

QUARTERLY INVESTMENT REVIEW

Small Cap Quality Fund

Performance returns (USD)

ANNUALIZED RETURNS (QUARTER-END)	Quarter-End	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
Small Cap Quality Fund (net)	-3.50	9.36	9.36	-	-	-	21.89
Small Cap Quality Fund (gross)	-3.33	10.08	10.08	-	-	-	22.68
S&P 600	-0.58	8.70	8.70	-	-	-	11.64
Value Add	-2.92	+0.66	+0.66	-	-	-	+10.25

Net of all fees and expenses after reimbursement by the Manager, but not transaction costs, if any. If certain expenses were not reimbursed, performance would be lower. Gross of fees, expenses and transaction costs, if any. If these fees, expenses and costs were included, performance would be lower. **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.** The portfolio is not managed relative to a benchmark. References to an index are for informational purposes only.

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.

Inception Date: 20-Sep-22

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.

Risks: Risks associated with investing in the Fund 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 Prospectus.

Performance Returns: Annualized Returns may include the impact of purchase premiums and redemption fees. The GMO Trust funds are distributed in the United States by Funds Distributor LLC. GMO and Funds Distributor LLC are not affiliated.

Net Expense Ratio: 0.66%; Gross Expense Ratio: 0.87% Net Expense Ratio reflects the reduction of expenses from fee reimbursements. The fee reimbursements will continue until at least June 30, 2025. Elimination of this reimbursement will result in higher fees and lower performance. Gross Expense Ratio is equal to the Funds Total Annual Operating Expenses set forth in the Funds most recent prospectus dated June 30, 2024.

QUARTERLY INVESTMENT REVIEW

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.

Though this quarter was more difficult, we were pleased that the portfolio was able to outperform for the year, particularly given that the broader universe of small cap quality stocks that we focus on in our portfolio underperformed by a considerable margin. 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: Ciena (4.0%), Globus Medical (3.6%), Aeon (2.2%), Axcelis Technologies (3.2%), Neogen (2.3%), and Installed Building Products (2.0%).

QUARTERLY INVESTMENT REVIEW

PRODUCT OVERVIEW

The GMO Small Cap Quality Fund 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 Fund'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.

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.

The GMO Trust funds are distributed in the United States by Funds Distributor LLC. GMO and Funds Distributor LLC are not affiliated.

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.

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*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

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