITS HAVE NO GUARANTEED RETURN AND PAST PERFORMANCE DOES NOT GUARANTEE FUTURE PERFORMANCE.

YOUR CAPITAL IS AT RISK.

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QUARTERLY INVESTMENT REVIEW

KEY CONTRIBUTORS AND DETRACTORS

In the first quarter of 2025, the Quality portfolio saw contributions from several key stocks and sectors. Abbott Laboratories, Safran, and Elevance Health, emerged as top performers, each held within the portfolio and contributing positively to overall returns. The Health Care sector, which is a substantial allocation in the portfolio, delivered strong performance, largely due to effective stock selection. Health care companies also capitalized on operational strengths and favorable market conditions, as the sector tends to be defensive in a risk-off market. Not holding NVIDIA and Tesla, despite their significant weights in the benchmark, turned out to be beneficial, as their poor performance did not negatively impact the portfolio. Additionally, European equities, particularly names like Safran, benefitted from favorable fiscal stimulus and defense spending prospects, further enhancing the portfolio's performance.

Conversely, the portfolio faced challenges from certain detractors. Taiwan Semiconductor, Oracle Corporation, and Salesforce were among the top detractors, each held in the portfolio and negatively affecting returns. Additionally, the Financials sector detracted from performance, primarily due to an underweight position compared to the benchmark, as sector performance held up well. The portfolio's exposure to tech stocks like Salesforce and Oracle was tough, as these companies struggled amidst a broader market aversion to AI-related investments following the DeepSeek announcement. Furthermore, Constellation Brands faced challenges due to factors such as tariff threats, dry January trends, and California fires, which negatively impacted its performance.

PORTFOLIO REVIEW

During the first quarter of 2025, the Quality portfolio saw several strategic adjustments in its holdings. The portfolio introduced new positions in Novo Nordisk, Uber, and Broadcom. Novo Nordisk was added following setbacks in clinical trials for their next-generation drug, which pushed down their stock. We see Novo as a close No. 2 in an essential duopoly with Eli Lilly on fast growing GLP-1 drugs. We added as the valuation opportunity presented itself. Uber was included due to its profitability and the potential positive impact of integrating robotaxis into its network, a potential underappreciated by the market. Broadcom was added to capitalize on the AI selloff, with its AI revenue seen as less speculative due to its focus on custom chip development for proven use cases. Additionally, the portfolio increased its stake in Microsoft Corp, appreciating its cautious approach to AI investing and its diversified business model.

The portfolio saw a reduction in its holdings of Coca-Cola, SAP, and Safran, taking profits from these European and consumer staple stocks that rallied. The portfolio fully liquidated its position in Roche to fund the Novo Nordisk purchase, as Roche had been a long-term underperformer and a seemingly lower quality opportunity. The decision to reduce these positions was driven by the search for more attractive opportunities. These changes underscore a dynamic approach to portfolio management, with adjustments made across various sectors and industries to optimize potential returns.

MARKET OVERVIEW

The first quarter of 2025 was marked by significant market volatility, largely driven by political developments and shifting economic policies. The S&P 500 experienced a notable decline. Key factors contributing to this included the implementation of new tariffs and deglobalization efforts under President Trump's administration, which alarmed investors and heightened risk aversion. Additionally, government spending cuts and deregulation initiatives further fueled uncertainty. The announcement of DeepSeek's potentially game-changing low-cost AI model led to a sharp reversal in AI stocks, underscoring the market's sensitivity to technological developments amidst broader economic concerns. In contrast, European equities demonstrated resilience, buoyed by fiscal stimulus prospects and defense spending, alongside positive sentiment surrounding China's advancements in AI.

Sector performance varied significantly, with European and Chinese stocks, healthcare, and industrial cyclicals generally outperforming. Financials also showed strength. The US market, AI stocks, and clean energy sectors faced challenges. The Quality Portfolio benefited from its strategic positioning, particularly its overweight in healthcare and European domiciled stocks, which contributed positively to performance. However, tech stocks, including Salesforce, Alphabet, and Apple, were among the worst performers, reflecting broader market trends. The portfolio's exposure to multinationals with lower beta to Europe-specific themes helped mitigate some of the adverse impacts from US-centric market disruptions.

