

QUARTERLY INVESTMENT REVIEW

Multi-Sector Fixed Income Fund

RETURNS (%) (USD)	Cumulative (%)		Annualized (%)				
	QTD	YTD	1 Year	3 Years	5 Years	10 Years	ITD
Net of Fees (Class III)	-0.65	2.25	0.06	-4.81	0.53	1.63	4.24
Gross of Fees (Class III)	-0.55	2.46	0.47	-4.42	0.94	2.05	4.66
Bloomberg U.S. Aggregate	-0.84	2.09	-0.94	-3.97	0.77	1.52	4.20
Value Added (vs. Bloomberg U.S. Aggregate)	0.19	0.16	1.00	-0.84	-0.23	0.12	0.03

Major Performance Drivers

Index Performance and Core Portfolio

The Bloomberg U.S. Aggregate index returned -0.8% during the second quarter of 2023. As markets continued to assess the damage inflicted by U.S. regional banking failures, focus shifted back to the Federal Reserve and its continued fight against inflation. Core CPI stayed above 5% but crept lower during each release within the quarter. Labor markets remained tight while economic data was broadly constructive, buoying investor sentiment. After delivering a 25-basis-point hike in May, its 10th consecutive increase, the Federal Reserve paused in June, but telegraphed a more aggressive forward path via its updated "dot plot." As a result, U.S. Treasury yields were pushed higher 54 basis points and the curve flattened. As measured by the yield differential between 1-3 year and 20+ year U.S. Treasury maturity sectors, the curve inverted a further 62 basis points. Credit excess returns were positive, as spreads tightened in every benchmark sector. Asset-backed securities moved tighter 17 basis points, and investment-grade corporate bonds 15 basis points. Emerging debt credit spreads, as proxied by the J.P. Morgan EMBIG-Diversified index, rallied 52 basis points during the quarter.

Multi-Sector Fixed Income Fund's core strategy outperformed the index, benefiting from both sector allocation and security selection decisions. The portfolio's overweight to emerging debt via GMO Emerging Country Debt Fund provided gains, as did owning off-benchmark asset-backed securities via GMO Opportunistic Income Fund. Security selection within systematic investment-grade generated tailwinds, where name selection in Consumer Non-Cyclical and Technology sectors was particularly strong. Through a credit factor lens, value and momentum signals rallied, but issuer fundamental and quality indicators drew down. Systematic alpha overlay strategies detracted during the period.

Alpha Overlay

Systematic alpha overlay performance was negative during the second quarter. Duration and G10 currency models struggled, while curve slope and emerging currency models posted gains.

Inception Date: 30-Apr-97

Risks: Risks associated with investing in the Fund may include those as follows. (1) Market Risk - Fixed Income Investments: The market price of a fixed income investment can decline due to a number of market-related factors, including rising interest rates and widening credit spreads or decreased liquidity stemming from the market's uncertainty about the value of a fixed income investment (or class of fixed income investments). (2) Credit Risk: The risk that the issuer or guarantor of a fixed income investment or the obligor of an obligation underlying an asset-backed security will be unable or unwilling to satisfy its obligation to pay principal and interest or otherwise to honor its obligations in a timely manner. (3) Management and Operational Risk: The risk that GMO's investment techniques will fail to produce desired results. 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: 0.42%; 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, 2024. 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, 2023.

QUARTERLY INVESTMENT REVIEW

Major Performance Drivers Cont.

Duration performance suffered, as a lack of trend early in the quarter presented challenges for timing signals. Market selection offered a small lifeline, almost entirely from positioning in Switzerland. Carry generated strong returns while macro-based signals and momentum underperformed. Curves exhibited significant flattening trend throughout the quarter, which was favorable for momentum signals in the slope model. The strategy also benefited from curve selection, where positioning on Swiss and Swedish curves was helpful.

The G10 currency strategy drew down, from a combination of market selection and a stronger U.S. dollar. The strategy's long Japanese yen position disappointed, trumping positive returns from positioning in British pound, Swedish krona, and Canadian dollar. Price momentum helped the developed currency strategy, though value signals, specifically long-term PPP-based indicators, faced losses. The emerging currency model experienced a strong quarter, as currency selection delivered positive alpha across LatAm, EMEA, and Asia ex-Japan regions. Real and nominal carry factors worked well, as did price momentum and economic surprise signals, while current account balance-based trading strategies lagged.

PRODUCT OVERVIEW

The GMO Multi-Sector Fixed Income Fund seeks to achieve total return in excess of that of its benchmark, the Bloomberg U.S. Aggregate Index, by extracting alpha opportunities without taking any secular bias in duration, maturity, rating, and overall aggregate composition. The Fund's investment program has two principal components. One component seeks to achieve a return commensurate with that of the Fund's benchmark. The second component seeks to add value relative to the Fund's benchmark by making investments that often will not track its benchmark.

IMPORTANT INFORMATION

Benchmark(s): The Bloomberg U.S. Aggregate Index is an independently maintained and widely published index comprised of U.S. fixed rate debt issues having a maturity of at least one year and rated investment grade or higher.

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.

AMSTERDAM

BOSTON

LONDON

SAN FRANCISCO

SINGAPORE

SYDNEY

TOKYO*

*Representative Office

www.GMO.com