

RISK PREMIUM FUND

Quarter Ending December 31, 2020

OVERVIEW

The GMO Risk Premium Fund seeks total return commensurate with the equity risk premium over a full market cycle with less volatility than global equity markets, primarily by selling put options on stock indices.

PERFORMANCE (%)

Net of Fees, Class III, Fair Value, USD	+7.82
Gross of Fees, Class III, Local Close, USD	+7.95
CBOE S&P 500 PutWrite Index ¹	+8.02
Value Added	-0.07

Major Performance Drivers

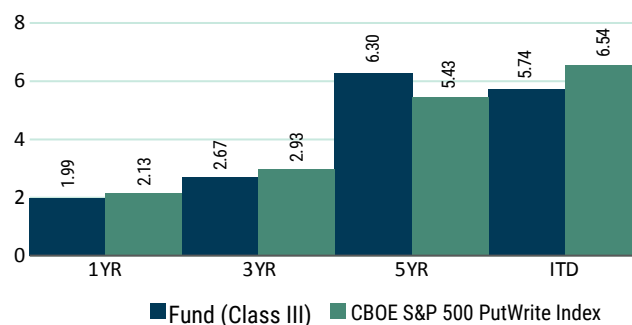
The fourth quarter revolved around two large catalysts: the U.S. general election and rapid vaccine approvals with higher-than-expected efficacy rates. Naturally, broad markets repriced, and equity style factors rotated swiftly in response to both developments. Interestingly, while implied volatility headed lower following a reduction in risk premium, the decline in volatility was much smaller than one would expect by only peering at equity prices. Indeed, while broad equity indexes performed well over the quarter, the VIX couldn't breach below 20 implied volatility points. Meanwhile, realized volatility was low and contained. Together this led to healthy and wide margins for volatility risk premium. We view this as encouraging and a sign that there are opportunities in this space.

The presence of retail investors on options markets continued to be evidenced by the difference in pricing between index volatility and single name volatility. In particular, retail investors bid on call options on high volatility single stock tickers, leading to differential pricing between single name skews and index skews (the difference between the implied volatility of a put less the implied volatility of a call), the latter market being dominated by institutional investors.

Over the quarter, the portfolio gained in absolute terms. Performance was directionally consistent with the performance of equities, which is to be expected given the positive beta to the broad market. The portfolio declined in October but gained in November and December, in line with the equity market. However, given the strength of the equity market rally and a strategy beta lower than one, the portfolio lagged the equity market. The portfolio outperformed the CBOE S&P 500 PutWrite benchmark slightly gross of fees, but underperformed slightly in net terms.

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 investor's 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 0.44% 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: 12/14/2012

Includes purchase premiums and redemption fees impact if applicable.

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, Illiquidity Risk, Derivatives and Short Sales Risk, Management and Operational Risk and Counterparty 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 CBOE S&P 500 PutWrite Index is designed to sell a sequence of one-month, at-the-money, S&P 500 Index puts and invest cash at one- and three-month Treasury Bill rates. The number of puts sold varies from month to month, but is limited so that the amount held in Treasury Bills can finance the maximum possible loss from final settlement of the S&P 500 Index puts.