

SGM MAJOR MARKETS FUND

Quarter Ending March 31, 2021

OVERVIEW

The GMO SGM Major Markets Fund seeks long-term total return by typically investing in a portfolio of long and short positions in a range of global equity, bond, currency, and commodity markets, primarily by using exchange-traded and over-the-counter futures, forward currency contracts, swaps on commodity indices and index options.

PERFORMANCE (%)

Net of Fees, Class III, USD	-4.53
Gross of Fees, Class III, Local Close, USD	-4.25
FTSE 3-Mo. TBill+++ ¹	+0.02
Value Added	-4.26

Major Performance Drivers

The continued and accelerating rollout of vaccination programs across the world provided confidence to equity markets early in the year, as too did accommodative central banks and generous government stimulus programs. It appeared as though equity markets, at least, were envisioning light at the end of the pandemic tunnel. This was reflected in market returns over the quarter, with most major equity indices finishing the period higher. Bond markets were less comfortable, however. The continuous supply of loose money and concerns around the possibility of inflation and future rate rises started to unsettle markets, contributing to longer dated rates rising, yield curves steepening, and one of the worst quarterly drawdowns seen in decades. This was most pronounced in the (relatively) higher yielding, and arguably better valued markets, leaving many bondholders battered.

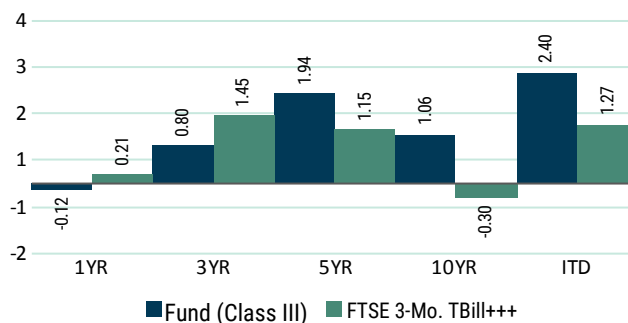
Given the impact that low yields have had on markets, a shift of this magnitude could not happen in isolation. Growth stocks, having enjoyed the tailwinds of a declining rate environment were now experiencing the headwinds of the reverse. While most bourses continued to rally through this change in the direction of interest rates, value stocks outperformed their growth counterparts across the globe. Unfortunately, this rotation towards value stocks was not clearly reciprocated or observed at the country level. Markets trading at relatively more expensive multiples continued to outperform those trading at less demanding valuations, despite the movements within the markets themselves. We remain extremely constructive on the outlook given both the longer-term valuation spreads on offer within and across asset classes and shorter-term dislocations our process is identifying. The valuation spreads within equities are some of the largest we have witnessed since the inception of the strategy almost two decades ago. We remain confident and comfortable in how the portfolio is positioned to capitalize on the rich opportunity set and provide a source of returns independent of structural market betas.

The combination of rapid changes in yields, and the continuation of expensive markets outperforming those more attractively valued, both in equities and bonds, made for a difficult quarter for the portfolio. The portfolio delivered a negative return over the period, with bonds and currency positioning having the greatest impact on performance. A net long equities exposure and a long position in emerging markets added value, however, losses from short positions in the U.S. market partially offset these gains. U.S. dollar strength during the period weighed on returns

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 1.06% is equal to the Funds Total Annual Operating Expenses set forth in the Funds most recent prospectus dated June 30, 2020.

Effective October 3, 2011, the fund implemented a new investment strategy and performance from periods prior to that date represents a different investment strategy than the one that the fund is currently pursuing.

ANNUALIZED RETURN (%) AS OF 03/31/2021



Inception date: 04/11/2005

Includes purchase premiums and redemption fees impact if applicable.

SGM MAJOR MARKETS FUND

Quarter Ending March 31, 2021

as the greenback outperformed European and Japanese currencies, held long. The increase in yields led to losses from bond positioning as many of the markets offering a higher real yield were sold off more than lower yielding markets. Commodities detracted in aggregate, driven by losses from gold and corn futures, whilst positioning within energy markets was additive to performance.

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 Management and Operational Risk, Market Risk-Equities, Currency Risk, Commodities Risk and Futures Contracts 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 FTSE 3-Month Treasury Bill +++ Index is an internally maintained benchmark computed by GMO, comprised of (i) 50% J.P. Morgan U.S. 3 Month Cash Index and 50% Bloomberg Commodity Total Return Index through 10/31/2011 and (ii) FTSE 3-Month Treasury Bill Index thereafter.