

Tax-Managed International Equities Fund

Year Ending December 31, 2019

OVERVIEW:

The GMO Tax-Managed International Equities Fund seeks to deliver high after-tax total return by investing primarily in international equities that GMO believes have positive return potential relative to other securities tied economically to international equity markets.

Performance (%)

Net of Fees, Class III, Fair Value, USD	+23.31
Gross of Fees, Class III, Local Close, USD	+24.37
MSCI EAFE ¹	+22.01
Value Added	+2.35

Major Performance Drivers

2019 outperformance was driven by strong stock selection late in the year among valuation-oriented positions which were also underpinned by positive sentiment from other asset classes, as well as stocks identified as having strong fundamental growth prospects. While 2019 started with exceptionally strong performance in January, value headwinds subsequently saw the portfolio give back gains and lose value through August. In September and October, a rebound in value underpinned improved performance, followed by contributions from positions motivated by a mix of valuation and sentiment from other asset classes toward the end of the year.

Positive contributors to performance in 2019

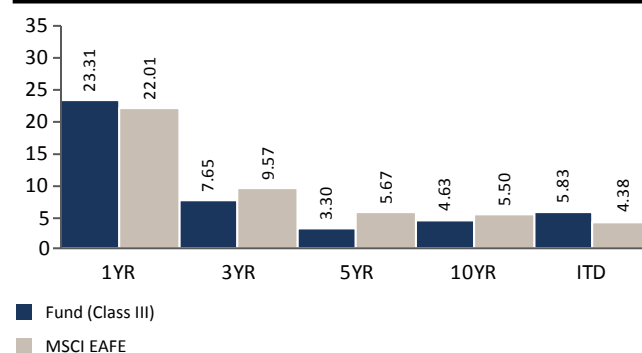
- Stock selection in the U.K. was a key contributor to outperformance, with positions motivated in part by cross-asset signals from the recently enhanced country model. Top contributors included domestically oriented Consumer Discretionary stocks with attractive valuations such as homebuilders Persimmon and Barratt Developments, and retailer Next.
- Stock selection in Consumer Staples was also strong with a range of attractively valued names contributing including JBS (Brazil), L'Oreal (France), and WH Group (Hong Kong).
- Gazprom (Russia) was a top contributor for the year and underpinned the value added in the Energy sector. The position was motivated by a mix of valuation, attractive growth prospects, and positive sentiment from other asset classes.

Detractors in 2019

- Industrials were among the worst performers including valuation-oriented positions in Lufthansa (Germany), Sojitz (Japan) and Marubeni (Japan).
- Materials, particularly Japanese chemical companies, were also among the largest detractors in 2019, continuing a 2018 theme. Holdings included Sumitomo Chemical and Mitsubishi Chemical.
- Stock selection in the Netherlands was also challenging as we favored valuation-oriented Financials, while avoiding semiconductor and related equipment stocks which rallied despite middling forecasts across model groups.

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 1.33% 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



Inception date: 07/29/1998

Includes purchase premiums and redemption fees impact if applicable.

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Year-ending weights, as a percent of equity, for the positions mentioned were: Persimmon (1.6%), Barratt Developments (1.3%), Next (0.6%), JBS (0.9%), L’Oreal (2.7%), WH Group (1.2%), Gazprom (1.2%), Lufthansa (0.2%), Sojitz (0.7%), Marubeni (0.0%), Mitsubishi Chemical (1.3%), and Sumitomo Chemical (0.4%).

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, Non-U.S. Investment Risk Management and Operational Risk, Currency Risk and Illiquidity 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 MSCI EAFE (Europe, Australasia, and Far East) Index (MSCI Standard Index Series, net of withholding tax) is an independently maintained and widely published index comprised of international large and mid capitalization stocks. MSCI data may not be reproduced or used for any other purpose. MSCI provides no warranties, has not prepared or approved this report, and has no liability hereunder.