CYCLICAL FOCUS FUND

Quarter Ending December 31, 2020

OVERVIEW

The GMO Cyclical Focus Fund seeks to generate total return by investing in companies operating in cyclical industries that GMO's Focused Equity team believes are of higher quality than their industry peers. The team believes that higher quality cyclical companies are more likely to withstand declining economic conditions and to thrive when economic conditions improve.

PERFORMANCE (%)

Net of Fees, Class VI, Fair Value, USD	+28.88
Gross of Fees, Class VI, Local Close, USD	+28.84
MSCI ACWI [1]	+14.68
Value Added	**+14.16**

Major Performance Drivers

Launched in April, this global portfolio spans nine GMO-defined classes of risk, ranging from companies taking a direct hit from lockdowns on travel, consumers, and finance to others that had merely suffered collateral damage in, for example, resources and tech hardware. Our initial goal was to provide exposure to a narrow concept – quality companies with cyclical affliction from the pandemic – with a sufficient level of diversification.

November 9th proved to be a turning point for the planet and the portfolio when Pfizer and BioNTech announced the promising results of their vaccine's Phase III clinical trials. The day itself in the markets was quite something. In Europe and North America, the cross-sectional spread was enormous, with almost 25 points separating the best and worst performing tenths of the market in that single trading session. The outcome of that day served as a reference dataset revealing precisely which companies had indeed been priced for continued uncertainty under lockdown. As such, the data serves as an extraordinary validation of the portfolio's superior quality (and yet under pressure) businesses that we had assembled. The portfolio outperformed on the day, as the market repriced these companies' prospects. Outperformance has largely continued since then as the global roll-out of the various vaccines becomes an increasingly tangible reality.

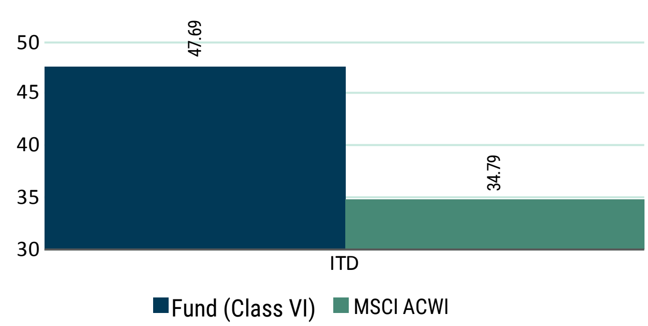
Of the nine initial classes of risk in the portfolio, eight outperformed the broader markets during the quarter. Unsurprisingly given the market context, the four groups most directly affected by the lockdowns performed well, with travel leading the others – consumer, financials, and energy – by some margin. The sole laggard was the auto-suppliers group, for whom output in 2021 may well be threatened by an industry-wide shortage of vital semi-conductors.

We made some adjustments to the portfolio after "vaccine day," taking profits in non-energy resources in favor of energy; energy stocks have been the great laggard of 2020 with valuations still attractive, whereas the metal and mining stocks have been strong after the early sell-off. In addition, we closed the allocation to tech hardware, selling the remaining positions in robotics and semi-conductors after a strong year in sympathy with tech in general.

The net effect of trading was to increase the four key groups hurt by the lockdowns. We wrote a note in November outlining the rationale (see

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 investors 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. Gross Expense Ratio of 0.77% is equal to the Funds Total Annual Operating Expenses set forth in the Funds most recent prospectus dated June 30, 2020.

ANNUALIZED RETURN (%) AS OF 12/31/2020



Inception date: 05/12/2020
Includes purchase premiums and redemption fees impact if applicable.

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November Strategy Update – Good News!, available on www.gmo.com). In summary, we believe that clear progress on the vaccine front shortens the timeline for COVID uncertainty, making these sectors fundamentally more attractive even after the immediate price rise.

For the time being, this portfolio should be expected to exhibit high levels of volatility relative to the broader markets, riding the ebb and flow of the perceived likelihood and speed of recovery from the effects of the pandemic. We believe that at current valuations, and especially when compared to equities in general, the quality cyclical businesses that dominate this portfolio will benefit from normalization post pandemic and are likely to deliver attractive returns from here.

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 fund's prospectus. To obtain a prospectus please visit www.gmo.com. Read the prospectus carefully before investing.

Risks Associated with investing in the Fund may include, Market Risk-Equities, Management and Operational Risk, Focused Investment Risk, Non-U.S. Investment Risk, and Currency Risk. For a more complete discussion of these risks and others, please consult the Fund's prospectus. The GMO Trust funds are distributed in the United States by Funds Distributor LLC. GMO and Funds Distributor LLC are not affiliated.

[1] The MSCI ACWI (All Country World) Index (MSCI Standard Index Series, net of withholding tax) is an independently maintained and widely published index comprised of global developed and emerging markets. MSCI data may not be reproduced or used for any other purpose. MSCI provides no warranties, has not prepared or approved this report, and has no liability hereunder.