

EMERGING COUNTRY DEBT FUND

Year Ending December 31, 2020

OVERVIEW

The GMO Emerging Country Debt Fund seeks total return in excess of that of its benchmark, the J.P. Morgan Emerging Markets Bond Index Global Diversified primarily through instrument rather than country selection. The Fund invests primarily in external sovereign and quasi-sovereign debt instruments of emerging countries.

PERFORMANCE (%)

Net of Fees, Class III, USD	+7.23
Gross of Fees, Class III, USD	+7.81
J.P. Morgan EMBI Global Diversified + ¹	+5.65
Value Added	+2.16

Major Performance Drivers

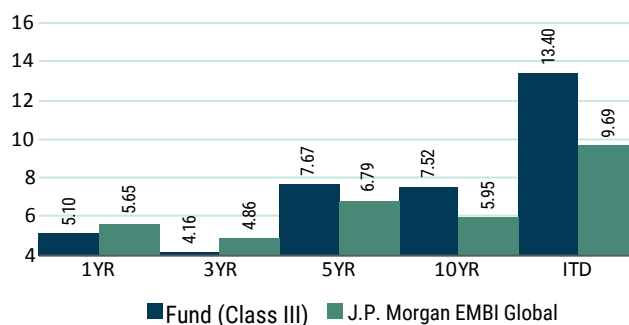
The J.P. Morgan EMBI Global Diversified + (EMBIG-D) benchmark returned +5.6% in 2020. The benchmark's credit spread over U.S. Treasuries widened by 61 bps to end the year at 352 bps, while U.S. rates fell in 2020, with the 10-year Treasury yield falling by 99 bps to 0.93%. Stripping out the Treasury component, the spread return on the index was -2.7%. As of March 1, 2020, the portfolio changed its benchmark so that the portfolio now seeks total return in excess of that of the J.P. Morgan Emerging Markets Bond Index Global Diversified (EMBIG-D). The portfolio formerly sought to outperform the J.P. Morgan Emerging Markets Bond Index Global (EMBIG).

The portfolio had positive alpha from security selection during the year, though country selection detracted alpha. In terms of country selection, overweight positions in Argentina (-23.8% total return) and Ecuador (-50.0%), and an underweight position in Qatar (+11.2%) detracted alpha, while positive alpha from underweight positions in Lebanon (-74.6%, the EMBIG-D's worst performer) and Angola (-1.3%) partly offset losses. While Uruguay (+17.2%) was the best performer in the EMBIG-D index in 2020, it did not factor significantly into portfolio alpha.

In terms of security selection, the portfolio had positive alpha during the year as its choice of holdings in Ecuador, Argentina, and Qatar contributed positively. While unable to fully offset security selection gains, the portfolio had negative alpha from its choice of holdings in Tunisia and Mexico. Holding of bonds in off-benchmark countries, which we consider security selection, contributed negatively to alpha during the year. The most notable country in this category was Venezuela, followed by losses provided by Israel and Chad.

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 investor's 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 0.54% 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 12/31/2020



Inception date: 04/19/1994

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 Credit Risk, Market Risk-Fixed Income, Illiquidity Risk, Derivatives and Short Sales Risk and Counterparty 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 J.P. Morgan EMBI (Emerging Markets Bond) Index Global Diversified + is an internally maintained benchmark computed by GMO, comprised of (i) the J.P. Morgan EMBI+ Index through 12/31/1999, (ii) the J.P. Morgan EMBI Index Global through 2/28/2020, and the J.P. Morgan EMBI Index Global Diversified (iii) thereafter. As of 3/31/2020, the Emerging Country Debt Strategy changed its benchmark and is now seeking total return in excess of that of the J.P. Morgan Emerging Markets Bond Index Global Diversified. The Strategy formerly sought to outperform the J.P. Morgan Emerging Markets Bond Index Global.