

# U.S. QUALITY ETF PROFILE

## INVESTMENT OPPORTUNITY

- Quality stocks have provided superior risk-adjusted returns. Quality companies have durable, resilient business models and high returns on capital.
- These companies typically trade at premium multiples, and in our view they usually deserve to. The persistence of Quality characteristics provides a strong foundation for a discounted cash flow valuation approach that incorporates the ability of a company to grow and compound at a high return.
- We believe building that valuation analysis into an investment process can both enhance portfolio return and help to mitigate risk.
- Quality's persistence also means that systematic screening on Quality characteristics (e.g., profitability) is a productive step in identifying these opportunities.

## GMO APPROACH

### True High Quality with a Long-Term Focus:

We believe companies with sustainable competitive advantages that enable high, stable profits in the future win over time, with lower risk. GMO's Focused Equity team seeks to outperform broad markets with lower absolute risk by owning these high-quality businesses, holding them for the long term, and respecting valuation.

### A Powerful Blend:

Our blended approach combines the discipline and consistency of GMO's quantitative framework with a forward-looking, fundamental vetting process that assesses the long-term relevance of each company's business model.

### Respect Valuation:

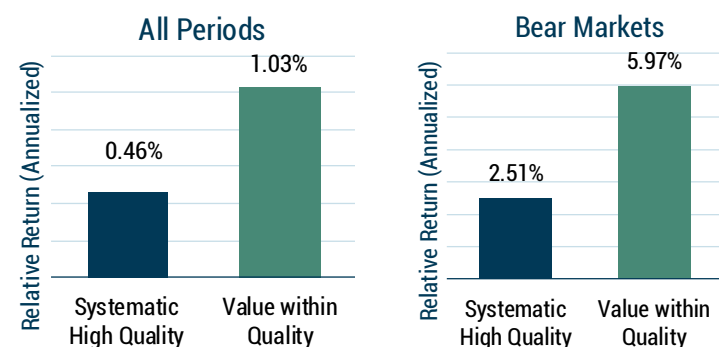
By avoiding over-hyped stocks and investing under temporary clouds, valuation enhances return and risk mitigation, offering lower-risk equity returns when you need it.

### Risk Control:

Fundamental risk is the threat of long-term impairment to a business' profitability. These can derive from competitive dynamics and company specific financial and management considerations as well as external pressures from macro events or stakeholder reactions to negative externalities.

**Quality is in Our DNA:** GMO is a pioneer in quality investing with 40+ years of experience.

## HIGH-QUALITY WINS OVER TIME WITH LOWER RISK



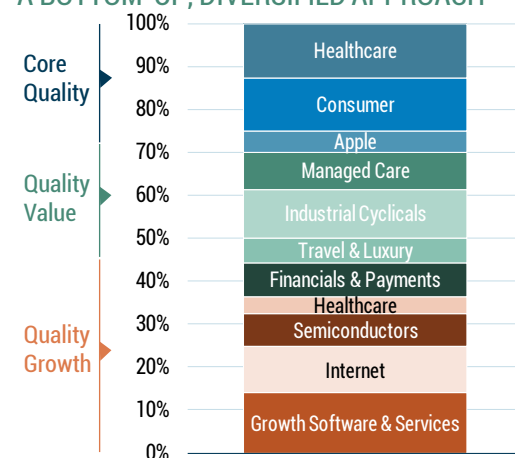
April 1928 – December 2024 | Source: GMO

Bear market is the drop in prices of at least 20% from any peak over a period of at least 3 months. GMO Quality is the highest quality 1/3 of the U.S. market. Value within Quality is the low valuation half of that, relative to the broader U.S. market.

## CONTACT US

For more information on this product please email us at [access@gmo.com](mailto:access@gmo.com) or reach out to your relationship manager.

## A BOTTOM-UP, DIVERSIFIED APPROACH



The sectors are GMO groupings and not the S&P's GICS sector classifications

## WHAT IS A QUALITY BUSINESS?

### GENERATES HIGH AND SUSTAINABLE RETURN ON CAPITAL

#### Identifiable High Returning Assets

Return on capital

#### Capital Discipline

Management invests prudently and with a long horizon

#### Relevance

Long-term durability of business model

## ETF ADVANTAGES

- Actively managed with daily holdings transparency
- ETFs may deliver tax efficiency for U.S. taxable shareholders
- Liquid, large cap strategy is ideally suited to ETF implementation
- No minimum size required to invest in 20-year strategy

# U.S. QUALITY ETF

## OVERVIEW

The GMO U.S. Quality ETF seeks to generate total return by investing in U.S. equities the Focused Equity team believes to be of high quality.

The team believes that companies with established track records of historical profitability and strong fundamentals – high quality companies – are able to outgrow the average company over time and are therefore worth a premium price. The GMO U.S. Quality ETF's disciplined approach uses both quantitative and fundamental techniques to assess the relative quality and valuation of U.S.-domiciled companies and aims to exploit a long-term investment horizon while withstanding short-term volatility in an actively managed ETF format.