QUARTERLY INVESTMENT REVIEW

INVESTMENT OUTLOOK

Looking ahead, the Quality Portfolio is well-positioned to capitalize on stock-picking opportunities, with a greater inclination to buy rather than sell within the portfolio. Despite weak consumer sentiment and uncertain government policies, the portfolio's focus on quality investing is expected to provide relative stability amidst potential economic slowdowns. The ongoing secular investment in technology, particularly AI, remains robust, although market sentiment has been cautious due to the lack of compelling applications at scale. The portfolio's approach to AI investments emphasizes proven and less risky business cases, maintaining a cautious stance while selectively exploring opportunities.

Healthcare continues to be an attractive sector, offering robust valuations and resilience against economic downturns. The portfolio's exposure to multinationals is strategically positioned to navigate potential tariff impacts, with many companies manufacturing locally and maintaining asset-light operations. While government spending cuts pose limited risks, deregulation could offer positive developments, such as the potential lifting of the Wells Fargo asset cap. Although the portfolio is overweight in Europe, the focus remains on stock-specific positions, with cautious optimism regarding potential revitalization. Overall, the Quality Portfolio remains committed to identifying and leveraging investment opportunities that align with its strategic objectives, while navigating the complexities of the current market environment.

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IMPORTANT INFORMATION

This is a marketing communication and a financial promotion. This is not a contractually binding document. An investor should consider all of the Fund's characteristics including the investment objectives, risks, charges and expenses before investing. This and other important information can be found in the Fund's prospectus and the KIID/PRIIPs KID. To obtain a prospectus and the KIID/PRIIPs KID please visit www.gmo.com. Read the prospectus and the KIID/PRIIPs KID carefully before investing and do not base any final investment decision on this communication alone.

Comparator Index(es): The MSCI World Index (MSCI Standard Index Series, net of withholding tax) is an independently maintained and widely published index comprised of global developed markets. MSCI data may not be reproduced or used for any other purpose. MSCI provides no warranties, has not prepared or approved this report, and has no liability hereunder. The S&P 500 (Net) Index is an independently maintained and widely published index comprised of U.S. large capitalization stocks. The return reflects the dividend reinvestment after the deduction of withholding tax. 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 Fund is a sub-fund of GMO Funds plc, an umbrella fund with segregated liability between sub-funds, which is authorised by the Central Bank of Ireland (the "Central Bank") as a UCITS pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011, as amended. The authorisation of GMO Funds plc is not an endorsement or guarantee of GMO Funds plc by the Central Bank. Neither the Central Bank nor the UK's Financial Conduct Authority has approved and or takes responsibility for the contents of this document or for the financial soundness of the Fund or for GMO Funds plc. GMO Funds plc is an EEA UCITS scheme which is recognised under Part 6 of The Collective Investment Schemes (Amendment etc.) (EU Exit) Regulations 2019, as amended.

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The Fund has not been registered under the United States Investment Company Act of 1940, as amended, nor the U.S. Securities Act of 1933, as amended. None of the shares may be offered or sold, directly or indirectly, in the U.S. or to any U.S. Person, unless the securities are registered under the Act or an exemption from the registration requirements of the Act is available. A U.S. Person is defined as (a) any individual who is a citizen or resident of the U.S. for federal income tax purposes; (b) a corporation, partnership, or other entity created or organized under the laws of or existing in the U.S.; (c) an estate or trust the income of which is subject to U.S. federal income tax regardless of whether such income is effectively connected with a U.S. trade or business.

Investors and potential investors can also obtain the prospectus and key investor information, and a summary of investor rights and information on access to collective redress mechanisms, in English and local languages where the Fund is registered, at the following website:

<https://www.gmo.com/europe/product-index-page/equities/quality-strategy/quality-investment-fund---dqf/>

Please note that the management company of the Fund may decide to terminate the arrangements made for the marketing of the Fund in one or more EU member states pursuant to the UCITS marketing passport in accordance with the procedure provided for under the applicable laws that implement Article 93a of Directive 2009/65/EC (the UCITS Directive).

A full list of fees and charges applied to investment can be found in the prospectus and in the KIID/PRIIPs KID, available at:

<https://www.gmo.com/europe/product-index-page/equities/quality-strategy/quality-investment-fund---dqf/>

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The consolidated extract prospectus for Switzerland, key investor information document, annual and semi-annual reports, and articles of association can be obtained free of charge from the representative and paying agent in Switzerland, State Street International Bank GmbH, Munich, Zurich Branch, Kalanderplatz 5, 8027 Zürich.

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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