QUARTERLY INVESTMENT REVIEW

Systematic Global Macro Strategy

Performance returns (USD)

ANNUALIZED RETURNS (QUARTER-END)	Quarter-End	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
Systematic Global Macro Strategy (net)	6.82	6.82	-2.35	2.83	1.56	1.70	5.02
Systematic Global Macro Strategy (gross)	7.08	7.08	-1.37	4.25	2.95	3.01	7.13
FTSE 3-Mo. TBill	1.10	1.10	5.19	4.42	2.69	1.90	1.62
Value Add	+5.72	+5.72	-7.54	-1.60	-1.13	-0.20	+3.40

MAJOR PERFORMANCE DRIVERS

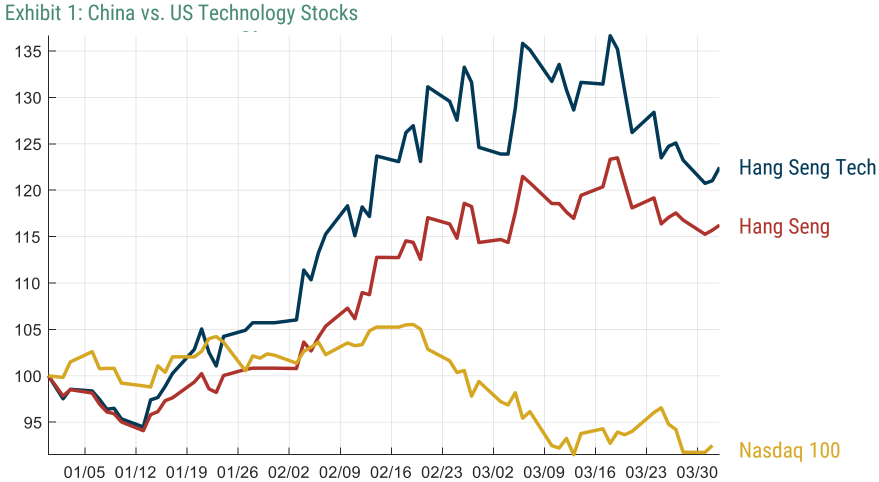
GMO's Systematic Global Macro portfolio had a strong quarter, up approximately 7.0%, with equity and currency positioning dominating returns.

From Tariffs to Tech: New Equity Market Dynamics
Several new and continuing themes drove equity market returns in the first quarter. Geopolitical tensions were clearly dominant in the news, especially the introduction of tariffs and the potential for resulting trade wars, which gave pause to some markets. AI continued to lead the technology sector, as several announcements around DeepSeek rattled U.S.-based technology stocks. Perhaps most strongly, though, the spectre of a potential U.S. recession emerged, causing a significant turn in U.S. equity markets in the later part of the quarter.

Within equities, key positions were:
– Long the Hong Kong Hang Seng Index
– Long MSCI EAFE Value vs. MSCI EAFE Growth stocks
– Short the Indian Nifty Index

With the backdrop of the DeepSeek storyline, Hong Kong stocks were lifted by the Chinese technology sector. Big Chinese companies, often priced at a discount to U.S. peers, soared over the quarter (for example, Xiaomi is up over 50% in 2025). In turn, the broader Hang Seng Index rose with the Chinese tech companies.

Exhibit 1: China vs. US Technology Stocks



RISKS

Risks associated with investing in the Strategy may include: (1) Derivative Instruments Risks: the risk that their value may not change as expected relative to changes in the value of the underlying assets, pools of assets, rates, currencies or indices. Derivatives also present other risks, including market risk, illiquidity risk, currency risk, credit risk, leveraging risk, commodities risk and counterparty risk; (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; and (3) Currency Risk: Fluctuations in exchange rates can adversely affect the market value of the Fund's non-U.S. currency holdings and investments denominated in non-U.S. currencies. This is not a complete list of risks associated with investing in the Strategy. Please contact GMO for more information.

