

QUARTERLY INVESTMENT REVIEW

Small Cap Quality Strategy

Performance returns (USD)

ANNUALIZED RETURNS (QUARTER-END)	Quarter-End	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
Small Cap Quality Strategy (net)	6.48	13.61	24.06	-	-	-	24.17
Small Cap Quality Strategy (gross)	6.68	14.25	25.00	-	-	-	25.09
S&P 600	10.13	9.33	25.86	-	-	-	11.24
Value Add	-3.65	+4.28	-1.80	-	-	-	+12.93

MAJOR PERFORMANCE DRIVERS

The third quarter saw strong returns for the S&P 500. The strength was broad-based: most sectors performed well, with Technology a notable exception. The Small Cap S&P 600 delivered even stronger results, up 10.1% vs. the S&P 500's 5.9% in the quarter, as the market came to anticipate a significant easing of financial conditions. Periods of sudden exuberance for small caps tend to be the most difficult for our portfolio's relative return, as junk often leads at the beginning of a rally; indeed, the portfolio underperformed the Small Cap S&P 600 index in the third quarter.

Though the sharp rise in small caps, and junk within small caps in particular, contributed to our softer quarter, our underperformance was mostly due to idiosyncratic weakness driven by security selection. Sector allocation was also a modest negative contributor, driven by our overweight of Technology and underweights of the Real Estate and Financial sectors. Our largest positive contributors this quarter were Ciena, Aeon, and Cohen & Steers. Our largest detractors were Axcelis, Gentex, and Atkore.

Ciena is a leader in coherent optical technology; their products are used to transmit data and high speeds over extended distances, and they hold a dominant market share in these "long-haul" applications. The company benefited in the quarter from early signs of recovery in the telecom market, as well as increasing excitement by analysts and investors that the company's optical technologies could benefit from AI-related applications.

Aeon manufactures advanced, highly configurable HVAC equipment, including rapidly growing business servicing data centers and semiconductor "clean room" facilities. After an uncharacteristically weak first quarter caused largely by production issues, the stock benefited from investor relief that the company's second quarter results did not show evidence of longer-term headwinds, along with rising enthusiasm for the company's data center-driven growth.

Cohen & Steers is an asset management firm that specializes in public markets real estate investment. The company has an impressive track record in the space. With investors increasingly interested in real estate after a period of sector underperformance, Cohen & Steers has benefited from improving flows and rising valuations in its investments.

Axcelis Technologies manufactures ion implantation devices used in the fabrication of semiconductor chips. Their products are especially optimized for the implant-intensive production of silicon carbide (SiC) chips, which are used in high-voltage applications, in particular battery electric vehicles (BEV), and silicon carbide applications now represent roughly half of the company's revenue. The company's stock slid amid ongoing concerns of demand for electric vehicles as well as signs that the memory market was proving slow to rebound.

Composite Inception Date: 31-Aug-22

Risks: Risks associated with investing in the Strategy may include: (1) Management and Operational Risk: The risk that GMO's investment techniques will fail to produce desired results, including annualized returns and annualized volatility. (2) 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. (3) Smaller Company Risk: Smaller companies may have limited product lines, markets, or financial resources, lack the competitive strength of larger companies, have less experienced managers or depend on a few key employees. The securities of companies with smaller market capitalizations often are less widely held and trade less frequently and in lesser quantities, and their market prices often fluctuate more, than the securities of companies with larger market capitalizations. 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.

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MAJOR PERFORMANCE DRIVERS CONT.

Gentex has a commanding share in the manufacture of auto-dimming rear-view mirrors, along with various related products including mirrors that show a digital rear-view panorama and the dimmable windows of the Boeing 787. A weak second quarter driven by soft auto production and an unfavorable vehicle mix, led to falling earnings expectations and a declining share price.

Atkore is a manufacturer of products used in the construction of electrical power systems, such as conduits, cables, and piping. This well-run company operates in highly consolidated markets where competition is limited by the high cost of distribution. Atkore earned windfall profits in the pandemic as demand for PVC conduit products exploded, though we believe that pricing and margins for these products are now nearing stable levels. A softening environment for PVC conduit, along with concerns that imported steel conduit from Mexico could pressure their pricing, led to renewed investor concern that Atkore's pricing and margin profile could deteriorate further.

Though this quarter was more difficult, we remain pleased with the portfolio's performance year to date. We believe that focusing on high quality businesses is an effective and highly differentiated way to invest in small caps. Through careful risk control at the portfolio level, we limit our exposure to bets on value or growth, or difficult-to-predict macroeconomic trends such as the trajectory of interest rates. Instead, we are able to focus on identifying companies benefiting from strong competitive advantages, healthy balance sheets, and good management teams that are available at attractive valuations. Over time, we expect the strong performance of these businesses will continue to drive healthy returns for our investors.

Portfolio weights, as a percent of equity, for the positions mentioned were: Aeon (3.6%), Axcelis Technologies (2.7%), Ciena (3.4%), Cohen & Steers (2.4%), Gentex (2.9%), Atkore (0.8%).

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PRODUCT OVERVIEW

The GMO Small Cap Quality Strategy seeks to generate total return by investing primarily in equities of U.S. small cap companies that 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 Strategy's disciplined approach uses both quantitative and fundamental techniques to assess the relative quality and valuation of U.S. small cap companies and aims to exploit a long-term investment horizon while withstanding short-term volatility.

IMPORTANT INFORMATION

Comparator Index(es): The S&P SmallCap 600® seeks to measure the small-cap segment of the U.S. equity market. The index is designed to track companies that meet specific inclusion criteria to ensure that they are liquid and financially viable. 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.

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