

# QUARTERLY INVESTMENT REVIEW

## Usonian Japan Value Creation Fund

### Performance returns (USD)

ANNUALIZED RETURNS (QUARTER-END)	Quarter-End	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
Usonian Japan Value Creation Fund (net)	-2.12	4.97	12.94	2.97	-	-	7.45
Usonian Japan Value Creation Fund (gross)	-1.98	5.27	13.60	3.56	-	-	8.06
Tokyo Stock Price Index (TR)	-3.74	5.10	12.45	2.01	-	-	5.18
Value Add	+1.62	-0.13	+0.49	+0.96	-	-	+2.27

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. The portfolio is not managed relative to a benchmark. References to an index are for informational purposes only. If certain expenses were not reimbursed, performance would be lower. Transaction costs, if any, are paid to the fund to offset the cost of portfolio transactions to invest or raise cash. To obtain performance information to the most recent month-end, visit [www.gmo.com](http://www.gmo.com).

### MAJOR PERFORMANCE DRIVERS

After strong gains in the first quarter, Japanese equities rose a more modest 1.7% (TOPIX, local) in the second quarter. The yen continued to weaken, from 151 JPY/USD at the end of March to 161 JPY/USD by the end of June. Fourth quarter and full year earnings for the fiscal year ending March 31, 2024 were strong. Profits increased 13% versus initial forecasts for a decline, buoyed by the weak yen, the increase in foreign visitors, strong U.S. demand, the pass-through of cost increases, and rising interest rates. In addition, companies announced a record-setting JPY 6.3 trillion of share buybacks, an increase of 50% over the same time last year. However, initial FY3/2025 profit guidance was weak and might have weighed on the market. In the second quarter, the portfolio beat the TOPIX index in local terms.

Stock selection in Consumer Discretionary and Information Technology contributed to relative performance for the quarter, while selection in Industrials detracted compared to the TOPIX. The environment had a negative impact on our portfolio as small cap underperformance was only partially offset by value outperformance. Value was bolstered by rising interest rates, in both the U.S. and Japan, outperforming the index on the quarter- and year-to-date periods, however, small caps underperformed the index for those periods. The small cap headwind was perhaps the most important market factor in driving our relative performance over the past few years, so we decided to share our analysis of the small cap effect - its drivers and outlook - in our complete Quarterly Letter, available from your GMO relationship manager.

Inception Date: 14-Sep-20

Performance for the year of inception is less than a full calendar year. Returns shown for periods less than one year are not annualized.

**Risks:** Risks associated with investing in the Fund may include: (1) Market Risk - Equities: The market price of an equity may decline due to factors affecting the issuer or its industry 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. (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 prospectus. Annualized Returns may include the impact of purchase premiums and redemption fees. Returns shown for periods greater than one year are on an annualized basis.

If certain expenses were not reimbursed, performance would be lower. Transaction costs, if any, are paid to the fund to offset the cost of portfolio transactions to invest or raise cash. **Net Expense Ratio: 0.58%; Gross Expense Ratio: 0.74%** 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.

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## PRODUCT OVERVIEW

Usonian Japan Value Creation Fund seeks total return and measures its performance against the TOPIX Total Return Index (the "Index") for performance comparison purposes. The Fund employs a fundamental, value-oriented approach to invest in equities of Japanese companies and companies tied economically to Japan.

In managing the Fund, the Usonian Japan Equity team follows a disciplined, bottom-up approach using fundamental research to identify equities that we believe are undervalued and profitable with high quality balance sheets. The team spends considerable time developing a high level of knowledge about our companies and focusing on downside risk. Additionally, as long-term investors, we engage collaboratively with corporate management to unlock shareholder value.

## IMPORTANT INFORMATION

**Comparator Index(es):** TOPIX (Net of dividend withholding tax) is a free-float adjusted market capitalization-weighted index that is calculated based on all the domestic common stocks listed on the TSE First Section.

**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](http://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

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