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)	7.28	7.28	19.07	6.98	–	–	19.01
Quality Cyclicals Fund (gross)	7.39	7.39	19.56	7.41	–	–	19.48
MSCI ACWI	8.14	8.14	23.15	6.94	–	–	15.04
Value Add	-0.86	-0.86	-4.08	+0.04	–	–	+3.96

Major Performance Drivers

The GMO Quality Cyclicals portfolio underperformed the MSCI ACWI in the first quarter.

There was a wide gap between winners and losers in equity markets this quarter. This was evident across sectors, with a 13% return differential between the strongest, Information Technology, and the weakest, Real Estate. From a geographical perspective, the U.S. outperformed one of the weakest major markets, Hong Kong, by 22 percentage points. And almost unimaginably, there was a 38% performance gap between the subgroups of the GICS Technology sector, with Semi-conductors in vogue while Tech Hardware decidedly was not.

This quarter was 2023 redux in markets; the true driving force was Artificial Intelligence and particularly Nvidia, and not the work of an acronym[1]. Nvidia's stock rose 82% but there were other ways to gain exposure, even if you don't fancy your chances with Nvidia; Super Micro was up 255%! More materially to your portfolio, there was broad strength in the AI supply chain, with holdings Micron and Lam Research performing well. At the same time, certain customers of Nvidia's were going great guns too – Meta has worked hard in recent years to press home its scale advantage in AI-targeted advertising, while Alphabet is also at the leading edge of AI development. All of these companies share drivers with Nvidia and Super Micro, but not their high multiples. Not owning Nvidia stock was an opportunity cost in terms of potential returns but one that was largely mitigated by other, more attractively priced AI beneficiaries.

Despite not owning Nvidia or Super Micro, Quality Cyclicals did own two of the top 10 performers this quarter, Meta and GE. Meta is perhaps coming to the end of its purdah after being perceived as profligate with investment, perhaps unfairly, in 2022. As if to underline CEO Zuckerberg's seriousness about capital allocation, Meta appointed Hock Tan, CEO of Broadcom and so far an outstanding capital allocator, to its board in the quarter – a positive sign in our view. GE largely completed its long-term transformation from industrial conglomerate to jet engine specialist by spinning out its Vernova power business. We believe that the jet engine joint venture between GE and Safran (also held, also contributing strongly to returns this quarter) is likely to propel earnings for years to come.

Credit was another bright spot in the portfolio. Wells Fargo benefited from further easing of the constraints placed on it after its difficulties a few years ago while American Express continues to grow robustly and reiterated confidence in its ability to do so in the medium term.

Inception Date: 12-May-20

Performance for the year of inception is less than a full calendar year. Returns shown for periods less than one year are not annualized.

Risks: Risks associated with investing in the Fund may include: (1) Market Risk - Equities: The market price of an equity may decline due to factors affecting the issuer or its industry 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. (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.Annualized Returns may include the impact of purchase premiums and redemption fees. 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.** The local market in which the Fund is priced was closed for Good Friday on March 29, 2024. Therefore, the performance for the fund and corresponding benchmark will utilize March 28 for purposes of the ending valuation for the March return and the starting valuation for the April return.If certain expenses were not reimbursed, performance would be lower. Transaction costs, if any, are paid to the fund to offset the cost of portfolio transactions to invest or raise cash. **Net Expense Ratio: 0.41%; Gross Expense Ratio: 0.55% Net Expense Ratio reflects the reduction of expenses from fee reimbursements. The fee reimbursements will continue until at least June 30, 2024. 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, 2023.**

QUARTERLY INVESTMENT REVIEW

Major Performance Drivers Cont.

At the other end of the performance spectrum, your portfolio's exposure to Clean Energy names continued to detract from performance. At the start of the quarter your portfolio held positions in Darling Ingredients, Neste, Grain Plains, and SolarEdge. All were weak, connected by weaker carbon markets and investors recoiling from the area. We met with management from Darling Ingredients in the quarter and continue to believe that the company's locked-in feedstock supply creates a measure of hedging within the business. Neste has an element of similar advantage – we added on weakness in the quarter. We also met with SolarEdge who again lowered expectations this quarter. Rather than commit more capital to SolarEdge we initiated a new position in Enphase, the other supplier of high-quality invertors for solar installations. Data from distributors suggest that inventories continued to be worked down and we would hope for better news later this year. We believe that Clean Energy stocks are in a revulsion phase and represent potentially excellent value at this point. We have written a recap of the case for Clean Energy, which is available at www.gmo.com.

Real Estate and Other Resources also detracted from returns. Your Real Estate exposure comes via holdings in two U.K. housebuilders – Berkeley and Persimmon. After a strong Q4, Persimmon gave back some of its gains. Persimmon trades at the lowest multiple of book value since the GFC and we believe has the opportunity to earn a strong return on that book value.

We added a third position in the Real Estate silo, also in the U.K., Howden Joinery. Howden is the scale player in kitchen refurbishment in the country – it has a strong business model based around selling to kitchen fitters rather than end buyers and has built a dense network allowing it to deliver higher availability to the fitters than the competition. We also initiated a small position in IMCD, the Dutch-listed leading distributor of specialty chemicals. IMCD has contracts to represent dozens of large chemical producers to supply smaller customers. At the same time, IMCD is able to offer technical sales to those smaller customers, thereby adding value for both suppliers and customers. IMCD runs a capital-light model and is able to grow both organically and inorganically, as their broader network means they can improve the return on capital of purchased businesses.

Your portfolio remains oriented to the better-quality businesses in more cyclical areas of the markets, where we believe that management can exploit their competitive advantage to deploy capital productively through the cycle.

Nvidia (0.0%), Super Micro (0.0%), Micron (3.5%), Lam Research (3.0%), Alphabet (2.6%), Meta (3.1%), GE Vernova (1.5%), Safran (3.8%), Wells Fargo (3.5%), American Express (3.7%), Darling Ingredients (2.1%), Neste (1.6%), Green Plains (0.6%), SolarEdge (1.0%), Enphase (0.4%), Berkeley Group (2.1%), Persimmon (1.3%), Howden Joinery (0.6%), IMCD (0.6%).

[1] The Magnificent 7 have been instrumental in or are likely to benefit from advances in AI of course. They have other commonalities too. For example, they are global companies with exposure to the world economy, with geopolitical benefits and risks associated with their shared U.S. domicile. Because of their fortress-like competitive advantages, which have led to their dominant market positions, they have tended to attract more regulatory scrutiny than the average business. Nevertheless, they don't necessarily win or fail together – this quarter both Apple and Tesla fell in rising markets.

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 are of higher quality than their industry peers. The team believes that quality cyclical businesses are structurally underappreciated by the market and that times of elevated stress can create extraordinary opportunities in quality cyclicals.

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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