

QUARTERLY INVESTMENT REVIEW

Usonian Japan Value Strategy

Performance returns (JPY)

ANNUALIZED RETURNS (QUARTER-END)	Quarter-End	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
Usonian Japan Value Strategy (net)	-0.26	-0.26	6.89	17.16	16.35	7.75	11.65
Usonian Japan Value Strategy (gross)	-0.17	-0.17	7.28	17.82	17.20	8.70	12.68
Tokyo Stock Price Index (TR, Local)	-3.61	-3.61	-1.92	13.33	15.95	7.69	10.96
Value Add	+3.35	+3.35	+8.81	+3.83	+0.40	+0.06	+0.69

MAJOR PERFORMANCE DRIVERS

Japanese equities slipped in the first quarter with the TOPIX index declining 3.6% in yen terms. Stocks were pressured as the yen appreciated from 157.2 to 150.0 due to narrowing in the U.S.-Japan yield differential. Japanese yields increased due to expectations the Bank of Japan would raise rates amid growing signs that Japan's economy has entered a virtuous wage-price cycle. Yields for the 10-year JGB climbed steadily from 1.1% to a 17-year high of 1.6% on March 27, while 10-year U.S. Treasury yields fell from 4.6% to 4.2% on concerns of slower U.S. economic growth. Stocks began to fall at the end of March in the lead-up to the Trump administration's announcement of new tariffs and plummeted in early April after the announcement before partially recovering due to revisions to those tariffs. In the first quarter, the portfolio protected capital during the market decline, consistent with our conservative investing process and domestic bias. The portfolio outperformed the benchmark in yen terms.

Key factors worked in our favor this quarter as value stocks and small caps outperformed the market.[1] Given the strengthening yen, domestic sectors such as Banks, Insurance, Real Estate, and Rail were among the top performers while exporters such as Autos and Precision were among the bottom performers.

Against this backdrop and in local terms, the portfolio declined slightly on an absolute basis but significantly led the TOPIX during the quarter. Stock selection was strong in Industrials and Healthcare with no notably weak sectors.

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

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 predictive of future performance.** 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 the Index for performance comparison purposes only and, where applicable, to compute a performance fee.

QUARTERLY INVESTMENT REVIEW

MAJOR PERFORMANCE DRIVERS CONT.

While our stock selection is purely bottom-up, understanding macro, business, and regulatory trends helps us manage the portfolio effectively. However, we did not discern clear patterns regarding themes within the portfolio this quarter. Rather, it appears that most of our holdings were driven by idiosyncratic factors.

We continue to find compelling opportunities through our screens, networks, and fundamental work and we initiated one new position and exited one position during the quarter.

Please see our complete Quarterly Letter, available from your GMO relationship manager, in which we offer a more detailed discussion and share our understanding of how the new tariff introductions may impact Japanese equities.

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.

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.

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

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