

# QUARTERLY INVESTMENT REVIEW

## High Yield Fund

### Performance returns (USD)

ANNUALIZED RETURNS (QUARTER-END)	Quarter-End	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
High Yield Fund (net)	1.52	1.52	10.49	3.16	4.47	–	5.01
High Yield Fund (gross)	1.64	1.64	10.99	3.65	4.99	–	5.53
Markit iBoxx USD Liquid High Yield	1.13	1.13	10.14	1.88	3.51	–	3.92
Value Add	+0.39	+0.39	+0.34	+1.28	+0.96	–	+1.09

### Major Performance Drivers

The Markit iBoxx USD Liquid High Yield index returned 1.13% in Q1, with lower quality bonds outperforming higher rated issues.

The High Yield portfolio returned outperformed the index in the first quarter. The portfolio's allocation to CDX HY for harvesting Carry was the main contributor to this outperformance. Quality exposure, through BB bonds, lagged the benchmark, while positions in High Yield cash portfolio products, including Total Return Swaps, made a positive contribution to the relative performance. At quarter end, the portfolio was invested in liquid portfolio products and high yield bonds.

Inception Date: 25-Jun-18

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 those as follows. (1) Management and Operational Risk: The risk that GMO's investment techniques will fail to produce desired results. (2) Market Risk - Fixed Income: The market price of a fixed income investment can decline due to a number of market-related factors, including rising interest rates and widening credit spreads or decreased liquidity due to market uncertainty about the value of a fixed income investment (or class of fixed income investments). (3) Credit Risk: The risk that the issuer or guarantor of a fixed income investment or the obligor of an obligation underlying an asset-backed security will be unable or unwilling to satisfy its obligation to pay principal and interest or otherwise to honor its obligations in a timely manner. The market price of a fixed income investment will normally decline due to the issuer's, guarantor's, or obligor's failure to meet its payment obligations or in anticipation of such failure. 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](http://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: 0.46%; Gross Expense Ratio: 0.47%** 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.

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## PRODUCT OVERVIEW

The GMO High Yield Fund seeks to generate total return in excess of that of its benchmark, the Markit iBoxx USD Liquid High Yield Index, by applying a systematic, factor-based approach to portfolio construction. It is designed to capture alpha from top-down sources of risk premia, taking advantage of structural market inefficiencies, while maintaining a liquid portfolio. Our top-down, data-driven approach (in what is still largely a fundamentally managed asset class) brings a unique perspective that allows us to allocate capital across a range of high yield instruments in order to seek the best possible risk-adjusted returns over a full market cycle.

## IMPORTANT INFORMATION

**Benchmark(s):** The Markit iBoxx USD Liquid High Yield Index is an independently maintained index consisting of liquid USD high yield bonds, selected to provide a balanced representation of the broad USD high yield corporate bond universe.

**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](http://www.gmo.com). Read the prospectus carefully before investing.**

**The GMO Trust funds are distributed in the United States by Funds Distributor LLC. GMO and Funds Distributor LLC are not affiliated.**

## 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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