

MULTI-SECTOR FIXED INCOME FUND

Year Ending December 31, 2020

OVERVIEW

The GMO Multi-Sector Fixed Income Fund (formerly Core Plus Bond Fund) seeks to achieve total return in excess of that of its benchmark, the Bloomberg Barclays U.S. Aggregate Index, by extracting alpha opportunities without taking any secular bias in duration, maturity, rating, and overall aggregate composition.

PERFORMANCE (%)

Net of Fees, Class III, USD	+7.88
Gross of Fees, Class III, USD	+8.32
Bloomberg Barclays U.S. Aggregate ¹	+7.51
Value Added	+0.81

Major Performance Drivers

Index Performance and Beta Replication

All sectors of the index experienced a positive return, driven primarily by a rally in risk-free duration. On a full-basis, credit spreads were very little changed, but carry and roll-down in spreads provided a tailwind to index performance. Our beta replication strategy exhibited positive alpha versus the benchmark due to a combination of factors, including a duration-hedged allocation to securitized debt, via GMO Opportunistic Income Fund, in addition to our mortgage-backed securities (MBS) replication strategy. For the full year, our systematic alpha overlay strategies ended with negative performance.

Alpha Overlay

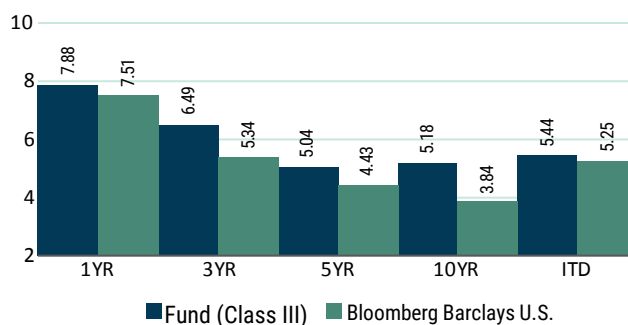
The portfolio delivered negative alpha during 2020, primarily attributable to a drawdown in interest rate strategies amid challenging market conditions during the March COVID shock and an uneven global recovery in the second half of the year. Both developed and emerging market currency strategies contributed positively to performance, and the theme for most of the year was a weaker US dollar, for which our models successfully positioned.

Cross-market positions in developed market interest rates performance suffered when Swiss duration, in which we held a sizable long, failed to appreciate alongside the rest of the rate complex. In the latter part of the year, euro swap yields remained at low levels while most other global rates edged higher, making it a negative contributor to cross-sectional performance. Our generally long duration exposures in Canada, Australia, and New Zealand were responsible for positive alpha.

Both G10* and emerging currency strategies had positive performance this year; in both cases the models entered significant short U.S. dollar exposures, which drove strong positive returns. The G10 model began the year with a small U.S. dollar short, and we increased the position during the first quarter. The EM model timed the dollar well, beginning the year long then holding a short for most of the latter half of the year. Currency selection resulted in mixed performance; it was negative year to date in G10 but positive in emerging markets. The best performers in G10 were

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. To obtain performance information to the most recent month-end, visit www.gmo.com. Gross Expense Ratio of 0.61% 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: 04/30/1997

Includes purchase premiums and redemption fees impact if applicable.

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long exposure to Scandinavian currencies, namely Sweden. Long Japanese yen and short Swiss franc positions each performed poorly in cross-section. In emerging markets, our long exposure to South African rand for the latter half of the year was a standout performer, while early in the year our net short exposure to Latin American currencies and long exposure to Asia added to gains.

*The G10 currencies are ten of the most heavily traded currencies in the world. They include: Australian dollar (AUD), British pound sterling (GBP), Canadian dollar (CAD), euro (EUR), Japanese yen (JPY), New Zealand dollar (NZD), Norwegian krone (NOK), Swedish krona (SEK), Swiss franc (CHF), and U.S. dollar (USD).

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.

¹ The Bloomberg Barclays 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.

Risks Associated with investing in the Fund may include Market Risk-Fixed Income, Credit Risk, Management and Operational Risk, Derivatives and Short Sales Risk and Market Risk-Asset-Backed Securities. 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.