QUARTERLY INVESTMENT REVIEW

Quality Cyclicals Fund

Performance returns (USD)

ANNUALIZED RETURNS (QUARTER-END)	Quarter-End	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
Quality Cyclicals Fund (net)	-4.23	4.41	4.41	3.86	-	-	15.02
Quality Cyclicals Fund (gross)	-4.13	4.84	4.84	4.29	-	-	15.48
MSCI ACWI	-0.99	17.49	17.49	5.43	-	-	14.49
Value Add	-3.24	-13.08	-13.08	-1.57	-	-	+0.53

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. **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. To obtain performance information to the most recent month-end, visit www.gmo.com.** The portfolio is not managed relative to a benchmark. References to an index are for informational purposes only.

MAJOR PERFORMANCE DRIVERS

2024 was a disappointing year for the Quality Cyclicals portfolio. For the year, the portfolio delivered a total of return that was well behind the MSCI ACWI's 17.5%; the portfolio also trailed the benchmark in the fourth quarter. The portfolio does not aim to mimic its benchmark and has an active share of 91.5%. However, the portfolio does aim to beat its benchmark over time by owning the shares of high-quality cyclical businesses with strong long-term fundamentals.

There were several drags on performance this year. The most important was the strength of U.S. large-cap technology, due especially to the continued market appetite for all things AI. The most impactful "not-held" benchmark positions were broadly in this category – Nvidia, Broadcom, Amazon, Apple, Tesla and Taiwan Semiconductors. Together they detracted more than 5 pts or about one-third of the shortfall relative to the broader markets. The portfolio held positions in Meta and Alphabet, which both benefitted from this tailwind, but were not at a weight that could mitigate the impact of large cap tech. Of these, Nvidia was the most challenging, returning 171% for the year. Its fundamental return from earnings growth was higher still. Nvidia has built a fabulous franchise around doing a big thing brilliantly. It has limited competition in an area growing with ferocity but to justify a $3 trillion price tag, things need to turn out perfectly for the company from here.

The impact of the portfolio's allocation to Clean Energy was also material with the five portfolio positions here accounting for more than 5 pts of drag on relative return. Clean Energy stocks have had vicious downturns before, and we believed that valuations at the start of the year were sufficiently compelling to justify increasing the portfolio's investments here. Unfortunately, events turned out differently. Caught at the intersection of inventory miscalculation, rising rates. and a negative shift in the political landscape, Clean Energy stocks underperformed the broader markets by some margin. Valuations post-election in the U.S. imply that the Inflation Reduction Act could be repealed. This reaction appears to us to misinterpret the reality of Trump's/the Republican party's support for some Clean Energy technologies. Moreover, some of these companies still have significant upside even under a full repeal scenario. For example, the inventory glut has turned, at least in the U.S., for the solar companies we hold and demand for further rollout continues. Additionally, growth in the sustainable aviation fuel (SAF) market, particularly due to mandated demand in Europe, is likely to be a tailwind for our biofuel names.

Inception Date: 12-May-20

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.

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. (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 risks and others, please consult the Fund's Prospectus. **Performance Returns:** Annualized Returns may include the impact of purchase premiums and redemption fees. The GMO Trust funds are distributed in the United States by Funds Distributor LLC. GMO and Funds Distributor LLC are not affiliated.

Net Expense Ratio: 0.41%; Gross Expense Ratio: 0.58% Net Expense Ratio reflects the reduction of expenses from fee reimbursements. The fee reimbursements will continue until at least June 30, 2025. Elimination of this reimbursement will result in higher fees and lower performance. Gross Expense Ratio is equal to the Funds Total Annual Operating Expenses set forth in the Funds most recent prospectus dated June 30, 2024.

QUARTERLY INVESTMENT REVIEW

MAJOR PERFORMANCE DRIVERS CONT.

