

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)	-0.98	17.00	17.88	14.56	12.07	8.69	11.74
Usonian Japan Value Strategy (gross)	-0.89	17.32	18.32	15.30	12.96	9.69	12.80
Tokyo Stock Price Index (TR, Local)	-5.04	13.87	16.16	11.57	13.02	9.24	11.27
Value Add	+4.07	+3.13	+1.72	+2.98	-0.95	-0.55	+0.48

MAJOR PERFORMANCE DRIVERS

Japanese equities experienced a volatile quarter. After briefly reaching a new all-time high, the TOPIX index ended the third quarter with a total return of -5.0% (local) after experiencing significant volatility due to macroeconomic adjustments at the beginning of August and new political leadership at the end of September. At the end of July, the Bank of Japan (BOJ) raised its policy rate for the first time since March, signaling further rate hikes. Shortly after, U.S. government bond yields plunged as traders anticipated Fed cuts following a weak July jobs report. The BOJ's hawkish stance and the perceived need for Fed rate cuts led to a rapid strengthening of the yen and a severe sell-off in Japanese stocks, known as the "Carry Trade Unwind." This trade had built up over years as investors borrowed at low interest rates in Japan to invest in higher-yielding assets overseas. The expected shift in U.S. and Japanese monetary policies began narrowing interest rate spreads, prompting some investors to close their positions.

The swift unwinding of the carry trade caused the yen to strengthen as investors sold overseas assets and repatriated capital to Japan. This rapid yen appreciation likely fueled the massive sell-off in Japanese equities, as hedged overseas investors closed out their trades by buying yen and selling Japanese stocks. While the extent of the carry trade unwinding is unclear, most agree that significant pressure was released in early August. By mid-August, calm had returned, albeit at a lower level.

At the end of September, markets rallied on expectations of Sanae Takaichi, perceived as a market-friendly candidate, winning the LDP leadership contest. Markets then fell on the election of Shigeru Ishiba, who was perceived as being unfriendly to equities.

Usonian's portfolios performed well over the quarter relative to our benchmark. While value underperformed the index by 0.8%, small caps outperformed the index by 5.7%.^[1] Larger stocks bore the brunt of the sell-off during the quarter as systematic traders sold positions in ETFs, futures, and large, liquid stocks. Over the past 12 months, value has underperformed the market by 1.7% and small caps have underperformed by 2.2%.

Composite Inception Date: 31-Jul-11

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. (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 offering documents. This is not a complete list of risks associated with investing in the Strategy. Please contact GMO for more information. **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 on 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 not managed relative to a benchmark. References to an index are for informational purposes only.

QUARTERLY INVESTMENT REVIEW

MAJOR PERFORMANCE DRIVERS CONT.

Against this backdrop, the portfolio led the TOPIX index, which declined 5.0% during the quarter in local terms. Stock selection was strong, particularly in Consumer Discretionary, Financials, Health Care, and Industrials, with no significant detractors. The portfolio also outperformed the index over the past 12 months. We were pleased that during the volatile third quarter the portfolio was able to provide downside protection.

For a more detailed discussion on these topics, please see our complete Quarterly Letter, available from your GMO relationship manager.

[1] Performance of the market, Value, and small caps is defined as the Total Returns of MSCI Japan, MSCI Japan Value, and MSCI Japan Small Cap indices, respectively, in yen terms, for the period ending September 30, 2024.

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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