

# QUARTERLY INVESTMENT REVIEW

## Usonian Japan Value Creation Fund

### Performance returns (USD)

ANNUALIZED RETURNS (QUARTER-END)	Quarter-End	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
Usonian Japan Value Creation Fund (net)	-6.66	8.29	8.29	4.80	-	-	7.32
Usonian Japan Value Creation Fund (gross)	-6.52	8.92	8.92	5.41	-	-	7.94
Tokyo Stock Price Index (TR)	-4.09	7.64	7.64	2.95	-	-	5.14
Value Add	-2.57	+0.65	+0.65	+1.85	-	-	+2.19

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](http://www.gmo.com).** The portfolio is not managed relative to a benchmark. References to an index are for informational purposes only.

### 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 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.<sup>[1]</sup> 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 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.

Inception Date: 14-Sep-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: 0.58%; Gross Expense Ratio: 0.74%** 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.

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. We initiated one new position 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.

<sup>1</sup>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 December 31, 2024.

# QUARTERLY INVESTMENT REVIEW

## PRODUCT OVERVIEW

Usonian Japan Value Creation Fund seeks total return and measures its performance against the TOPIX Total Return Index (the "Index") for performance comparison purposes. The Fund employs a fundamental, value-oriented approach to invest in equities of Japanese companies and companies tied economically to Japan.

In managing the Fund, the Usonian Japan Equity team follows a disciplined, bottom-up approach using fundamental research to identify 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.

**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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