

Core Plus Bond Fund

Quarter Ending March 31, 2020

OVERVIEW:

The GMO Core Plus Bond Fund seeks total return in excess of that of its benchmark, the Bloomberg Barclays U.S. Aggregate Index. GMO aims to add value versus the benchmark by using its global interest rate and currency processes as well as through small exposure to the debt of emerging countries.

Performance (%)

| | |
|--|--------------|
| Net of Fees, Class III, USD | +1.31 |
| Gross of Fees, Class III, USD | +1.41 |
| Bloomberg Barclays U.S. Aggregate ¹ | +3.15 |
| Value Added | -1.74 |

Major Performance Drivers

Index Performance and Beta Replication

The Bloomberg Barclays U.S. Aggregate Index experienced its seventh consecutive positive quarterly return, driven by the sharp rally in Treasury yields. The index gained despite the substantial widening of credit spreads on nearly all “risky” assets. Treasury yields moved lower by 100 to 135 bps over the quarter while spreads on corporate bonds widened about 180 bps and securitized spreads widened about 30 bps. Our relative performance this month was negative due to a combination of beta replication strategies trailing the benchmark and systematic alpha strategies experiencing a drawdown.

Alpha Overlay

We had negative performance contributions this quarter from our systematic alpha strategies in developed market rates and currencies, while the emerging market currency portfolio had positive performance.

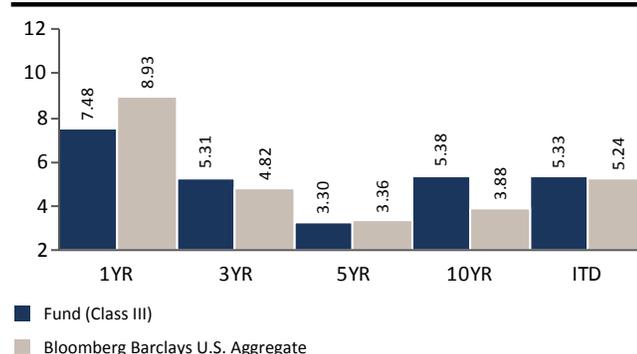
Market selection in rates positioning was the primary driver of returns during the quarter. One of our larger long duration positions was in the Swiss market, which failed to keep pace with the global rally and comprised the largest negative contribution to performance. Long exposure in Kiwi and a short in Australia both outperformed in cross-section, while large but offsetting exposures in U.S. (short) and Canadian (long) markets nearly canceled one another, as those markets moved in a correlated fashion.

Though it varied in size throughout the quarter, the developed currency model held a net short U.S. dollar position, which drew down amid the strong performance of the dollar (+7.6% on average versus the G10). In the smaller EM currency model we were net long the dollar, the performance of which was even stronger (+10.3% versus our EM universe), helping offset the negative performance.

Market selection in developed currencies was net negative, led by a short in Swiss francs, which largely kept pace with the dollar’s rise (ending the quarter only 0.5% weaker), and long exposure to the Norwegian krone, which was the worst performer against the dollar (-17%) as it was hit especially hard by the decrease in oil prices. Short exposure to Australian dollars and a long in Japanese yen were the two best performing positions in cross-section. In addition to gains from a net USD long, our emerging currency selection contributed a positive return this quarter, primarily from positions in the Latin America region.

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 0.64% 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 March 31, 2020



Inception date: 04/30/1997

Includes purchase premiums and redemption fees impact if applicable.

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-Fixed Income, Credit Risk, Illiquidity 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.

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.