QUALITY CYCLICALS FUND

Quarter Ending June 30, 2021

OVERVIEW

he GMO Quality Cyclicals Fund seeks to generate total return by investing in leading cyclical businesses. Leveraging their long-term disciplined approach to investing in high quality companies, GMO's Focused Equity team selects from a high-conviction universe of cyclical businesses that are of higher quality than their industry peers.

PERFORMANCE (%)

Net of Fees, Class VI, Fair Value, USD	+6.52
Gross of Fees, Class VI, Local Close, USD	+6.51
MSCI ACWI [1]	+7.39
Value Added	**-0.89**

Major Performance Drivers

Your portfolio's absolute returns took a breather in June after several strong months. The best sector returns in the MSCI ACWI came from Technology, which is not an area of focus for your portfolio.

Equity markets have now had more than a year to process the consequences of the pandemic, and we believe that quality cyclical businesses continue to represent an attractive opportunity. As the delta variant threaded its way from India around the world via the UK, investors' nerves started to jangle once more. As a result, a significant part of the large performance gap that opened between the broader markets and the companies challenged by pandemic-related changes remains. At the end of 2019, the quality cyclicals in the portfolio's scope traded at approximately a 10% premium to the market based on normalized earnings. Today, they trade at a discount of more than 10%.

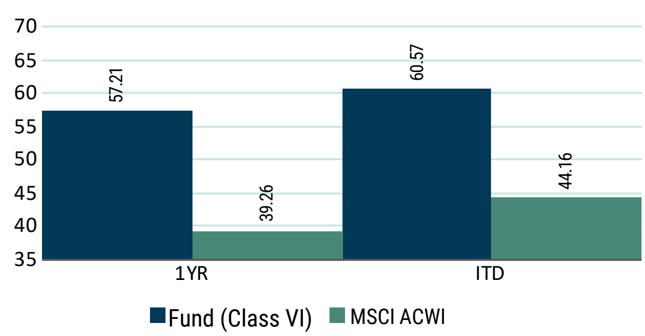
Of course, the market's take on the pandemic has moved from blanket fear in the spring of 2020 to something more nuanced, and the portfolio has changed along the way to reflect that. This quarter we recategorized the positions in the portfolio into four broader classes to try to capture some of the changes.

The first class, "Reopening," contains companies that are still directly feeling the effects of the pandemic. These companies are primarily involved in travel, bricks and mortar retail, and the workplace. Examples here include airline Ryanair and Mexican retailer/conglomerate FEMSA. This group represents around a third of your portfolio, has the greatest catch-up potential with the broader markets, and was the weakest of the four classes this quarter.

The second class, "Quality Cyclicals," is a group of relatively strong cyclical companies that may have been affected by the pandemic, in some cases seriously so, but have proven themselves in the "trial by fire" of the last year and might reasonably be expected to have less sensitivity to Covid-19 related issues going forward. They are largely oriented toward Financials, autos, and construction (e.g., American Express or Sensata). We believe

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 0.60% is equal to the Funds Total Annual Operating Expenses set forth in the Funds most recent prospectus dated June 30, 2021.

ANNUALIZED RETURN (%) AS OF 06/30/2021



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

40 Rowes Wharf | Boston, Massachusetts 02110
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that the leading cyclical businesses tend not to be given the benefit of the doubt by the market and are structurally undervalued as a result. This group represents around a third of your portfolio.

The third class comprises “Quality Resources.” Many commodity prices were affected by the pandemic, most notably Energy, but these companies are the survivors of their lines of business. Over the long term, owning resources equities has been profitable – we believe they too are structurally undervalued due to their inconvenient volatility and cyclicality – and have provided a strong hedge against inflation in the past. The majority of the positions here are lowest-cost producers or advantaged in some way (e.g., by the nature of their reserves in the case of Grupo Mexico, or their business model in the case of Neste). These companies make up about a quarter of the portfolio.

We have named the final class, “Newly-Minted Cyclicals.” These are businesses with defensive or even countercyclical tendencies that are priced attractively due to investor focus on a short-term cyclical issue. Examples here include Beiersdorf, the Consumer Staples business behind Nivea and various sun-care products hurt by travel cancellations last year, and Intercontinental Exchange, newly purchased this quarter as investors fretted over transaction volume volatility, which we believe to be ultimately unimportant in determining the company’s future. The companies here account for a little over 10% of the portfolio and delivered the strongest performance of the group this quarter.

We believe that the prospects for the portfolio remain strong. Global markets show signs of frothiness, at least at the more speculative areas. The Quality Cyclicals portfolio offers a refuge from hyped-up technology, a possible hedge against rising inflation and, more importantly, exposure to long-term winners in some of the more unloved corners of the market.

Quarter-ending weights, as a percent of equity, for the positions mentioned were: Ryanair (2.5%), FEMSA (2.4%), American Express (3.3%), Sensata (3.3%), Grupo Mexico (3.6%), Neste (2.7%), Beiersdorf (2.2%), and Intercontinental Exchange (2.4%).

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, Focused Investment Risk, Non-U.S. Investment Risk, Currency Risk and Large Shareholder 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.