

Opportunistic Income Fund

Quarter Ending December 31, 2019

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	+0.16
Gross of Fees, Class VI, USD	+0.28
Bloomberg Barclays U.S. Securitized+ ¹	+0.63
Value Added	-0.36

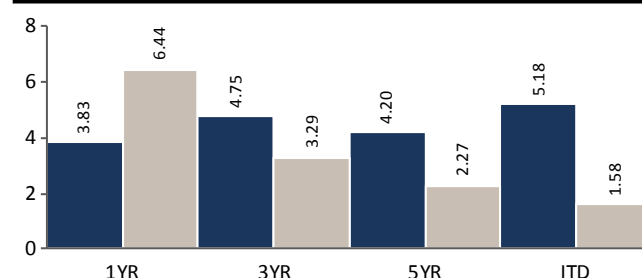
Major Performance Drivers

Total returns for securitized products were again positive in Q4 2019, while base rates (swap and Treasury yields) showed volatility during much of the quarter. After a quick early quarter rally, rates sold off as the U.S. and China reached their so-called “skinny” trade deal, which basically served as a tension-easing truce. Reversing course, rates briefly fell when the Federal Reserve cut rates for a third time this year on October 30, before returning to their upward trajectory in November on U.S. economic growth and easing trade tensions. In December, the U.S. and China agreed on a “phase-one” trade deal, which continued to put upward pressure on rates into year-end. Overall, in the corporate credit markets, returns were positive with Investment Grade finishing with a +1.1% total return, and High Yield returns were +2.6%. On the base rate side, swap rates rose by 23 basis points ending at 1.73% (U.S. 5-year).

In structured products, excess returns (vs swaps/Libor) were primarily positive in the final quarter of 2019, with down-in-quality sectors generally outperforming those higher in quality. Credit Risk Transfer (CRT) deals on residential mortgages provided positive excess returns, ranging from +0.2% to +1.3% on various tranches. Additionally, in the residential space, Non-Agency Residential Mortgage Backed Securities (RMBS) bond performance was positive with various collateral type excess returns from +0.8% to +1.1% in Q4. Single Family Rentals (SFR), a somewhat hybrid member of the RMBS cohort, also performed well, with excess returns across the capital structure ranging from +0.4% to +1.0%. In Commercial Mortgage Backed Securities (CMBS), a longer duration asset, overall performance was up +0.4% in excess on the quarter, with LCF AAA securities posting +0.4% excess returns, and lower-rated BBB tranches posted +0.3%. Shorter duration fixed rate Auto ABS was also positive during the quarter, returning +0.1%. Floating rate ABS performance from Students Loans was negative in Q4, posting -0.6% excess returns. Overall performance in the Collateralized Loan Obligation (CLO) market was up +0.7% in excess during the quarter; excess returns in the lower part of the capital structure were also positive, with BBB posting +1.4% and BB posting +3.8% in Q4.

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 0.53% is equal to the Funds Total Annual Operating Expenses set forth in the Funds most recent prospectus dated June 30, 2019.

Annualized Return (%) as of December 31, 2019



■ Fund (Class VI)
■ Bloomberg Barclays U.S. Securitized+

Inception date: 10/03/2011

Includes purchase premiums and redemption fees impact if applicable.

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At quarter-end, 26% of the portfolio was rated AAA, although approximately 38% of the portfolio was rated single A or better. Approximately 25% of the portfolio was invested in Student Loans, 21% in CDO and CLO securities, 20% in RMBS, 14% in CMBS, 13% in Small Balance Commercial, and 2% in other ABS.

Absolute performance was positive for the quarter, with key contributions coming from CLO, CMBS, and RMBS sectors. Other sectors, including Small Balance Commercial, Student Loan, and other ABS sectors, also contributed positively in Q4. Partly offsetting gains, portfolio's hedge positions in synthetic credit products detracted.

(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.