

INTERNATIONAL EQUITY ALLOCATION FUND

Year Ending December 31, 2020

OVERVIEW

The GMO International Equity Allocation Fund seeks total return greater than that of its benchmark, the MSCI ACWI ex-USA Index.

PERFORMANCE (%)

Net of Fees, Class III, Fair Value, USD	+6.97
Gross of Fees, Class III, Local Close, USD	+7.59
MSCI ACWI ex USA ¹	+10.65
Value Added	-3.06

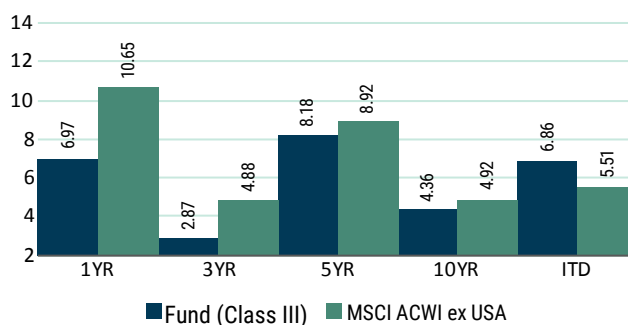
Major Performance Drivers

The Covid-19 pandemic rocked markets in the first quarter, with the MSCI ACWI ex-USA Index down -23.4%. Unprecedented global monetary and fiscal stimulus triggered an incredible recovery, which was further spurred on by positive vaccine developments in November. Despite the ongoing public health and economic uncertainties, MSCI ACWI ex-USA posted a, somewhat remarkable in the circumstances, 10.7% return for 2020. It was a major headwind to performance to have a valuation-driven approach to investing. For 2020, the difference between a value and growth approach was truly astounding, as the MSCI ACWI ex-USA Growth Index returned a whopping 22.2% while the MSCI ACWI ex-USA Value Index was actually negative, at -0.8%.

- Emerging equities, with an emphasis on undervalued stocks within attractively valued countries/sectors, represented an average position of 37% of the portfolio and returned 6.5%. Emerging markets did very well as a region, with the MSCI Emerging Markets Index posting an impressive 18.3%, and being overweight added to relative performance. A value bias was hugely detrimental, however, as the MSCI Emerging Markets Value Index trailed considerably with a relatively paltry 5.5% return.
- European equities accounted for 41% of the total portfolio on average through the year. This is broadly in line with the benchmark weight and had little impact on performance. Within European equities, our portfolio returned 4.6% which modestly lagged the MSCI Europe return of 5.4% but was well ahead of the MSCI Europe Value Index return of -5.1%.
- Japan equities accounted for 14% of the total portfolio on average through the year, which is a little underweight versus the benchmark and had a modest detrimental impact on performance as MSCI Japan posted a very solid 14.5% for 2020. Our Japan exposure had a return of 4.0%, which looks disappointing on the surface but was considerably ahead of the MSCI Japan Value Index return of 0.8%.
- The portfolio held 6% on average in the remaining catch-all “other international”. In aggregate, across allocation and stock selection, this had a significant positive impact on relative performance as stock selection was extremely strong in Australia.

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 0.67% 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: 10/11/1996

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, Market Risk-Equities, Non-U.S. Investment Risk Management and Operational Risk, Currency Risk and Derivative and Short Sale 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 ACWI ex USA Index (MSCI Standard Index Series, net of withholding tax) is an independently maintained and widely published index comprised of international (excluding U.S. and including emerging) 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.