

BENCHMARK-FREE ALLOCATION FUND

Investment Review: Quarter Ending December 31, 2022

OVERVIEW

The GMO Benchmark-Free Allocation Fund seeks to generate positive total return by investing the Fund's assets in asset classes GMO believes offer the most attractive return and risk opportunities. GMO uses its multi-year forecasts of returns among asset classes, together with its assessment of the relative risks of such asset classes, to determine the asset classes in which the Fund invests.

PERFORMANCE (%)

Net of Fees, Class III, Fair Value, USD	+7.89
Gross of Fees, Class III, Local Close, USD	+7.95
CPI Index ¹	+0.46
Value Added	+7.49

Major Performance Drivers

- Top-down asset allocation was strongly positive, driven largely by allocating to equities in a recovering market.
- Security selection was nicely positive across the board, though driven primarily by equities.

Long-only equities represented 40.3% of the portfolio on average through the quarter, with 10.0% in Emerging Markets and 6.0% in Emerging Markets ex-China, both with a distinct Value bias, 5.9% in Japan Value, and 5.2% in developed ex-U.S. Small Value. There was a 6.2% average exposure in Developed ex-U.S., a 3.1% exposure to Resource Equity, an average 3.0% exposure to Quality Cyclical as we continued to close out the offsetting short positions. In December we initiated a position in U.S. Opportunistic Value, which averaged 0.7% exposure. There is a small residual of equity exposure that is beta-hedged by short broad market futures.

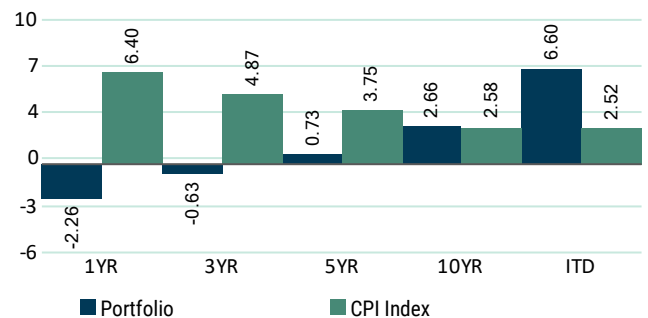
The equity portfolio returned 14.0% for the quarter, well ahead of the MSCI ACWI return of 9.8%. Top-down regional exposures proved very helpful as the dollar finally started to soften after a very strong run. Security selection was also good for the quarter as Value outperformed. Our Emerging Markets portfolio returned 13.2%, ahead of the MSCI Emerging Market index return of 9.7%, while the Emerging Markets ex-China portfolio posted an increase of 11.4%, ahead of the MSCI Emerging ex-China benchmark's 8.0% return. The Japan portfolio posted a gain of 13.3%, compared to the TOPIX return of 13.2%, and the developed ex-U.S. Small Cap portfolio delivered a 19.1% return, 210 bps ahead of its benchmark. The Developed ex-U.S. exposure posted an impressive 19.6% and Quality Cyclical returned 12.6%, both a couple of percent ahead of their benchmarks, while Resources delivered 15.2%, lagging its benchmark.

Alternatives and equity long/short positions averaged 43.1% through the quarter. The alternatives included 10.0% in Systematic Global Macro, 6.1% in Event-Driven, 4.4% in Fixed Income Absolute Return, and 20.1% in Equity Dislocation. The equity long shorts averaged 2.6% in Quality Cyclical, offset by short positions in S&P 500 futures.

Alternative strategies returned 2.8% for the quarter and the equity long/shorts returned 6.2%. All of the underlying strategies recorded positive returns with the laggard, Fixed Income Absolute Return, posting 0.2% as losses in emerging currency mostly offset gains in developed currencies and rates. Event-Driven was up 1.0%, the main headline being a Canadian court ruling in favor of Shaw's acquisition by Rogers Communications. Equity Dislocation was up a solid 2.0%, although this did trail MSCI ACWI Value minus MSCI ACWI Growth. Systematic Global Macro returned an

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 1.17% 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: 07/23/2003

Includes purchase premiums and redemption fees impact if applicable.

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impressive 6.8%, spurred on by positioning in equities and aided by a good performance in currencies. Equity long/shorts returned 6.2%, as Quality Cyclical comfortably outpaced the S&P 500.

Fixed income represented 16.1% of the portfolio on average through the quarter, including 4.5% in Asset-Backed Securities, 8.0% in High Yield and a select number of distressed credits, and 3.7% in Emerging Country Debt.

Our fixed income strategies returned 4.7% for the quarter, far ahead of the Bloomberg U.S. Aggregate return of 1.9%. Emerging Country Debt, as measured by the J.P. Morgan EMBIG-D index, rebounded strongly with an 8.1% return, and our portfolio outperformed the benchmark with an excellent 11.0% return. The High Yield/Distressed positions returned 3.8%, a little behind the BofA Merrill Lynch U.S. High Yield benchmark's return of 4.0%, and asset-backed securities posted 1.3%, behind the Bloomberg U.S. Securitized index return of 2.1%.

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, Non-U.S. Investment Risk, Market Risk-Fixed Income and Derivatives and Short Sales 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 CPI (Consumer Price Index) for All Urban Consumers US All Items is published monthly by the U.S. government as an indicator of changes in price levels (or inflation) paid by urban consumers for a representative basket of goods and services. CPI Index returns are updated on the 15th of the month and may or may not be current.