## WHY GMO QUALITY

- GMO is a pioneer in quality investing with 40+ years of experience
- Our valuation focus seeks to enhance returns and mitigate risk
- The actively managed ETF structure may offer tax efficiency

## CUMULATIVE TOTAL RETURNS (USD, NET OF FEES, %)

	<i>MTD</i>	<i>QTD</i>	<i>YTD</i>	<i>2024</i>	<i>2023</i>
NAV	-5.49	-2.19	-2.19	21.12	6.65
Index	-5.63	-4.27	-4.27	25.02	8.39
Market Price	-5.47	-2.07	-2.07	21.02	5.50
Index	-5.63	-4.27	-4.27	25.02	6.34

## ANNUALIZED TOTAL RETURNS (USD, NET OF FEES, %)

	<i>1 Year</i>	<i>3 Years</i>	<i>5 Years</i>	<i>10 Years</i>	<i>ITD</i>
NAV	5.98	-	-	-	18.46
Index	8.25	-	-	-	20.75
Market Price	6.10	-	-	-	17.61
Index	8.25	-	-	-	19.13

NAV Inception Date: 13-Nov-23

Market Price Inception Date: 14-Nov-23

**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).** Exchange Traded Funds (ETFs) are bought and sold through exchange trading at market price (not NAV), and are not individually redeemed from the fund. Shares may trade at a premium or discount to their NAV in the secondary market. Brokerage commissions will reduce returns. The portfolio is actively-managed, is not managed relative to a benchmark and uses the Index for performance comparison purposes only and, where applicable, to compute a performance fee.

## FACTS

Inception	13-Nov-23
Ticker	QLTY
CUSIP	90139K100
Exchange	NYSE
Total Assets	\$1.6bn USD
Index	S&P 500

## ANNUAL EXPENSES (%)

Total Annual Fund Operating Expenses	0.50
Expense Ratio	0.50

**Expense Ratio is equal to the Fund's Total Annual Operating Expenses set forth in the Fund's most recent prospectus dated November 1, 2024.**

## PORTFOLIO MANAGEMENT



**Tom Hancock**  
Joined GMO in 1995  
MS, Rensselaer  
Polytechnic Institute;  
PhD, Harvard University



**Ty Cobb, CFA**  
Joined GMO in 1997  
MS, Suffolk University



**Anthony Hene, CFA**  
Joined GMO in 1995  
MS, University of Oxford

**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; and (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 and other risks, please consult the Fund's Prospectus. **Performance Returns:** Returns shown for periods greater than one year are on an annualized basis. Exchange Traded Funds (ETFs) are bought and sold through exchange trading at market price (not NAV), and are not individually redeemed from the fund. Shares may trade at a premium or discount to their NAV in the secondary market. Brokerage commissions will reduce returns.

## U.S. QUALITY ETF

## CHARACTERISTICS

	<i>Portfolio</i>	<i>Index</i>
Price/Earnings - Forecast 1 Yr Wtd Mdn	23.5x	23.1x
Return on Equity - Forecast 1 Yr Wtd Mdn	26.5%	25.6%
Market Cap - Wtd Mdn Bil	234.6 USD	236.1 USD
Number of Equity Holdings	36	497
Net Debt/EBITDA - Hist 1 Yr Wtd Mdn	0.4x	0.3x

## MARKET CAP BAND EXPOSURES (\$B)

	<i>Portfolio</i>	<i>Index</i>
Small (5.1 & Below)	0.0	0.1
Small - Medium (5.1 To 16.6)	2.4	2.7
Medium (16.6 To 44.3)	5.6	10.7
Medium - Large (44.3 To 127.6)	17.3	19.7
Large (127.6 & Above)	74.7	66.8

## SECTORS (%)

<i>Sector</i>	<i>Portfolio</i>	<i>Index</i>
Communication Services	8.0	9.2
Consumer Discretionary	8.6	10.3
Consumer Staples	9.5	6.1
Energy	0.0	3.7
Financials	8.0	14.7
Health Care	27.6	11.2
Industrials	5.2	8.5
Information Technology	33.1	29.6
Materials	0.0	2.0
Real Estate	0.0	2.3
Utilities	0.0	2.5

## TOP HOLDINGS

<i>Company</i>	<i>Sector</i>	<i>%</i>
Microsoft Corp	Information Technology	6.7
Apple Inc	Information Technology	5.0
Abbott Laboratories	Health Care	4.5
Johnson & Johnson	Health Care	4.5
Alphabet Inc	Communication Services	4.1
Oracle Corp	Information Technology	4.0
UnitedHealth Group Inc	Health Care	4.0
Meta Platforms Inc	Communication Services	3.9
Visa Inc	Financials	3.7
Procter & Gamble Co/The	Consumer Staples	3.3
<b>Total</b>		<b>43.7</b>

# U.S. QUALITY ETF

## IMPORTANT INFORMATION

**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.**

**Index(es):** The S&P 500 Index is an independently maintained and widely published index comprised of U.S. large capitalization stocks. S&P does not guarantee the accuracy, adequacy, completeness or availability of any data or information and is not responsible for any errors or omissions from the use of such data or information. Reproduction of the data or information in any form is prohibited except with the prior written permission of S&P or its third party licensors.

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## GLOSSARY

**Sector Exposures:** The Global Industry Classification Standard (GICS) is the exclusive intellectual property of MSCI Inc. (MSCI) and Standard & Poor's, a division of The McGraw-Hill Companies, Inc. (S&P). Neither MSCI, S&P, nor any third party makes any representations or warranties, express or implied, with respect to GICS or the results to be obtained by the use thereof, and expressly disclaim all warranties, including of merchantability and fitness for a particular purpose. Neither MSCI, S&P, nor any third party shall have any liability for any damages of any kind relating to the use of GICS. **Top Holdings:** Portfolio holdings are percent of equity. Where applicable, the top holdings are derived by looking through to the underlying funds in which the asset allocation funds invest and, where appropriate, individual security positions are aggregated. They are subject to change and should not be considered a recommendation to buy individual securities.

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## 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

[www.GMO.com](http://www.GMO.com)