QUARTERLY INVESTMENT REVIEW

Benchmark-Free Allocation Fund

RETURNS (%) (USD)

	Cumulative (%)		Annualized (%)				
	QTD	YTD	1 Year	3 Years	5 Years	10 Years	ITD
Net of Fees (Class III)	2.61	2.61	2.34	6.25	1.09	2.53	6.65
Gross of Fees (Class III)	2.82	2.82	3.18	7.12	1.92	3.36	7.35
CPI Index	1.24	1.24	4.90	5.38	3.88	2.65	2.55
Value Added (vs. CPI Index)	1.37	1.37	-2.56	0.88	-2.79	-0.12	4.10

Major Performance Drivers

– Top-down asset allocation was strongly positive, driven largely by allocating to equities in a recovering market.

– Security selection was negative, due primarily to a challenging quarter for the alternative strategies.

Long-only equities represented 45.0% of the portfolio on average through the quarter, with 8.2% in Emerging Markets and 7.0% in Emerging Markets ex-China, both with a distinct Value bias; 6.2% in Japan Value; 5.1% in Developed ex-U.S. Small Value; 7.1% in Developed ex-U.S.; 3.0% in Resource Equity; and 4.0% in Quality Cyclicals. There was an average exposure of 4.2% in U.S. Opportunistic Value as we continued to build the position, and toward the end of the quarter we initiated a position in European Opportunistic Value.

The equity portfolio returned 4.9% for the quarter, well behind the MSCI ACWI return of 7.3%. Top-down regional exposures proved unhelpful for the quarter as Emerging Markets trailed Developed. Security selection was also difficult for the quarter as Growth dominated Value in Developed Markets. Our Emerging Markets portfolio returned 4.0%, in line with the MSCI Emerging Market index, while the Emerging Markets ex-China portfolio posted 3.1%, which lagged the MSCI Emerging ex-China benchmark’s 3.6% return. The Japan portfolio posted 5.7%, a little behind the TOPIX return of 6.1%, and the Developed ex-U.S. small cap portfolio delivered a 7.2% return, 190 bps ahead of its benchmark. The Developed ex-U.S. exposure gained 6.1%, which lagged the MSCI World ex-U.S. index by 190 bps but beat the MSCI World ex-U.S. Value index by 50 bps. Quality Cyclicals returned 10.8%, 350 bps ahead of its benchmark, while Resources delivered -1.0%, which was still slightly ahead of its benchmark in what was a very poor quarter for the Energy sector in particular. The U.S. Opportunistic Value exposure also had a tough time in the strongly pro-Growth quarter; its 2.5% return was well behind its reference benchmark.

Inception Date: 23-Jul-03

Risks: Risks associated with investing in the Fund may include those as follows. (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) Non-U.S. Investment Risk: The market prices of many non-U.S. securities (particularly of companies tied economically to emerging countries) fluctuate more than those of U.S. securities. Many non-U.S. markets (particularly emerging markets) are less stable, smaller, less liquid, and less regulated than U.S. markets, and the cost of trading in those markets often is higher than it is in U.S. markets. 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.

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. 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: 1.11%; Gross Expense Ratio: 1.17% Net Expense Ratio reflects the reduction of expenses from fee reimbursements. The fee reimbursements will continue until at least June 30, 2023. 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, 2022.**

Prior to January 1, 2012, BFAF served as the principal component of a broader GMO real return strategy. Beginning on January 1, 2012, BFAF has been managed as a standalone investment.

QUARTERLY INVESTMENT REVIEW

Major Performance Drivers Cont.

Alternative strategies averaged a portfolio position of 38.2% through the quarter, while the modest residual equity long/short positions were closed toward the start of the period. The alternatives included 9.0% in Systematic Global Macro, 4.9% in Event-Driven, 4.3% in Fixed Income Absolute Return, and 19.9% in Equity Dislocation.

Alternative strategies returned -1.7% for the quarter. Equity Dislocation was down 2.7%, which was a solid result in what proved a brutal quarter for Value. For context, MSCI ACWI Value trailed MSCI ACWI Growth by some 12.5%. Systematic Global Macro was down 1.4%, driven largely by equity market selection, and Fixed Income Absolute Return was down 0.7% due to duration positioning and also significant weakness in the Norwegian krone, which was held long. Event-Driven was up 0.6%, with the major contributors being Resolute Forest Products (after Canadian regulators approved the merger and it closed) (0.0% weight as of 3/31/23), Activision (0.5% weight as of 3/31/23), and Altaba (0.2% weight as of 3/31/23).

Fixed income represented 16.5% of the portfolio on average through the quarter, including 5.8% in Asset-Backed Securities; 5.6% in High Yield and a select number of distressed credits; and 5.1% in Emerging Country Debt. The distressed credit positions were largely sold down toward the end of the quarter.

Our fixed income strategies returned 2.6% for the quarter, a little behind the Bloomberg U.S. Aggregate return of 3.0%. Emerging Country Debt, as measured by the J.P. Morgan EMBIG-D index, had a solid 1.9% return, and our portfolio was in line with the benchmark with a 2.0% return. The High Yield/Distressed positions returned 3.9%, a little ahead of the BofA Merrill Lynch U.S. High Yield benchmark's return of 3.7%, and Asset-Backed Securities posted 2.0%, behind the Bloomberg U.S. Securitized index return of 2.5%.

PRODUCT OVERVIEW

The Fund seeks to generate positive total return by investing in asset classes GMO believes offer the most attractive return and risk opportunities. GMO uses our multi-year forecasts of returns among asset classes, together with our assessment of the relative risks of such asset classes, to determine the asset classes in which the Fund invests.

The Fund seeks annualized excess returns of 5% (net of fees) above the Consumer Price Index, with annualized volatility of 5-10%, over a complete market cycle.

IMPORTANT INFORMATION

Benchmark(s): The CPI (Consumer Price Index) for All Urban Consumers US All Items is published monthly by the U.S. government as an indicator of changes in price levels (or inflation) paid by urban consumers for a representative basket of goods and services.

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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