Composite Inception Date: 31-Mar-02

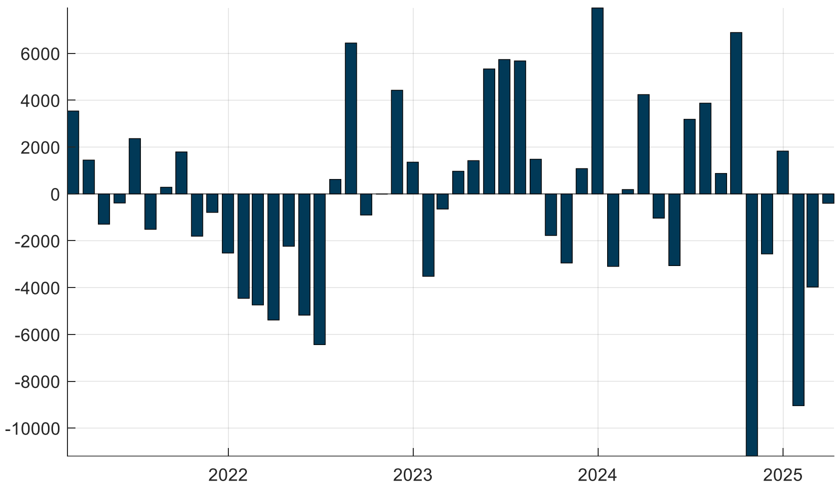
Performance Returns: Performance for the year of inception is less than a full calendar year. Returns shown for periods greater than one year are on an annualized basis. To obtain performance information to the most recent month-end, visit www.gmo.com. **Performance data quoted represents past performance 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 at www.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.**

MAJOR PERFORMANCE DRIVERS CONT.

Our MSCI EAFE Value vs. MSCI EAFE Growth trade benefited from the global sell-off in overpriced growth stocks, with value outperforming by 10% in the first quarter.

India, however, was driven down by a slowdown in Indian corporate earnings and a weakening economy. Broker forecasts for Indian earnings have been plunging since late 2024. The possibility of a trade war added to the concern and foreign investors retreated from India – possibly as part of a broader rotation towards China. As mentioned, our short positions in India profited from this.

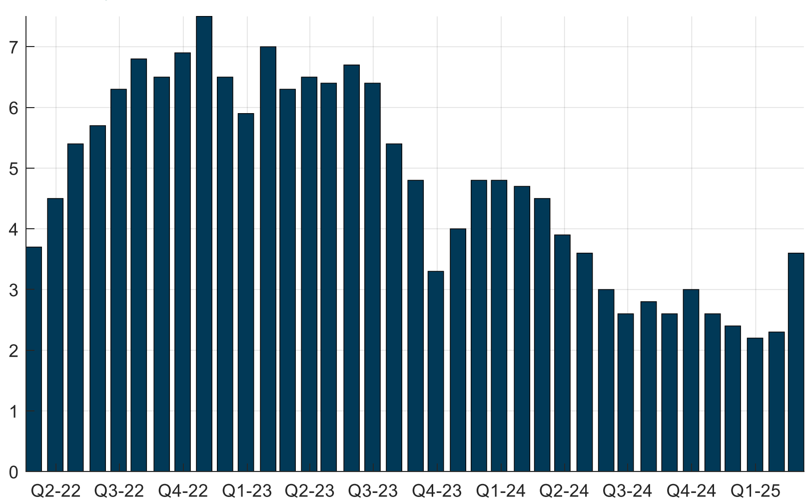
Exhibit 2: Foreign Flows Indian Stock Market



Norwegian Krone: Benefiting from an Inflation Surprise

The strongest single performer in the portfolio over the quarter was our long positioning in the Norwegian krone. While we see the currency as fundamentally cheap with a small carry benefit, the key trigger this quarter was a spike in Norwegian inflation, a full 1% above expectations. This in turn led to rate cuts being called into question by the markets and the krone surged as a result.

Exhibit 3: Norway Inflation YoY%



A Pullback in Cocoa

The first quarter also saw a substantial pullback in cocoa prices. Cocoa prices surged last year, starting 2024 around $4,000/ton and reaching a high of over $12,000/ton amid supply concerns over planting and weather. With such an escalation of prices, producers responded by increasing plantings, but demand from confectionary companies decreased. This in turn has pushed prices back down.

