Opportunistic Income Fund

Year Ending December 31, 2018

OVERVIEW:

The GMO Opportunistic Income Fund seeks capital appreciation and current income by investing primarily in securitized credit securities.

Performance (%)	
Net of Fees, Class VI, USD	+4.02
Gross of Fees, Class VI, USD	+4.51
Bloomberg Barclays U.S. Securitized+ [1]	+0.99
Value Added	**+3.52**

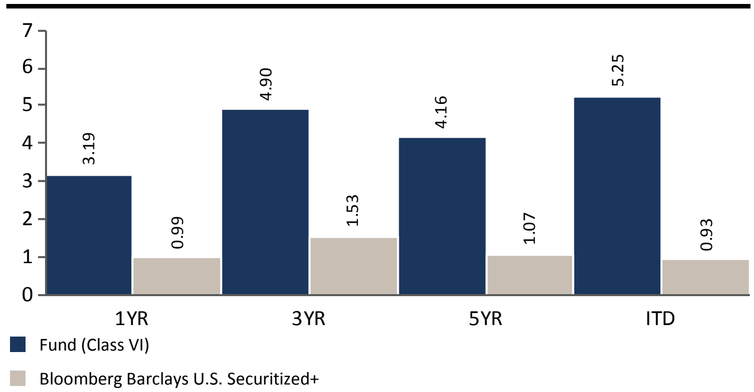
Major Performance Drivers

Total returns for securitized products were negative for 2018, and base rates (swap and Treasury yields) showed volatility during the year. Overall, corporate credit market spreads moved wider, particularly in the fourth quarter of the year, with Investment Grade (IG) and High Yield (HY) each posting -2.3% in total return. On the base rate side, swap rates were volatile in 2018, rising steadily during most of the year, by 97 basis points to a high of 3.2% (US 5-Year) in November, before rallying into year-end, falling by 64 basis points from the high to end the year at 2.6% (33 basis points wider year over year).

In structured products, excess returns (vs. swaps/LIBOR) were mixed in 2018 as positive performance from the first three quarters of the year was pared back given negative performance during a decidedly turbulent fourth quarter. Credit Risk Transfer (CRT) deals on residential mortgages showed mixed performance as excess returns at the top of the structure posted -0.4% to +0.2%. Down the capital stack in CRT, non-rated tranches had positive excess returns in the -0.1% to +2.2% range (these positions are very structurally levered and tend to exhibit a significantly greater amount of beta than cash Non-Agency bonds). Additionally, in the residential space, Non-Agency Residential Mortgage-Backed Securities (RMBS) bond performance on the various collateral types was mostly positive in 2018 (-0.4% to +1.6%) as reduction of supply provided a tailwind during much of the year. The top performing sector was Prime Fixed, returning +1.6% on the year. Single Family Rental (SFR), a somewhat hybrid member of the RMBS cohort, was more mixed with excess returns across the capital structure ranging from -0.5% to +0.6%. In Commercial Mortgage-Backed Securities (CMBS), a longer duration asset, the year began with cash spreads pulling back a bit as new issue supply came back to the market with mixed results. Spreads continued to tighten in the second and third quarters as new issue supply underwhelmed and credit curve flattening persisted in secondary markets. Volatility returned to the CMBS market in October, given increased macro volatility and the impact of the Sears bankruptcy, and intensified into year-end with spreads widening across tranches. Overall, CMBS still finished up approximately +0.1% excess, with LCF AAA securities posting -0.2% while lower-rated BBB tranches posted +3.5% excess

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 0.50% is equal to the Funds Total Annual Operating Expenses set forth in the Funds most recent prospectus dated June 30, 2018.

Annualized Return (%) as of December 31, 2018



Inception date: 10/03/2011
Chart returns include purchase premiums and redemption fees impact if applicable.

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returns. BBB conduit bonds performed as well as any structured product credit asset class in 2018.

Shorter duration fixed rate Auto ABS performance was marginally positive with +0.1% excess returns. Floating rate ABS performance from Students Loans was also positive, posting +0.2% excess returns on the year. The Collateralized Loan Obligation (CLO) market underperformed in 2018, particularly in the fourth quarter of the year as credit concerns arose in the underlying leverage loan market, with loans selling off multiple points and resulting in weakness leaking into the CLO space. Overall performance in CLOs (-1.0%) was negative in 2018, as were excess returns in the lower part of the capital structure, with BBB posting -2.9% and BB posting -2.5%.

Absolute performance was positive in 2018, with the Student Loan sector driving gains. RMBS, Small Balance Commercial, CLO, CMBS, and Auto sectors also posted gains during the year, as did hedge positions that offset some of the widening that occurred within the portfolio’s bonds late in the year.

At year-end, 19% of the portfolio was rated AAA, although approximately 31% of the portfolio was rated single A or better. Approximately 27% of the portfolio was invested in Student Loans, 19% in RMBS, 17% in CDO and CLO securities, 15% in Small Balance Commercial, 14% in CMBS, 1% in Autos, and 2% in other ABS.

*Ratings are the lowest of Moody’s, Standard & Poor’s, Fitch, DBRS and Kroll. No rating is used if none of the five listed provide a rating.

[1] The Bloomberg Barclays U.S. Securitized + Index is comprised of the J.P. Morgan U.S. 3 Month Cash Index through 12/30/2016 and the Bloomberg Barclays U.S. Securitized: MBS, ABS, CMBS Index thereafter.