Elsewhere in the portfolio there were hits and misses over the year. On the positive side, the portfolio's Financials performed well with both American Express and Wells Fargo more than doubling the benchmark return. Other notable outperformers included Booking Holdings, the portfolio's largest position, still reaping the benefits of investments made in recent years, and GE, which has reinvented itself in recent years to focus on its high-quality jet engine business. We liquidated GE given its substantial rerating, but retain an investment in its joint venture partner, Safran, as a more attractively priced alternative. Detractors outside the areas mentioned above included FEMSA, weighed down by the weak Mexican peso and suffering from market misgivings over the income regimes both at home and in Washington, and Ryanair where weak ticket pricing concerns were compounded by a softening in the ADR premium. We believe that both companies continue to execute their plans well.

Toward the end of the year, we initiated a new allocation within Quality Cyclicals to a group of largely U.S. domestic businesses that we believe will prove resilient in the face of geopolitical difficulties while benefitting from the deglobalization trends that drive reshoring within North America. This "Domestic Resilience" allocation draws on GMO research since the last Trump regime and is spread across several subsectors (defense, energy, shipping & logistics, manufacturing, and materials). The names in the portfolio are generally competitively advantaged. For example, we have allocated to several railroad companies that have monopolies on certain routes, defense contractors with well protected relationship with the U.S. military, and scale players in several industrial silos.

The new basket was funded largely from U.S. facing businesses and from energy, leaving the overall profile of the portfolio relatively unchanged. The largest sales were Shell, CarMax, BorgWarner, Booking, and Wells Fargo. Of these, Shell, CarMax and BorgWarner were liquidations. The investment case for CarMax has been dented by the recovery post "near death experience" of Carvana, and while BorgWarner remains undemandingly priced we believe the new allocation is a more productive use of capital at this point.

While we are not explicitly forecasting a geopolitical accident, we believe that the Domestic Resilience holdings make the portfolio more robust overall as many of your other investments are in companies with cross-border activities, and some participate in market segments (e.g., travel) that are more vulnerable to geopolitical disruption.

In summary, 2024 was a tough year for the portfolio. Market concentration narrowed considerably. A small number of stocks powered market returns. Only four GICS sectors outperformed the MSCI ACWI (Technology, Communications – driven by the former technology part, not telecoms, Consumer Discretionary, and Financials). The portfolio was not well positioned for these moves and just four out of our dozen or so buckets outperformed (Advertising, Credit, and Financials echoed their closest GICS sectors while Aerospace was driven by GE). U.S. equities performed strongly for the second year running, well ahead of non-U.S. Developed and Emerging stocks. Despite these challenges, we believe the portfolio is positioned in a set of competitively advantaged companies that will ultimately pass through the benefits of their strong underlying fundamentals to investors.

Portfolio weights, as a percent of equity, for the positions held were: Nvidia (0.0%), Broadcom (0.0%), Amazon (0.0%), Apple (0.0%), Tesla (0.0%), Taiwan Semiconductors (0.0%), American Express (3.5%), Wells Fargo (3.0%), Booking Holdings (4.2%), GE (0.0%), Safran (3.7%), FEMSA (2.5%), Ryanair (3.3%), Shell (0.0%), CarMax (0.0%), BorgWarner (0.0%).

QUARTERLY INVESTMENT REVIEW

PRODUCT OVERVIEW

The GMO Quality Cyclicals Fund seeks to generate total return by investing in leading cyclical businesses. Leveraging their long-term disciplined approach to investing in high quality companies, GMO's Focused Equity team selects from a high-conviction universe of cyclical businesses that it believes are of higher quality than their industry peers. These quality cyclical businesses tend to be structurally underappreciated by the market, which at times of elevated stress can create attractive investment opportunities.

IMPORTANT INFORMATION

Comparator Index(es): 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.

An investor should consider the fund's investment objectives, risks, charges and expenses before investing. This and other important information can be found in the funds prospectus. To obtain a prospectus please visit www.gmo.com. Read the prospectus carefully before investing.

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