

# U.S. SMALL CAP VALUE FUND

## Investment Review: Quarter Ending December 31, 2022

### OVERVIEW

The GMO U.S. Small Cap Value Fund seeks to generate total return in excess of its benchmark, the S&P Small Cap 600 Value Index, by investing primarily in equities of U.S. companies that are included in the S&P 600 Index or whose market capitalization at the time of investment is less than that of the 1000 largest publicly held companies.

### PERFORMANCE (%)

Net of Fees, Class VI, USD	+11.90
Gross of Fees, Class VI, USD	+12.03
S&P SmallCap 600 Value <sup>1</sup>	+11.18
<b>Value Added</b>	<b>+0.85</b>

### Major Performance Drivers

Markets rebounded in the fourth quarter amid the hope that high inflation levels were moderating and that higher interest rates might not push the U.S. into recession given its strong employment numbers. The Russian aggression in Ukraine continued to weigh on energy and food prices, but the abrupt reversal in December of China's Covid lockdowns raised hopes that the world was taking another step toward normality. Communication Services stocks declined but all other sectors ended in positive territory within the S&P Small Cap 600 Value index and the majority of sectors posted double-digit increases.

The S&P Small Cap 600 Value index outperformed the S&P Small Cap 600 Growth index in the fourth quarter. In this environment, Value models posted robust performance, with additional contributions from Cross Asset signals and Corporate Alerts.

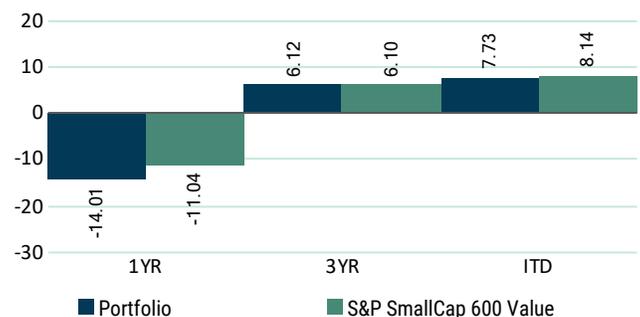
Sector allocation decisions added value in the quarter, including an overweight toward Materials and an underweight toward Health Care. While in aggregate stock selection was only incrementally additive, results in Information Technology, Health Care, Financials, Consumer Discretionary, and Consumer Staples were all strongly positive.

Challenges in the quarter included stock selection within Energy, Materials, and Real Estate. The largest detractors included overweight positioning toward attractively valued Anywhere Real Estate (Real Estate), Designer Brands (Consumer Discretionary), and AMC Networks (Communication Services).

Portfolio weights, as a percent of equity, for the positions mentioned were: Anywhere Real Estate (1.4%), Designer Brands (0.8%), and AMC Networks (0.9%).

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](http://www.gmo.com). Gross Expense Ratio of 0.42% is equal to the Funds Total Annual Operating Expenses set forth in the Funds most recent prospectus dated June 30, 2022.

### ANNUALIZED RETURN (%) AS OF 12/31/2022



Inception date: 07/02/2019

Includes purchase premiums and redemption fees impact if applicable.

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**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](http://www.gmo.com). Read the prospectus carefully before investing.**

Risks Associated with investing in the Fund may include, Market Risk-Equities, Management and Operational Risk, Small Company Risk, Focused Investment 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.

<sup>1</sup> The S&P SmallCap 600 Value Index is an independently maintained and widely published index comprised of value stocks within the S&P SmallCap 600 index. The S&P SmallCap 600 seeks to measure the small-cap segment of the U.S. equity market. Value stocks are measured using three factors: the ratios of book value, earnings, and sales to price. S&P does not guarantee the accuracy, adequacy, completeness or availability of any data or information and is not responsible for any errors or omissions from the use of such data or information. Reproduction of the data or information in any form is prohibited except with the prior written permission of S&P or its third-party licensors.