

# Alternative Allocation Fund

Quarter Ending December 31, 2019

## OVERVIEW:

The GMO Alternative Allocation Fund seeks to generate positive total return while having a low correlation over a full-market cycle to traditional equity market indices by investing in a diversified portfolio of underlying alternative strategies, all run by GMO teams.

## Performance (%)

Net of Fees, Class VI, Fair Value, USD	+1.60
Gross of Fees, Class VI, Local Close, USD	+1.77
FTSE 3-Mo. TBill <sup>1</sup>	+0.46
<b>Value Added</b>	<b>+1.31</b>

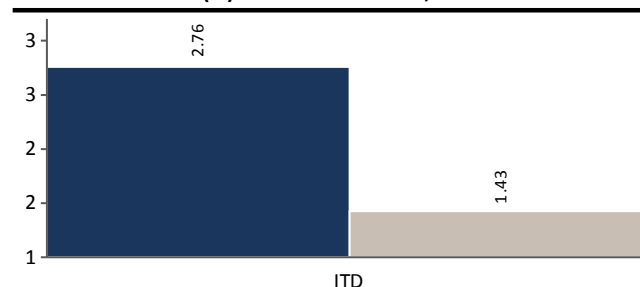
## Major Performance Drivers

The Put Selling strategy was the best performing of the underlying strategies for the quarter, up 3.5%, having written puts predominantly in the U.S. but also in the UK. The Event-Driven strategy was up 2.7%, helped by a position in the Allergan-AbbVie spread as the required regulatory reviews continued without issue, as well as the closing of the Celgene-Bristol Myers transaction and CBS completing its acquisition of Viacom. Given its sizable allocation, Event-Driven was the biggest contributor to return at the total portfolio level. The Asset Allocation Long/Short strategy was up 1.4% as the three trades all made positive contributions to returns. The long positions are in portfolios benchmarked to the Russell 2000 Value Index, the MSCI Emerging Markets Value Index, and the MSCI EAFE Value Index (currency hedged), while the short positions are predominantly S&P 500, with some MSCI EAFE exposure. The Fixed Income Absolute Return strategy was up 0.4%, with good returns in developed rates and FX being partially offset by negative returns in emerging FX. Rates performance was helped by short positions in the UK, Australia, and the U.S. as yields rose while successes in developed FX included long positions in the British pound sterling, Norwegian Krone, and Canadian dollar. These gains were partially offset by losses in emerging FX arising from short positions including the Brazilian real, Colombian peso, and Hungarian forint, which enjoyed a decent quarter versus the US dollar. Systematic Global Macro returned -0.2% as strong performance in equities, predominantly due to being modestly net long, was offset by negative performance in currencies as the USD weakened against the British pound sterling, the Swiss franc, and the euro, which were held short.

From a capital allocation perspective, at the end of December 2019, the portfolio was allocated broadly 40% Fixed Income Absolute Return, 30% Event-Driven, 34% Systematic Global Macro, 12% Asset Allocation Long/Short, and 13% Put Selling.

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](http://www.gmo.com). Gross Expense Ratio of 1.39% is equal to the Funds Total Annual Operating Expenses set forth in the Funds most recent prospectus dated June 30, 2019.

## Annualized Return (%) as of December 31, 2019



■ Fund (Class VI)  
■ FTSE 3-Mo. TBill

Inception date: 05/01/2019

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](http://www.gmo.com). Read the prospectus carefully before investing.**

Risks associated with investing in the Fund may include Management and Operational Risk, Leveraging Risk, Derivatives and Short Sales Risk, Market Risk-Equities and Market Risk-Fixed Income. 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.

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