

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)	-3.48	9.66	9.66	-	-	-	19.48
Small Cap Quality Strategy (gross)	-3.29	10.49	10.49	-	-	-	20.37
S&P 600	-0.58	8.70	8.70	-	-	-	9.70
Value Add	-2.90	+0.97	+0.97	-	-	-	+9.78

MAJOR PERFORMANCE DRIVERS

The fourth quarter saw strong returns for the S&P 500, as the market enthused about potential for pro-growth policies during the incoming Trump administration. The Small Cap S&P 600, however, declined modestly, falling 0.6%, as pressure from rising rates held back this more economically sensitive index. The Small Cap Quality portfolio underperformed the benchmark. Sector selection did not notably impact performance; stock selection was a headwind, as quality stocks tended to underperform within each sector. Indeed, the portfolio's performance closely mirrored the decline of the broader small cap quality universe throughout the period. From a stock selection perspective, our largest positive contributors to relative returns were Ciena, Globus Medical, and Aeon; our largest detractors were Axcelis Technologies, Neogen, and Installed Building Products.

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 growing evidence of recovery in the telecom market, as well as further indications that the company's optical technologies will benefit from AI-related applications.

Globus Medical is a provider of spinal surgery equipment, benefiting from the increasing adoption of surgical robots in spine operations, where they have a leading offering. The company's deal to acquire NuVasive—once seen as a liability due to the risk of revenue synergies—now appears to be a success, with modest initial share loss now fading, and upside opportunities from cost synergies and cross-selling opportunities emerging.

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.

Composite Inception Date: 31-Aug-22

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.

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Aeon manufactures advanced, highly configurable HVAC equipment, including a rapidly growing business servicing data centers and semiconductor "clean room" facilities. The company performed well after announcing third quarter results, as further acceleration in the company's data center business offset relative weakness elsewhere in the portfolio.

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 chips, which are used in high-voltage applications, in particular battery electric vehicles; silicon carbide applications now represent roughly half of the company's revenue. Axcelis stock slid amid ongoing concerns of weak demand in key end markets, along with rising risk from geopolitical tensions with China, given Trump's election.

Neogen is a manufacturer of food and animal safety products, in particular test kits to confirm food is uncontaminated and safe for human consumption. The stock performed poorly as the company continued to struggle with integration problems related to the 2021 acquisition of 3M's food safety business.

Installed Building Products earns most of its profit from its insulation installation business, where it competes in an effective duopoly with TopBuild. Rising long-term rates pressured demand for new housing, negatively impacting the company's outlook.

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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

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