Exhibit 4 summarises many of the key dynamics that we have seen in the cocoa market. The blue line is the price of cocoa adjusted for inflation. The red line is what is referred to as the stock-to-grind ratio – the ratio of cocoa stored in inventory (stock) to the cocoa used, or "ground." Effectively, the stock-to-grind ratio is the percent of a year's demand held in storage, and it's often seen as a shorthand way to show supply/demand imbalances. As reserves dwindle, the stock-to-grind ratio decreases. With the supply crisis last year, we saw the stock-to-grind ratio (as forecast by the International Cocoa Organisation, or the ICCO) fall to around 27%. As of their February release, the ICCO is forecasting that the stock-to-grind ratio over this production season will be 31.8%, based on a forecasted 8% increase in production and a forecasted 5% decrease in demand.

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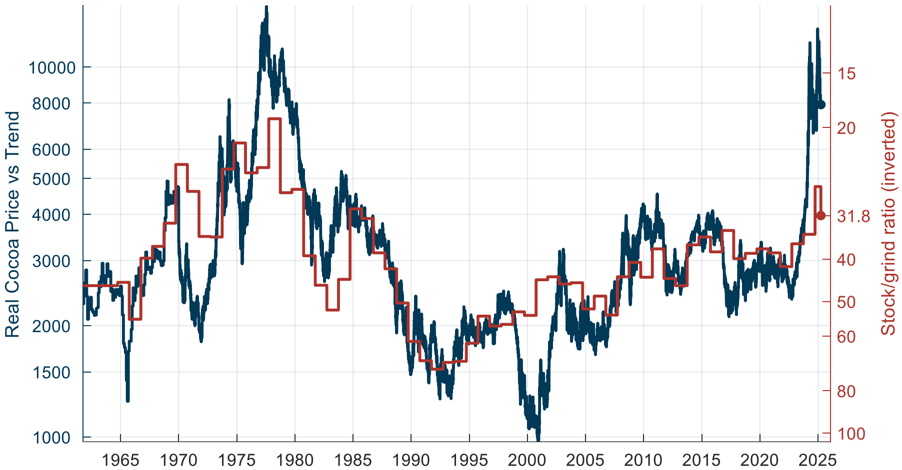
MAJOR PERFORMANCE DRIVERS CONT.

Exhibit 4: Cocoa Price vs. Supply and Demand

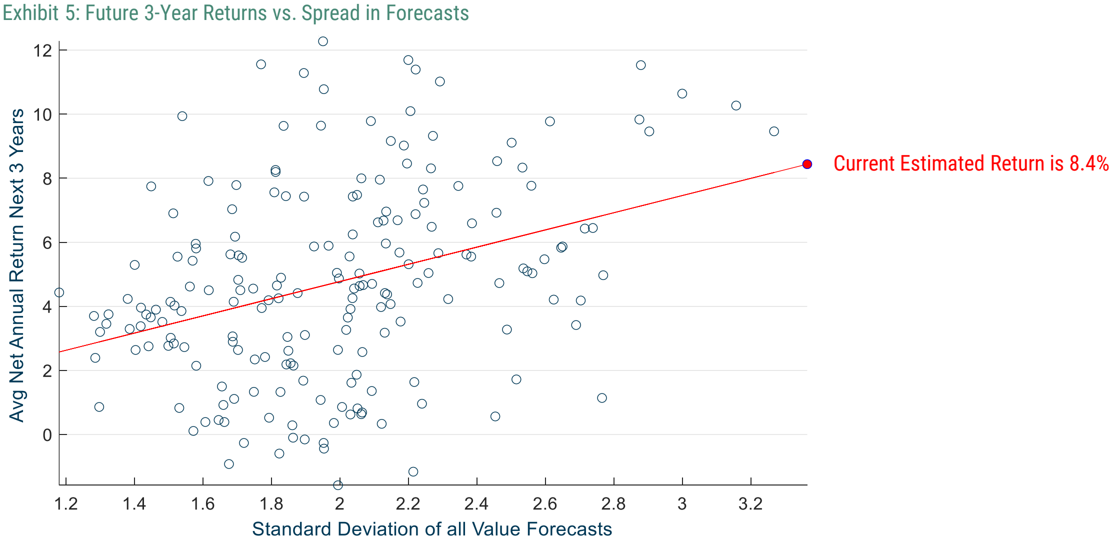


Outlook

This quarter, we saw a strong resurgence in the performance of our models, as several key positions in highly dislocated markets (both long and short) were highly rewarded. Clearly, we would like to see this continue. Looking forward, we see an environment with strong opportunities that give us confidence it will, albeit with many uncertainties.

