

QUARTERLY INVESTMENT REVIEW

Quality Trust

Performance returns (AUD)

ANNUALIZED RETURNS (QUARTER-END)	Quarter-End	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
Quality Trust (net)	-1.94	-1.94	10.67	18.47	-	-	18.25
Quality Trust (gross)	-1.80	-1.80	11.33	19.18	-	-	18.96
MSCI World	-2.42	-2.42	12.09	14.48	-	-	15.32
Value Add	+0.48	+0.48	-1.42	+3.99	-	-	+2.93

MAJOR PERFORMANCE DRIVERS

In a period in which the news flow became a torrent, with a one-man volatility generator in the form of Donald Trump often at the source, the MSCI World index fell 1.8% while the S&P 500 dropped by 4.3%. The Quality portfolio had a negative return but outperformed the broader markets.

The decline in the Magnificent 7 tech stocks accelerated over the quarter. At the time of writing a few days into April they were well into bear market territory, with Tesla faring worst. Technology stocks had their worst quarter since the growth sell-off in 2022, underperforming the global markets by a low double-digit amount, speaking to weakening conviction in AI as a panacea to all market ills. The portfolio's technology holdings featured heavy in a worst performer list headed by Alphabet, Taiwan Semiconductor, and Oracle. Accenture had a rough quarter too, as the market worried that the c8% of revenues derived from the U.S. government is in the crosshairs of Elon Musk's cost-cutting drive in addition to the largely ignored improvement across the rest of the company's book of business.

The divergence in regional returns was stark; European equities outperformed tech heavier U.S. equities by more than 15%, the widest margin in 35 years. It is hard to separate this European equity renaissance from the new U.S. administration's dealings with traditional U.S. allies (from hardball with NATO over spending contrasting apparent softball with Putin, via attempts to influence politics in less developed countries, to tariffs, etc.). The aggregate has had something of a galvanizing effect on European political leadership. Most notably, Europe's appetite for investment in infrastructure and defense spending was transformed by Germany's decision to unshackle the country from its fiscal debt brake. European financials and beneficiaries of defense and infrastructure led the market higher. Most of the portfolio's best performers were European. Knorr Bremse - the German "brakes for trucks and trains" company with good exposure to potential European infrastructure investment - was the strongest of the group.

RISKS

Risks associated with investing in the Trust 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 Trusts Product Disclosure Statement.

Inception Date: 24-Sep-20

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 returns are presented after the deduction of management fees and incentive fees 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. Gross returns are presented gross of management fees and incentive fees 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. The inception date of the fund is 23 September 2020. The inception date of the performance data above is 24 September 2020, the first full day that the GMO Quality Trust was fully invested. Performance data using an inception date of 23 September 2020 would produce a different outcome and compare fund performance over a period different to that reflected in the benchmark performance. The GMO Quality Trust ARSN 643 940 872 ("the Trust") is issued by GMO Australia Limited ABN 30 071 502 639, AFS Licence No. 236 656.

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MAJOR PERFORMANCE DRIVERS CONT.

On paper then, you might have expected our tech heavy portfolio of multinationals to have had a torrid quarter. In practice, however, our orientation to invest in higher quality businesses gave the portfolio more defensive characteristics, and this proved helpful in a testing period for investors.

To prove the point, the quarter had two quite notable days. On "DeepSeek Monday," the market discounted the possibility of a serious cost reduction in the building of AI models with negative implications for parts of the semi-conductor industry, and positive implications for the users of AI. On "The Tariffs Are A-Coming Day," markets processed the seriousness of intent of the U.S. administration in altering global trade flows. These served as a kind of stress test for equity portfolios and for each the Quality portfolio had convincing wins.

We made three new purchases in the portfolio. Having found more to do in European names last year as they were relatively out of favor, this year selling in the U.S. has created more opportunity.

- Uber offers ridesharing and food delivery services and is often the scale player, e.g., in U.S. ridesharing. The stock has been weak recently as investors fret over the consequences of progress in autonomous driving, with Waymo (owned by Alphabet) extending its successful "robotaxi" launch from San Francisco to other U.S. cities and Tesla reaffirming its own "robotaxi" ambitions. This may sound like an encroachment on Uber's turf, but we believe that autonomous driving is at least as likely to be a good thing for Uber in the end as a bad thing. Assuming other firms are hot on Waymo's tail, Uber has the reach and the rolodex that we suspect will result in it being the preferred partner for autonomous vehicles providers, as a hybrid model with a mix of human and more capital-intense computerized drivers is more likely to be optimal than an all-autonomous fleet for the foreseeable future.

- Novo Nordisk and its predecessor have been locked into a battle of innovation around diabetes care with Eli Lilly for a century. Novo's stock has been weak as recent GLP-1 clinical results were relatively disappointing. However, we suspect that leadership will rotate as it has in the past, and that the stock price weakness is an opportunity to get GLP-1 exposure at an attractive price point.

- Broadcom has been a holding in the U.S.-only version of the Quality portfolio since inception. We added it to the portfolio as large tech names sold off. Broadcom's exposure to custom chips and networking for AI is attractive icing on the technology cake that has been built over the decades by Hock Tan, a capital allocator par excellence. We note that although Broadcom has been buffeted by the ups and downs (mainly downs recently) of AI, it has a substantial software business with different drivers. This quarter we have been finding more names that we want to buy than sell, which is one of the better problems to have. We believe that the Quality portfolio remains a constructive way to gain exposure to equity markets, with some reassurance that if markets do hit a difficult patch, investors tend to gravitate toward the reasonably valued, competitively advantaged businesses with which we aim to fill the portfolio.

Portfolio weights for the period for the securities mentioned were as follows: Alphabet (4.0%), Taiwan Semiconductor (2.6%), Oracle (2.8%), Accenture (2.5%), Knorr Bremse (0.4%), Uber (1.1%), Tesla (0.0%), Novo Nordisk (0.9%), Eli Lilly (1.3%), Broadcom (0.9%).

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PRODUCT OVERVIEW

The GMO Quality Trust 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 Trust'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

The Trust accepts investments from wholesale investors only. Retail investors are not able to directly invest in the Trust but may gain exposure to the Trusts by investing with certain investor directed portfolio services, master trusts, wrap accounts or custodians ("services"). GMO Australia Limited, GMO LLC, and their affiliates, do not guarantee the performance of the Trust or the repayment of an investor's capital. This information is of a general nature only and is not advice. It does not take into account the objectives, financial situation or needs of any specific investor. The offer to invest in the Trust for wholesale investors is contained in the current information memorandum. A Product Disclosure Statement ("PDS") is also available solely for use by retail investors gaining exposure to the Trust through a service. A Target Market Determination (TMD) has also been prepared for the Trust. The information memorandum PDS and TMD can be obtained by visiting our website www.gmo.com. Investors should read the information memorandum or PDS, consider their own circumstances, and obtain their own advice before making an investment decision.

Benchmark(s): 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.

ABOUT GMO

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