

QUARTERLY INVESTMENT REVIEW

Quality Cyclical Strategy

Performance returns (USD)

ANNUALIZED RETURNS (QUARTER-END)	Quarter-End	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
Quality Cyclical Strategy (net)	5.05	9.23	21.31	6.39	-	-	15.97
Quality Cyclical Strategy (gross)	5.17	9.62	21.90	6.90	-	-	16.53
MSCI ACWI	6.61	18.66	31.76	8.09	-	-	15.27
Value Add	-1.57	-9.43	-10.44	-1.70	-	-	+0.70

MAJOR PERFORMANCE DRIVERS

For several quarters, investors have debated not whether there would be a recession, but how big it would be. The third quarter was punctuated with two broad sell-offs of a relatively minor nature and, in the case of the Japanese stock markets, a brief but significant one with the Topix down more than 20% peak to trough in local terms. Sell-offs notwithstanding, Q3 was the fourth consecutive positive quarter, with the MSCI World returning 6.4%. Markets do apparently "climb a wall of worry," to deploy an old market saw.

The Quality Cyclical portfolio underperformed the index, with pain coming from the allocation to semi-conductor companies. Having contributed positively in the prior quarters, the turnaround in the semi cap names was disappointing in that we had begun trimming our exposure, selling around 20% of the holding in Micron at higher prices in March and June. We trimmed a small amount each of Micron and LAM at the end of September and post quarter-end sold more to fund a purchase of ASML, which we believe is ultimately a higher quality prospect than either and was hit hard by a move to further restrict trade with China. We believe that ASML's technology is irreplaceable at this point and the company is better insulated from geopolitical risk than others with its largely western supply chain. We would expect that the pain of any serious disruption to chipmaking in Taiwan would be partly mitigated as production moved elsewhere.

The portfolio was also hit by weakness in the oil price. Your portfolio retains a strategic allocation to resources companies. We have long argued that resources companies offer a stronger return than the average equity through the cycle in compensation for their difficult return characteristics and this quarter showed the harder side of that. Your portfolio holds allocations to shale expert EOG and to broader-based Shell and Chevron. None appear demandingly priced.

Brighter spots in the portfolio were Consumer, Financials, Real Estate, and Industrials. Each has some amount of exposure to rates. As long bonds yields fell by c1% in the quarter, this provided a measure of support. We have been adding to these areas over the quarter; in Consumer adding Kerry Group, in Real Estate adding to Persimmon and Howden Joinery in the U.K.*, and in Industrials Assa Abloy and Ashtead with their exposure to the U.S. We also added to IMCD where signs of life are returning to the specialty chemicals sectors after a period of increased inventory control.

Composite Inception Date: 30-Apr-20

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.** 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.

We liquidated exposure to two positions this quarter. GE has completed its transition to a pure play on aviation, and the stock price responded strongly to the clean-up of this once mighty conglomerate. We believe that the company retains a strong leadership position in jet engine manufacture but bridle at the P/E, which now sits squarely in the 30s, well above the valuation holding Safran and GE joint venture partner Safran. We exited Macau casino owner Galaxy Entertainment – the thesis has more or less played out there, but the stock did not respond as we had hoped. We believe that your capital can be deployed more productively elsewhere.

While concern over the state of the global economy will inevitably have an impact on investor psychology toward cyclical businesses, the strongest cyclicals can use nimble capital allocation to create additional value should a downturn materialize. We believe that your portfolio of stronger cyclical businesses, each with the potential to deliver decent fundamentals over the cycle, will bring healthy returns over the long term.

Portfolio weights, as a percent of equity, for the positions mentioned were: Micron 1.9%, Lam Research 1.8%, ASML 1.1%, EOG 2.8%, Shell 2.5%, Chevron 1.9%, Kerry Group 1.0%, Persimmon 2.1%, Howden Joinery 1.3%, Assa Abloy 0.5%, Ashtead 1.5%, IMCD 1.2%, GE 0.0%, Safran 3.8%, Galaxy Entertainment 0.0%

*The GICS sectors for Persimmons and Howard Joinery are Consumer Discretionary and Industrials respectively.

QUARTERLY INVESTMENT REVIEW

PRODUCT OVERVIEW

The GMO Quality Cyclical Strategy seeks to generate total return by investing in leading cyclical businesses. Leveraging their long-term disciplined approach to investing in high quality companies, GMO's Focused Equity team selects from a high-conviction universe of cyclical businesses that it believes are of higher quality than their industry peers. These quality cyclical businesses tend to be structurally underappreciated by the market, which at times of elevated stress can create attractive investment opportunities.

IMPORTANT INFORMATION

Comparator Index(es): The MSCI ACWI (All Country World) Index (MSCI Standard Index Series, net of withholding tax) is an independently maintained and widely published index comprised of global developed and emerging markets. MSCI data may not be reproduced or used for any other purpose. MSCI provides no warranties, has not prepared or approved this report, and has no liability hereunder. Please visit <https://www.gmo.com/americas/benchmark-disclaimers/> to review the complete benchmark disclaimer notice.

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.

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