

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)	4.78	22.59	22.59	16.93	11.23	8.88	11.90
Usonian Japan Value Strategy (gross)	4.88	23.05	23.05	17.63	12.08	9.86	12.94
Tokyo Stock Price Index (TR, Local)	5.40	20.02	20.02	14.21	12.36	9.16	11.48
Value Add	-0.62	+2.57	+2.57	+2.73	-1.13	-0.27	+0.42

MAJOR PERFORMANCE DRIVERS

Japanese equities posted solid gains in the fourth quarter with the TOPIX index rising 5.4% in yen terms. Despite wariness about potential tariffs and increased regulation after Trump's election in the United States, the overall macro environment for Japanese equities was favorable as the yen depreciated from 143.6 to 157.2 during the period, providing a boost for exporters. This depreciation was likely driven by significant interest rate increases in the U.S., with 10-year U.S. Treasury yields increasing from 3.8% to 4.6% over the period. Japanese interest rates also increased, from 0.85% to 1.1% on 10-year JGBs, which provided a tailwind for bank and other financial stocks. Corporate reforms, driven by regulators and activists, continue to provide a good environment for equities.

The portfolio slightly underperformed over the quarter relative to our benchmark. While value outperformed the index by 1.9%, small caps underperformed the index by 2.6% in local terms.[1] Banks, brokers, and automakers – industry groups generally comprising large value stocks – were the best performers during the quarter. Over the year, value outperformed the market by 5.0% while small caps underperformed by 4.4%.

Against this backdrop, the portfolio trailed TOPIX, which gained 5.4% in local terms, during the quarter. Stock selection was strong in Communications and Industrials and weak in Consumer Discretionary and Financials. We were pleased with absolute and relative performance in 2024, as the portfolio was able to provide downside protection during the third quarter market turmoil and outperform for the year.

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.

Composite Inception Date: 31-Jul-11

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.

While our stock selection is purely bottom-up, understanding macro, business, and regulatory trends helps us manage the portfolio effectively. Here are some observations on the themes influencing our strongest and weakest performers this quarter:

- + Delisting transactions: deal activity has increased meaningfully and two of our top contributors were subject to tender offers at significant premiums.
- + Improved shareholder returns/higher ROE targets: one of our top contributors made significant improvements to shareholder returns with the goal of increasing returns to capital.
- + Higher JGB yields: these positively impacted Financials, including banks and insurance companies.
- +/- Yen weakness: the rapid depreciation of the yen during the quarter benefited exporters but hurt domestically oriented businesses.
- - Weak Chinese demand: softness in Chinese consumer demand continues to be a negative factor.
- - Weak U.S. housing market: this was a new factor that impacted a housing materials company.

We continue to find compelling opportunities through our screens, networks, and fundamental work and we are finalizing our research on several new investment candidates, however, we did not initiate any new positions during the quarter. We exited one position that performed well and reached our target price; we reallocated this capital to holdings with higher upside.

Please see our complete Quarterly Letter, available from your GMO relationship manager, in which we offer a more detailed discussion and highlight the rapid acceleration in positive corporate behavior we have been seeing for years.

¹Performance 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 December 31, 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.

AMSTERDAM

BOSTON

LONDON

SAN FRANCISCO*

SINGAPORE

SYDNEY

TOKYO**

*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

**Representative Office