

EMERGING COUNTRY DEBT FUND

Quarter Ending March 31, 2021

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	-4.61
Gross of Fees, Class III, USD	-4.48
J.P. Morgan EMBI Global Diversified + ¹	-4.54
Value Added	+0.05

Major Performance Drivers

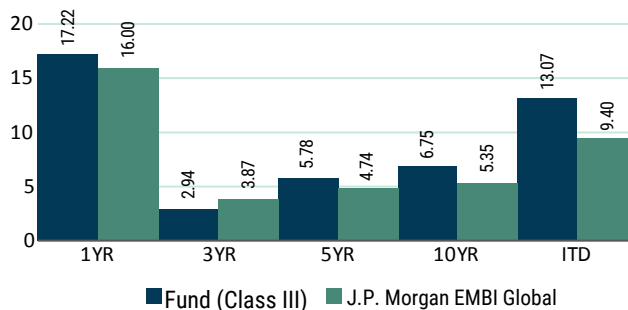
The J.P. Morgan EMBI Global Diversified + (EMBIG-D) index returned -4.5% in the first quarter of 2021. While the benchmark's spread over Treasuries widened by 3 bps over the course of the month, finishing at 354 bps, benchmark returns were driven by the upward trend in U.S. rates, with the 10-year Treasury yield rising by 81 bps to end the quarter at 1.74%.

The portfolio had negative alpha from country selection, while security selection had positive alpha during the quarter. In terms of country selection, overweight positions in Argentina (-15.1% total return, the EMBIG-D's worst performer for the quarter), Turkey (-7.7%), and Ecuador (-13.1%) contributed negatively, while positive alpha from the portfolio's overweight positions in Oman (+1.7%), Sri Lanka (+10.1%, the EMBIG-D's best performer for the quarter), and Costa Rica (+6.9%) partly offset losses.

In terms of security selection, the portfolio had positive alpha during the quarter, as its choice of holdings in Iraq, Turkey, and the Philippines contributed positively. While unable to fully offset security selection gains, the portfolio had negative alpha from its choice of holdings in Oman, Indonesia, and Bahrain. The holding of bonds in off-benchmark countries, which we consider security selection, also contributed positively to alpha during the quarter. The most notable countries in this category were Venezuela, Chad, and Israel.

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 03/31/2021



Inception date: 04/19/1994

Includes purchase premiums and redemption fees impact if applicable.

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As of March 1, 2020, the Emerging Country Debt Fund changed its benchmark so that the Fund now seeks total return in excess of that of the J.P. Morgan Emerging Markets Bond Index Global Diversified (EMBIG-D). The Fund formerly sought to outperform the J.P. Morgan Emerging Markets Bond Index Global (EMBIG).

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.