

OPPORTUNISTIC INCOME FUND

Year Ending December 31, 2020

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	+3.33
Gross of Fees, Class VI, USD	+3.81
Bloomberg Barclays U.S. Securitized+ ¹	+4.18
Value Added	-0.37

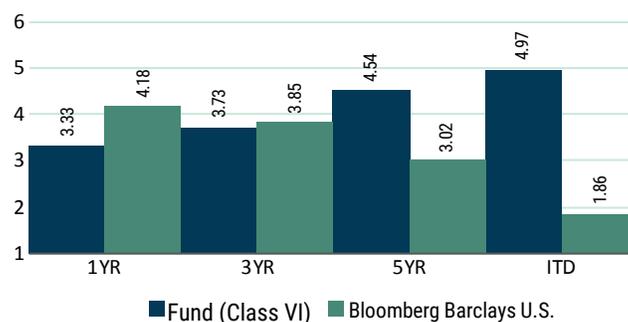
Major Performance Drivers

Total returns for securitized products were positive in 2020, and base rates (swap and Treasury yields) moved lower, resulting in mostly positive total returns for fixed rate assets. Widespread global growth fears related to the COVID-19 pandemic battered financial markets substantially in the first quarter of 2020, with spreads widening significantly as markets sold off. Financial markets rebounded following the March sell-off, with credit spreads tightening steadily over the remainder of the year in response to significant support provided by the Federal Reserve, the phased reopening of the U.S. economy from the pandemic-induced lockdown, and the highly anticipated rollout of the COVID-19 vaccine. Overall, in the corporate credit markets, returns were positive with Investment Grade finishing with a +9.8% total return, and High Yield returns at +6.2%. On the base rate side, swap rates net fell by 130 basis points, ending the year at 0.43% (U.S. 5-year).

In structured products, excess returns (vs. swaps/Libor) were mixed in 2020. Credit Risk Transfer deals on residential mortgages reported mixed excess returns, ranging from -4.0% to +2.3% on various tranches. Additionally, in the residential space, Non-Agency Residential Mortgage-Backed Securities (RMBS) performance was also mixed with various collateral type excess returns from -3.5% to +3.6% in 2020. Single Family Rentals, a somewhat hybrid member of the RMBS cohort, posted gains, with excess returns across the capital structure ranging from +1.0% to +1.9%. In Commercial Mortgage-Backed Securities (CMBS), a longer duration asset, overall performance was down -0.3% in excess on the year, with "last cash flow" (LCF) AAA securities posting +0.6% excess returns, and lower-rated BBB tranches posting -8.1%. Shorter duration fixed rate Auto Asset-Backed Securities (ABS) were positive during the year, returning +0.6%. Floating-rate ABS performance from Students Loans was also positive in 2020, posting +1.9% excess returns. Overall performance in the Collateralized Loan Obligation (CLO) market was up +2.9% in excess during the year; excess returns in the lower part of the capital structure were significantly higher, with BBB posting +5.5% and BB posting +7.5% in 2020.

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 0.51% 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: 10/03/2011
Includes purchase premiums and redemption fees impact if applicable.

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At year-end, 32% of the portfolio was rated AAA, though approximately 41% of the portfolio was rated single-A or better. Approximately 23% of the portfolio was invested in RMBS, 22% in Student Loans, 19% in CMBS, 16% in CDO and CLO, 9% in Small Balance Commercial, and 2% in other ABS.

Absolute performance was positive for the year, with gains driven by the RMBS sector. Other sectors, including Student Loans, CLO, Small Balance Commercial, CMBS, and other ABS sectors, also contributed positively in 2020, as did the portfolio's relative value synthetic trades and credit hedge positions.

(Ratings are lowest of Moody's, Standard & Poor's, Fitch, DBRS, and Kroll. No rating is used if none of the five listed provides a rating.)

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 - Asset-Backed Securities, Illiquidity Risk, Focused Investment Risk, and Market Risk - Fixed Income. 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 Bloomberg Barclays U.S. Securitized + Index is an internally maintained benchmark computed by GMO, comprised of (i) the J.P. Morgan U.S. 3 Month Cash through 12/30/2016 and (ii) the Bloomberg Barclays U.S. Securitized thereafter.