On the positive side, when we look at our universe of markets, we see a large number of valuation dislocations in most asset classes, often in the larger and more liquid areas. In the past, historically wide valuation dislocations have been a strong predictor of future returns.

Exhibit 5: Future 3-Year Returns vs. Spread in Forecasts



The macro landscape also has a large number of uncertainties, however, with the most glaring one being heightened geopolitical and trade tensions. Tariff wars are already creating short-term volatility within markets, which has been a point of concern for us and our clients.

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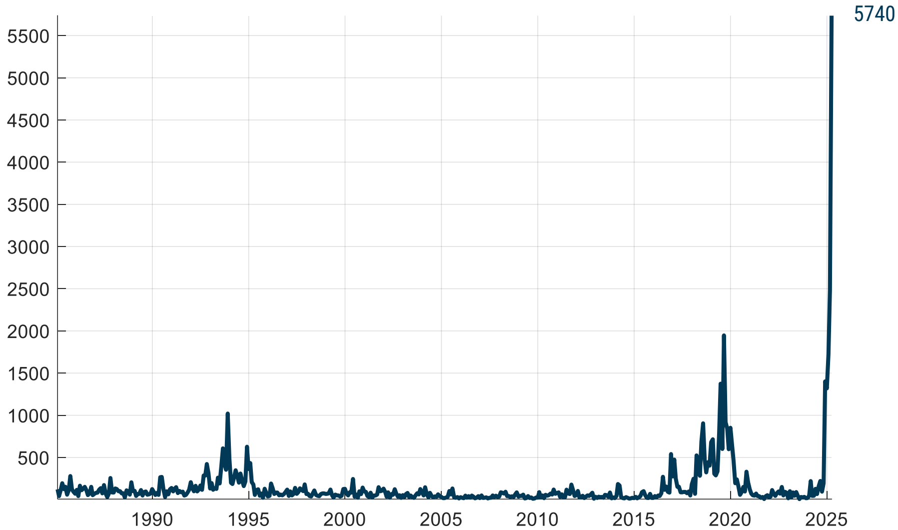
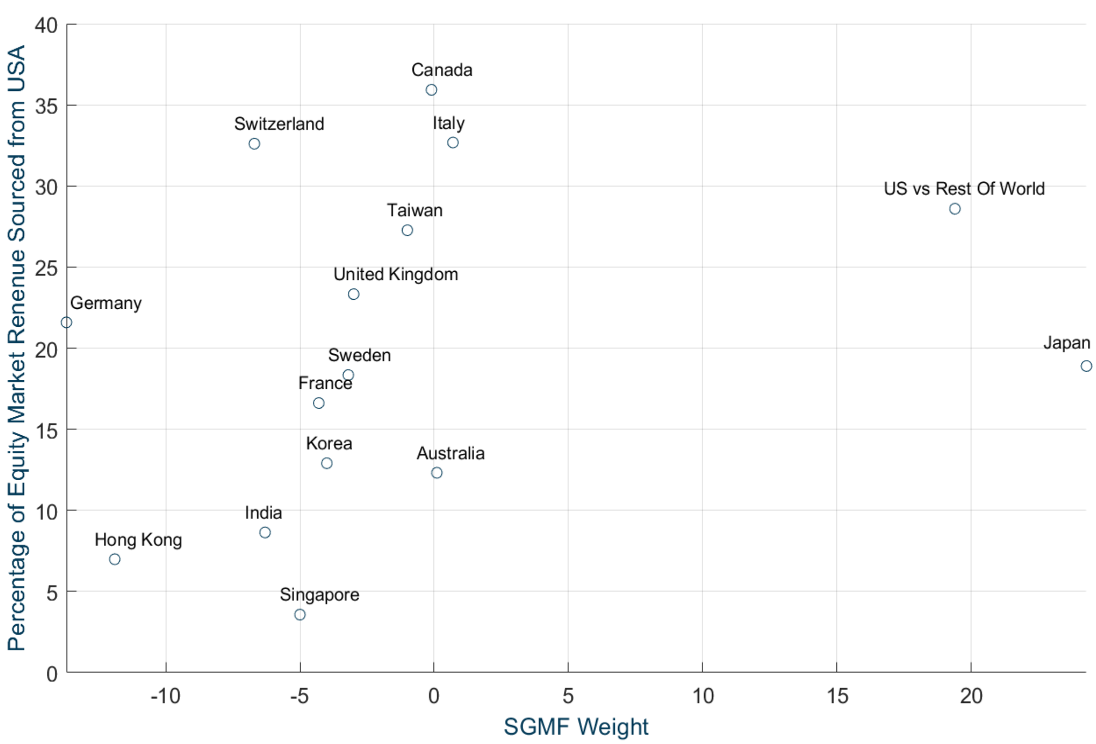
MAJOR PERFORMANCE DRIVERS CONT.

