

QUALITY INVESTMENT FUND USD CLASS

Quarterly Investment Review

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.

MAJOR PERFORMANCE DRIVERS

In a strong quarter for equities, the Quality portfolio had a positive return, outperforming the MSCI World Index but lagging the S&P 500.

Market Overview

The second quarter of 2026 was marked by a clear shift in market tone and a strong risk-on environment. In the United States, 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, which 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, going from the best-performing sector in the first quarter to the worst in the second quarter. Outside Technology, the quarter also saw 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, with investors continuing to back suppliers of AI capacity expansion. TSMC and 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 software segments exposed to shifting 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 us, as investors rewarded memory and semiconductor names 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 Netflix and Mastercard, both positions initiated in the first quarter, and we also increased Experian modestly during the period. These purchases were balanced by reductions in Alphabet, Haleon, U.S. Bancorp, Hilton, TSMC, 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 in TSMC and Lam Research part of that activity, even as we broadened exposure through Nvidia. We exited Novo Nordisk and Nestlé, both of which had underperformed. Our decision on Novo Nordisk was tied to continued share loss to Eli Lilly, while for Nestlé, we saw better opportunities elsewhere to deliver growth within Consumer Staples. The balance of activity consisted of smaller additions and trims driven by valuation.

Investment Outlook

We remain very excited about the prospects of the companies in the Quality portfolio. We have many businesses we would like to buy, and we continue to find relatively few holdings that we want to sell. That backdrop supported continued activity during the quarter, including new positions in Nvidia and Philip Morris, additions to Netflix and Mastercard, and a modest increase in Experian. 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 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 (5.7%), KLA (2.6%), TSMC (4.7%), Texas Instruments (3.3%), UnitedHealth (2.8%), Accenture (1.1%), Salesforce (1.6%), Abbott (1.9%), Thermo Fisher (3.4%), Eli Lilly (2.1%), Nvidia (1.9%), Netflix (1.8%), Mastercard (2.3%), Experian (0.7%), Alphabet (5.2%), Haleon (1.2%), US Bancorp (2.1%), Hilton (1.0%), Novo Nordisk (0%), Nestlé (0%), and Philip Morris (0.2%).

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

	<i>Quarter-End</i>	<i>YTD</i>	<i>1-Year</i>	<i>3-Year</i>	<i>5-Year</i>	<i>10-Year</i>	<i>Since Inception</i>
Quality Investment Fund USD Class (net)	13.73	5.24	17.34	16.70	12.00	15.13	13.85
Quality Investment Fund USD Class (gross)	13.87	5.51	17.96	17.31	12.60	15.78	14.50
MSCI World	13.76	9.69	21.34	19.24	11.47	13.14	11.00
Value Add vs. MSCI World	-0.03	-4.46	-3.99	-2.54	+0.53	+1.99	+2.85
S&P 500 (Net)	15.10	10.01	21.88	20.12	12.92	14.93	13.78
Value Add vs. S&P 500 (Net)	-1.37	-4.77	-4.54	-3.43	-0.91	+0.21	+0.07

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.

Inception Date: 10-Nov-10

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 an index for performance comparison purposes only and, where applicable, to compute a performance fee.

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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 MSCI ACWI (All Country World) Index (MSCI Standard Index Series, net of withholding tax) is an independently maintained and widely published index comprised of global developed and emerging 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. Please visit <https://www.gmo.com/americas/benchmark-disclaimers/> to review the complete benchmark disclaimer notice.

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.

GMO UK Limited Authorised and Regulated by the Financial Conduct Authority Registered no 4658801 England. GMO Netherlands is registered with the AFM.

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, under the Literature section 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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