

TAX-MANAGED INTERNATIONAL EQUITIES FUND

Investment Review: Quarter Ending December 31, 2022

OVERVIEW

The GMO Tax-Managed International Equities Fund seeks to deliver high after-tax total return by investing primarily in international equities that GMO believes have positive return potential relative to other securities tied economically to international equity markets.

PERFORMANCE (%)

Net of Fees, Class III, Fair Value, USD	+19.15
Gross of Fees, Class III, Local Close, USD	+18.61
MSCI EAFE ¹	+17.34
Value Added	+1.27

Major Performance Drivers

Markets rebounded in the fourth quarter amid the hope that high inflation levels were moderating. Higher interest rates and concerns about future global growth prospects remained topical, with the Bank of Japan surprising markets in December by finally joining the crowd of central banks hiking rates. The Russian aggression in Ukraine continued to weigh on energy and food prices, but the abrupt reversal in December of China's Covid lockdowns raised hopes that the world was taking another step toward normality. All sectors posted double-digit returns within the EAFE index, with all countries also finishing in positive territory.

EAFE Value outperformed EAFE Growth in the fourth quarter. In this environment Value models were the top performers. The strength of the Value models allowed the portfolio to outperform despite the outperformance of stocks with the worst growth prospects and poor sentiment from other asset classes, characteristics we tend to avoid.

Positive stock selection was broad-based across countries and sectors, including Industrials, Consumer Staples, Financials, Japan, Spain, Australia, and Emerging Markets. Top contributors were characterized by overweight positions in attractively valued companies including Akbank (Turkey Financials), Banco Bilbao Vizcaya Argentaria (Spain Financials), and Rio Tinto (Australia Materials).

Stock selection challenges in Information Technology, Health Care, Communication Services, the Netherlands, and Switzerland detracted. Underweight positioning toward Japan Financials also detracted, as the Bank of Japan's interest rate move was seen as a positive for banks.

Portfolio weights, as a percent of equity, for the positions mentioned were: Akbank (1.0%), Banco Bilbao Vizcaya Argentaria (2.6%), and Rio Tinto (2.8%).

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 1.44% is equal to the Funds Total Annual Operating Expenses set forth in the Funds most recent prospectus dated June 30, 2022.

ANNUALIZED RETURN (%) AS OF 12/31/2022



Inception date: 07/29/1998

Includes purchase premiums and redemption fees impact if applicable.

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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, Non-U.S. Investment Risk, Currency Risk and Illiquidity 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 EAFE (Europe, Australasia, and Far East) Index (MSCI Standard Index Series, net of withholding tax) is an independently maintained and widely published index comprised of international large and mid capitalization stocks. 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.