Exhibit 6: Trade Policy Uncertainty



While we believe it is extremely difficult to predict how these geopolitical tensions will play out, we note that the portfolio is not biased towards (or against) countries with high revenue exposure to the U.S. (i.e., countries that are potentially susceptible to the impacts of a trade war).

Exhibit 7: U.S. Revenue Exposure vs. SGM Active Weight



Further, the portfolio is running at a beta of around zero and is slightly short equities. We will be watching this ongoing situation closely and, as always, will continue to review and monitor the changing environment as it evolves.

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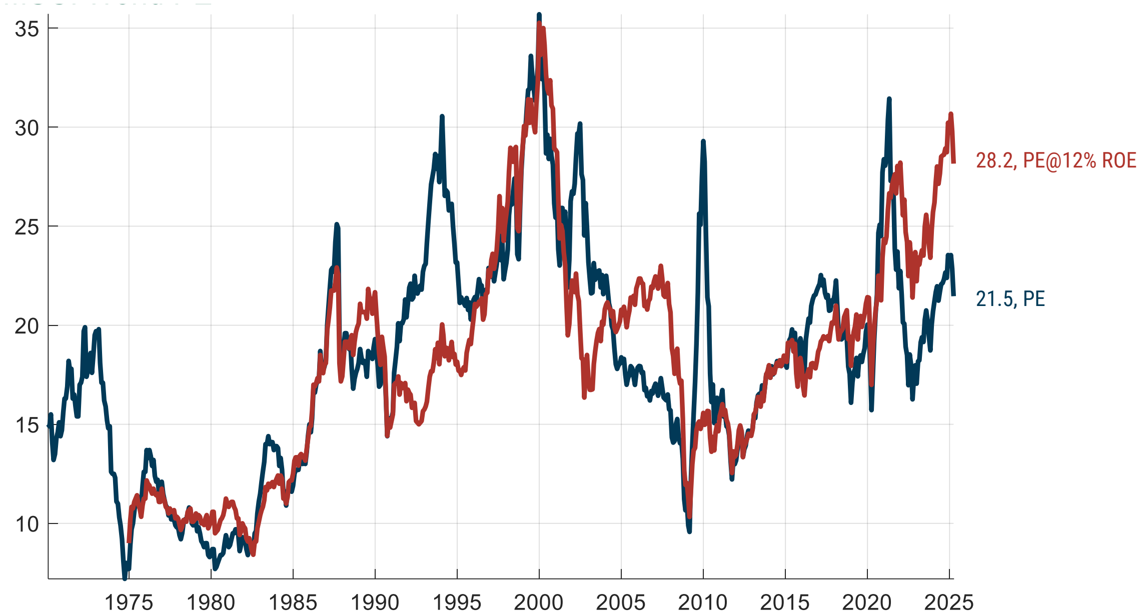
Key Positioning

1. Short Equities: We remain short equities due to high valuation multiples that can only be justified if earnings growth is strong in the future. However, ROE, which has historically been a strongly mean reverting series, is cyclically very high at nearly 16%. If it reverts to its historical median of 12%, the P/E would be nearly 30x, which is approaching the tech bubble peak. It seems very likely that earnings will soften going forward and equities will struggle to outperform cash until valuations improve.

Exhibit 8: MSCI World P/E



2. Long MSCI EAFE Value, Short MSCI EAFE Growth: This is a deep value trade that we've had on for some time but believe still has a long way to run. Growth stocks need to fall 25% relative to value stocks for the trade to fully play out.

3. Short U.S. Tech Stocks vs. Broad U.S. Market: U.S. tech has had a great run over the last five years, but a weak start to 2025 may signal a turning point in this tech bubble.

