

INTERNATIONAL EQUITY FUND

Year Ending December 31, 2020

OVERVIEW

The GMO International Equity Fund seeks to deliver high total return by investing primarily in non-U.S. developed market equities that GMO believes have positive return potential relative to other securities tied economically to international equity markets.

PERFORMANCE (%)

Net of Fees, Class III, Fair Value, USD	+7.46
Gross of Fees, Class III, Local Close, USD	+8.02
MSCI EAFE ¹	+7.82
Value Added	+0.20

Major Performance Drivers

The COVID-19 pandemic has been the driving force in financial markets, with extreme fear in March shifting slowly to relief that things were not worse and then to a degree of positivity around encouraging vaccine news in November. Amid the COVID-19 storm, it has been one of the worst years on record for value investing. We have learned the hard way over the years that value investing has a habit of underperforming for longer than is palatable for anyone but the ardent believer. For that reason, we have always sought to diversify the value signal with other techniques, many of which have their best moments when value is struggling. Non-value parts of the process performed admirably in 2020 and were the primary reason for portfolio performance not suffering as badly as the popular value indices.

Positive contributors to benchmark-relative performance in 2020:

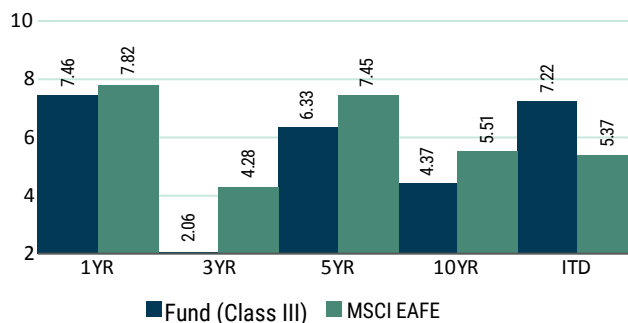
- Australian materials stock selection added value, including top contributor Fortescue Metals Group, a name held overweight due to its strong growth prospects and attractive valuation.
- Utilities stock selection was also a top contributor, including overweight positioning in Energias de Portugal (Portugal) and Enel (Italy), both deemed attractive on a mix of valuation and growth.
- Underweight sector positioning in Energy, Financials, and Real Estate also added value. UK underweights toward HSBC Holdings (Financials) and BP (Energy) exemplified this positioning, with both being viewed as relatively expensive given their poor growth prospects and red flags from corporate alerts.

Detractors from relative performance in 2020:

- Stock selection in Japan was a notable challenge, including in the Communication Services, Materials, and Health Care sectors.
- Health Care was the largest sector-level stock selection detractor. Pharmaceutical names, including GlaxoSmithKline, were among the top detractors despite being attractively valued.
- Industrials also detracted with much of the value lost from holding International Consolidated Airlines (United Kingdom) as COVID-19 hit air travel.

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 0.69% 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: 03/31/1987

Includes purchase premiums and redemption fees impact if applicable.

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Looking forward, we start 2021 with a good deal of optimism, not just because we feel the case for value now is as compelling as it has been for decades, but also because we continue to be excited about the work we are undertaking behind the scenes to further evolve our investment process. Given that GMO believes that value as a style is just about as well placed as it ever gets, we chose to prioritize a couple of important value-oriented projects on the research agenda in 2020. Two new models launched in the fourth quarter included a sector model and a Price to Fair Value (PFv) model, a value model that seeks to produce a fair value estimate of a stock's net worth. We feel these are both permanent return-enhancing additions to the investment process and potentially strong tactical contributors given the current case for value.

Year-ending weights, as a percent of equity, for the positions mentioned were: Fortescue Metals Group (2.8%), Energias de Portugal (2.2%), Enel (1.4%), HSBC Holdings (0.2%), BP (0.1%), GlaxoSmithKline (1.8%), and International Consolidated Airlines (0.0%).

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, Management and Operational Risk Non-U.S. Investment Risk, Currency Risk and Focused Investment 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 EAFE (Europe, Australasia, and Far East) Index (MSCI Standard Index Series, net of withholding tax) is an independently maintained and widely published index comprised of international 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.