

QUARTERLY INVESTMENT REVIEW

Alternative Allocation Fund

RETURNS (%) (USD)	Cumulative (%)		Annualized (%)				
	QTD	YTD	1 Year	3 Years	5 Years	10 Years	ITD
Net of Fees (Class VI)	0.55	0.66	5.61	1.29	-	-	0.34
Gross of Fees (Class VI)	0.76	1.07	6.49	2.14	-	-	1.17
FTSE 3-Mo. TBill	1.25	2.39	3.75	1.33	-	-	1.43
Value Added (vs. FTSE 3-Mo. TBill)	-0.71	-1.73	1.86	-0.03	-	-	-1.09

Major Performance Drivers

The GMO Alternative Allocation Fund returned 0.5% for the second quarter of 2023.

Over the course of the quarter, the total capital at work decreased by a few percentage points in aggregate. At the end of June 2023, the Alternative Allocation Fund was allocated broadly as 30% Systematic Global Macro, 30% Event-Driven, 27% Equity Dislocation, 13% Credit & Relative Value Credit, 10% Fixed Income Absolute Return, 9% Asset Allocation Long/Short, and 7% Put Selling.

Put Selling was up 4.5% and Credit was up 1.3%, as both enjoyed the benign quarter for traditional risk assets. In relative value strategies, the Asset Allocation Long/Short positions and Systematic Global Macro also had a reasonable quarter and were up 3.9% and 0.6%, respectively. Apart from Systematic Global Macro, these positively performing strategies are among the smaller allocations to take account of their risk profile and so, in aggregate, they contributed 1.3% to performance.

The other strategies with a more modest allocation had no material impact on performance for the quarter. Fixed Income Absolute Return returned -0.2% as the strategy's long Japanese yen position disappointed, losing broadly 8% to the U.S. dollar, and trumping positive returns from positions in the British pound, the Swedish krona, and the Canadian dollar. Relative Value Credit was also modestly down, posting -0.9%, but again this did not translate to a meaningful detraction at the total Fund level.

Equity Dislocation returned -1.4%, costing some 30 bps at the total Fund level. This was a decent result in another tough quarter for Value – by way of context, MSCI ACWI Value trailed MSCI ACWI Growth by 6.2% for the period. We are pleased that the strategy has held up reasonably well this year against the brutal backdrop for Value and consider that the opportunity set remains extremely compelling.

Event-Driven posted -2.0% for the quarter and had an impact of -40 bps. The biggest detractor for the period came as First Horizon and its prospective buyer, TD Bank, mutually agreed to terminate their merger.

Inception Date: 1-May-19

Risks: Risks associated with investing in the Fund may include those as follows. (1) Management and Operational Risk: The risk that GMOs investment techniques will fail to produce desired results. (2) Leveraging Risk: The use derivatives and securities lending creates leverage. Leverage increases the Funds losses when the value of its investments (including derivatives) declines. (3) Derivatives and Short Sales Risk: The use of derivatives involves 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, and counterparty risk. 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. To obtain performance information to the most recent month-end, visit www.gmo.com. 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: 1.44%; Gross Expense Ratio: 1.79% Net Expense Ratio reflects the reduction of expenses from fee reimbursements. The fee reimbursements will continue until at least June 30, 2024. Elimination of this reimbursement will result in higher fees and lower performance.**

The adjusted expense ratios, which reflects the net and gross expense ratios excluding dividend and interest expense on short sales, are as follows: Net Expense Ratio: 0.83 and Gross Expense Ratio: 1.18. Dividends paid on borrowed securities are an expense of short sales. Such expenses are required to be treated as a Fund expense for accounting purposes and are not payable to GMO. The Fund also receives income in connection with short sales, which is reflected in the Fund's net income but is not reflected as an offset to dividend expenses on short sales in the Fund's annual fund operating expenses table. Any interest expense amount or dividends paid on securities sold short will vary based on the extent of Fund's use of those investments. **Gross Expense Ratio is equal to the Funds Total Annual Operating Expenses set forth in the Funds most recent prospectus dated June 30, 2023.**

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.

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PRODUCT OVERVIEW

The GMO Alternative Allocation Fund seeks to generate positive total return by investing in a diversified portfolio of underlying alternative strategies, all run by GMO teams. Underlying strategies will include but are not be limited to: merger arbitrage/event-driven, global macro, fixed income absolute return, asset allocation long/short, and market neutral equities, high yield, and systematic put writing strategies.

IMPORTANT INFORMATION

Comparator Index(es): The FTSE 3-Month Treasury Bill Index is an independently maintained and widely published index comprised of short-term U.S. Treasury bills.

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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