4. Tactical Rotation to Long U.S. vs. EAFE Stocks: U.S. stocks are vulnerable due to high valuations, but our shorter-term sentiment models are quite positive on the market. Earnings have been strong, but that's mainly explained by excessive fiscal stimulus at the wrong time of the economic cycle. The last time the economy was running this hot was when Bill Clinton was president in 2000. At the time, there was a 2.4% budget surplus, as you would expect. This year, there's a nearly 7% budget deficit and government debt/GDP is over 100%. The dire fiscal situation leaves the U.S. with a difficult choice: reign in the deficit now and risk falling into a recession or do nothing and risk a debt crisis and a worse recession sometime in the future. In either scenario, earnings will fall, and there could well be a new financial crisis given high market valuations.

Despite all the doom and gloom, it seems likely that the U.S. could do reasonably well relative to other markets in the next quarter. The U.S. has underperformed MSCI EAFE stocks by around 10% YTD, which may lead to bargain hunting. Of the two scenarios noted above, it seems unlikely that the budget deficit will be meaningfully reined in this year. Despite the disruption caused by the DOGE, the impact on the budget has been small. The DOGE website (doge.gov) only lists $140 billion worth of savings, and they are only recommendations. That's a small number compared to a $2 trillion deficit. Tariffs will increase taxes, but the budget promises tax cuts, so the excessive fiscal stimulus will roll on. In the short term, that's probably good for profits.

At the same time, other markets are struggling. Pessimism about deindustrialization is spreading in Germany. China has turned from a key consumer of German industrial goods to a competitor, now dominating industries like solar panels and wind turbines. Moreover, China has plans to dominate the global auto industry. It seems likely that much of the world's legacy auto manufacturers will go the way of Volvo and MG, which were bought out by Chinese auto giants and shifted production to China. That's probably good for consumers, but it's souring sentiment in Europe and will eventually have a big impact on Japan.

5. Short Cocoa: As discussed earlier, the price of cocoa remains very elevated. There has been a supply shock, but our predicted response of increasing supply and decreasing demand seems to be materializing. We remain short cocoa and think the trade still has a long way to run.

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Conclusion

The GMO Systematic Global Macro portfolio had a strong start in the first quarter of 2025 and the opportunity set looks compelling going forward. Risk indeed abounds, but that creates opportunities for active managers, especially compared to passive investments where the outlook is poor due to stretched valuations. The portfolio is roughly beta-neutral, so is well positioned if uncertainty triggers a market selloff with portfolio positioning focused on relative valuation.

PERFORMANCE ATTRIBUTION	1-Month Contribution (Gross,%)
Equities	2.8
Fixed Income	0.1
Commodities	0.4
Currencies	2.9
Other	-0.1
Cash	1.1
Total Return (Gross)	7.3

The performance analysis above is calculated based on gross of fee returns and local close valuations.

POSITIONING	Sub Category	Long (%)	Shorts (%)	Totals (%)
Stock Markets	North America	25	-6	19
	Europe	1	-31	-29
	Asia and Oceania	24	-28	-4
	Total	51	-65	-14
Fixed Income	North America	4	0	4
	Europe	11	0	11
	Asia and Oceania	3	0	3
	Total	17	0	17
Currencies	North America	18	0	18
	Europe	38	-35	3
	Asia and Oceania	2	-9	-7
	South America and Africa	10	0	10
	USD	0	-24	-24
Commodities	Energy	4	-7	-3
	Metals	7	-3	4
	Agriculture	20	-28	-9
	Total	30	-38	-8

PRODUCT OVERVIEW

The GMO Systematic Global Macro Fund's investment objective is long-term total return. The Fund takes both long and short positions in a range of global equity, bond, currency, commodity markets, and over-the-counter (OTC) markets using exchange-traded OTC futures and forward foreign exchange contracts, as well as by making other investments.

The Systematic Global Macro team's investment process systematically applies value and sentiment strategies across global markets. We believe that markets are inefficient but, in the long term, that economic reality will prevail and markets will revert toward fair value; however, the timing of this is uncertain. We aim to profit from mean reversion by buying markets that we believe are depressed in price and shorting markets that we believe are trading at inflated values. To deal with the uncertainty of timing, we model investor sentiment.

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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. Read the prospectus carefully before investing.

Benchmark(s): The Bloomberg AusBond Bank Bill Index is an independently maintained and widely published index comprised of short-term Australian bills.

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