

EQUITY DISLOCATION INVESTMENT FUND

Investment Review: Quarter Ending March 31, 2022

OVERVIEW

The GMO Equity Dislocation Investment Fund seeks high total return. We aim to accomplish this objective by owning attractively valued equities while correspondingly shorting equities where we believe that valuations are reflective of implausible growth expectations.

PERFORMANCE (%)

Net of Fees, USD	+7.59
Gross of Fees, USD	+8.19
FTSE 3-Mo. T-Bill ¹	+0.03
Value Added	+8.16

Major Performance Drivers

Important Information

This is a marketing communication. This is not a contractually binding document. Please refer to the prospectus and to the KIID and do not base any final investment decision on this communication alone. Investors and potential investors can also obtain the prospectus and key investor information, in English and other languages, and a summary of investor rights and information on access to collective redress mechanisms at the following website: <https://www.gmo.com/europe/product-index-page/alternatives/equity-dislocation-strategy/equity-dislocation-investment-fund/>. Please note that GMO Investments ICAV and GMO Funds PLC may decide to terminate the arrangements made for the marketing of the sub-funds in one or more EU member states pursuant to the UCITS marketing passport in accordance with the procedure provided for under the applicable laws that implement Article 93a of Directive 2009/65/EC (the UCITS Directive). A full list of fees and charges applied to investment can be found in the Fund Supplement or KIID, available at <https://www.gmo.com/europe/product-index-page/alternatives/equity-dislocation-strategy/equity-dislocation-investment-fund/>.

The first quarter of 2022 marked a volatile but strong period for Equity Dislocation. Early in the quarter as inflation concerns became more acute and interest rates rose, Value equities fell modestly while Growth stocks were punished. The Equity Dislocation Investment Fund rose sharply during this period outperforming a simple MSCI ACWI Value vs. Growth implementation. Later in the quarter, absolute and relative performance declined as threats of war in Ukraine turned into a reality. During the first few weeks of the war stocks fell on concerns that the Russian invasion would add to already hot inflation and supply chain pressure given its impact on energy, agricultural, and key industrial materials. As stocks declined, Growth trailed Value by about 2.6% and Equity Dislocation rose. Equity markets, however, staged a strong rally starting on March 14th led by the MSCI Growth Index's solid 11.6% gain which outpaced the MSCI Value Index's 5.2% rally. Equity Dislocation gave back some of its earlier gains late in March. For the quarter as a whole, MSCI ACWI declined -5.4%, with MSCI ACWI Value outperforming with a return of -1.0% and MSCI ACWI Growth underperforming with a return of -9.7%.

The Equity Dislocation Investment Fund aims to be dollar and (broadly) beta neutral and, for the period, it had an average long exposure of 97%

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.

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and an average short exposure of 97%. The long portfolio outperformed MSCI Value with a -2.8% return and the short book delivered even stronger positive alpha, as it had worse performance than ACWI Growth with an -11.4% return. The year-to-date return for the Equity Dislocation Investment Fund is modestly behind the 8.9% return of the MSCI ACWI Value Index relative to the MSCI ACWI Growth Index (excess return of MSCI ACWI Value over Growth calculated by compounding the monthly differences). Since inception, the Fund has outperformed a passive MSCI ACWI Value minus MSCI ACWI Growth implementation. We believe that the opportunity set remains extremely compelling and the pullback since mid-March offers a more attractive entry point to the Fund.

Stock selection within countries across the long book contributed 246 bps, with the most notable additions coming in Japan (+131 bps), U.S. (+34 bps), Israel (+26 bps), and Germany (+25 bps), while the UK (-57 bps) represented the largest detractor. Stock selection in the short book was even stronger, with a total impact against MSCI ACWI of 596 bps. The biggest contributors were the U.S. (+318 bps), Japan (+84 bps), Germany (+77 bps), and the UK (+61 bps). Short exposures in Canada (-43 bps) and Korea (-23 bps) detracted most from a country perspective. There were some modest country bets, although these are typically residuals driven by bottom-up security selection, which added +44 bps of performance in aggregate for the quarter, with a net long in Australia (+28 bps) having the largest impact.

We are prepared to run larger sector bets, up to about 10% net long or short, and the two biggest positions in this regard over the quarter were a 9.0% net long position in Financials and a 5.6% net short position in Information Technology. Financials outperformed as a sector and returned -0.1%, so the net long position contributed +49 bps to performance, while Information Technology underperformed with a -10.2% return and so the net short position contributed +33 bps. Our smaller 2.9% overweight to Materials also contributed (+28 bps) to returns. Altogether, sector positioning had a positive impact of +134 bps on performance. Stock selection across the long book was positive in eight of the eleven sectors and negative in three contributing +170 bps altogether. The biggest contributors were Communication Services (+93 bps), Industrials (+86 bps), Information Technology (+62 bps), Health Care (+59 bps), and Materials (+38 bps) while Consumer Discretionary (-111 bps) and Financials (-60 bps) detracted. Stock selection in the short book was positive in eight of the eleven sectors, near flat in two, and negative in one. Overall, short stock selection contributed an impressive +553 bps added to aggregate performance. The largest positive impacts included Information Technology (+206 bps), Health Care (+136 bps), Financials (+98 bps), and Consumer Discretionary (+90 bps).

The top five biggest contributors at the total portfolio level consisted solely of short positions which materially underperformed the down market. The top five biggest detractors at the total portfolio level consisted of three long positions and two short positions.

¹ The FTSE 3-Month Treasury Bill Index is an independently maintained and widely published index comprised of short-term U.S. Treasury bills.

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