

EMERGING MARKETS FUND

Year Ending December 31, 2020

OVERVIEW

The GMO Emerging Markets Fund seeks total return in excess of that of its benchmark, the MSCI EM Index. GMO uses proprietary quantitative techniques and fundamental analysis to evaluate and select countries, sectors, and equity investments based on factors including, but not limited to, valuation, quality, patterns of price movement and volatility, macroeconomic factors, and ESG criteria.

PERFORMANCE (%)

Net of Fees, Class III, Fair Value, USD	+5.53
Gross of Fees, Class III, Local Close, USD	+6.52
MSCI Emerging Markets ¹	+18.31
Value Added	-11.79

Major Performance Drivers

Emerging markets began the year concerned about the impact of the coronavirus on China and global economic growth. These concerns morphed into a full-fledged rout in stock prices. Later in the year, investors, fueled by generous doses of fiscal and monetary measures plus encouraging news of coronavirus vaccines, soared on hopes of a robust economic recovery. Fewer than one third of the countries in the index ended the year above their start, but what mattered was the robust returns of the three largest markets – China, Taiwan, and Korea – that together account for ~65% of the asset class. Country returns varied, ranging from a 44.6% leap in Korea to a 26.9% fall in Greece. Sector returns also (uncharacteristically) spanned a similar range, varying from a 60.1% jump in Information Technology to a drop of 16.9% in Real Estate.

This was, by far, the worst year in value's 20-year history. Value as measured by the MSCI EM Value Index underperformed the MSCI EM Index by a staggering 12.8% (2017 was the second-worst year with an underperformance of 9.2%). Value's underperformance last year was unusual in magnitude but certainly not in pattern. Value has now trailed the broader benchmark (in annualized numbers) by 4.4% over the last 3 years, 3.6% over the last 5 years and 2.7% over the last 10 years.

Brazilian equities were negatively impacted by the pandemic and by fears of fiscal slippage. Toward the end of the year, some ground was clawed back on news of vaccines and the return of risk-seeking behavior. Our underweight in Brazilian Financials contributed to performance.

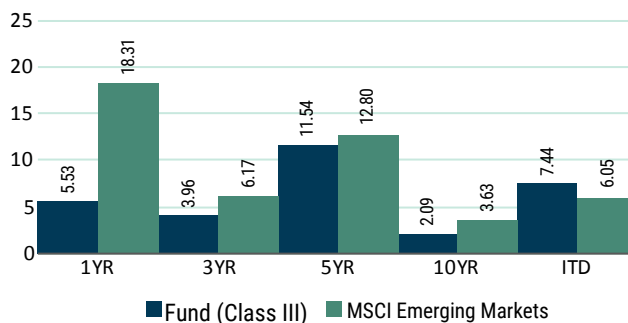
The Chinese stock market was supported by reports of resilient economic activity in China. Also fueling the market was a jump in enthusiasm from retail investors. The market lagged later in the year as its defensive nature was in lower demand from newly risk-seeking investors. Our underweight in China Consumer Discretionary hurt performance.

Equities in India dropped on concerns over the impact of the coronavirus on its fragile healthcare system and its weak economy. The drop in oil prices provided some relief to the market. Our underweight in Indian Financials added to performance.

Rising hopes of a global economic recovery boosted sentiment in Korea, a country hyper connected to world trade. Also boosting Korea was global demand for 5G, high-performance computing and artificial intelligence. Our underweight in Korean Information Technology negatively impacted performance.

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 0.90% 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: 12/09/1993

Includes purchase premiums and redemption fees impact if applicable.

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A steep drop in Energy prices pressured sentiment in Russia. Later in the year, investors worried over the impact of potentially higher sanctions from the Biden administration. Our overweight in Russian Energy detracted from performance.

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-Equities, Non-U.S. Investment Risk, Currency Risk, Management and Operational Risk and Illiquidity 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 MSCI Emerging Markets Index (MSCI Standard Index Series, net of withholding tax) is an independently maintained and widely published index comprised of global emerging markets large and mid capitalization stocks. MSCI data may not be reproduced or used for any other purpose. MSCI provides no warranties, has not prepared or approved this report, and has no liability hereunder.