

ALTERNATIVE ALLOCATION FUND

Quarter Ending March 31, 2021

OVERVIEW

The GMO Alternative Allocation Fund seeks to generate positive total return by investing in a diversified portfolio of underlying alternative strategies, all run by GMO teams.

PERFORMANCE (%)

Net of Fees, Class VI, Fair Value, USD	-2.26
Gross of Fees, Class VI, Local Close, USD	-2.10
FTSE 3-Mo. TBill ¹	+0.02
Value Added	-2.12

Major Performance Drivers

There were some modest changes to the capital allocated to the seven strategies that were included in the Alternative Allocation portfolio at the start of the quarter, although the total capital at work remained broadly the same. The exposures to Fixed Income Absolute Return, Systematic Global Macro, and Asset Allocation Long/Short were modestly reduced while the exposures to Equity Dislocation and Event-Driven were correspondingly increased. At the end of March 2021, the Alternative Allocation portfolio was allocated broadly to 35% Fixed Income Absolute Return, 35% Systematic Global Macro, 35% Event-Driven, 19% Equity Dislocation, 8% Asset Allocation Long/Short, 5% Put Selling, and 2% Relative Value Credit.

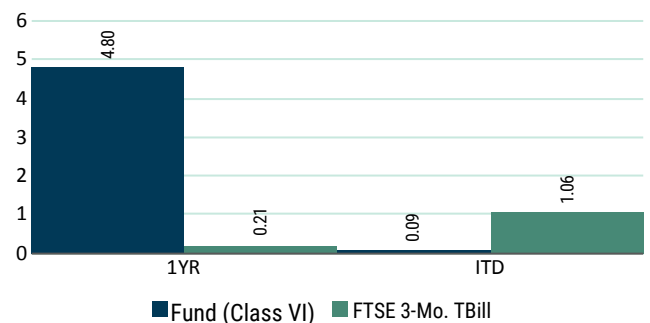
Four of the seven underlying approaches enjoyed positive performance for the quarter. Equity Dislocation returned 14.4%, buoyed by an excellent showing from "Value", and was the biggest contributor to the total return for the quarter. Put Selling returned 5.2%, with the biggest contribution from options written on the U.S. market although we were also active in the UK and Australia. Event-Driven returned 0.2% with the position in the Inphi-Marvell spread being the most significant contributor during the quarter as Chinese regulators cleared the transaction to proceed. On the flipside, a position in the Discovery A/K spread was the most significant detractor during the quarter as the spread reacted to unexpected volatility in the underlying securities. Relative Value Credit was up 1.0% and Asset Allocation Long/Short returned -1.3% but, given their modest allocations, neither had a noticeable impact on total return for the quarter.

Systematic Global Macro returned -3.1% as the combination of rapid changes in yields, and the continuation of expensive markets outperforming those more attractively valued, both in equities and bonds, made for a difficult quarter for the portfolio. A net long equities exposure added value, but this was more than offset by positioning within equities. U.S. dollar strength during the period weighed on returns as the greenback outperformed European and Japanese currencies, which were held long. The increase in yields led to losses from bond positioning as many of the markets offering a higher real yield sold off more than lower yielding markets.

Fixed Income Absolute Return was the biggest detractor from total portfolio returns and it delivered a disappointing -7.0% for the quarter with

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 1.43% 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 03/31/2021



Inception date: 05/01/2019

Includes purchase premiums and redemption fees impact if applicable.

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developed rates and developed FX detracting from returns, while emerging FX was broadly flat. Within rates, long positions in Canada, New Zealand, and Australia detracted, and were only partially offset by contributions from short positions in the UK, U.S., and Eurozone. Slopes in developed rates also detracted, with the primary culprits being Canada, New Zealand, and the U.S. The Strategy suffered modest underperformance in developed FX driven by positions in Japan (JPY), Sweden (SEK), and the euro (Eur), which were not quite offset by the outperformance of positions in Switzerland (CHF), Australia (AUD), and New Zealand (NZD).

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 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.

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