

# EMERGING DOMESTIC OPPORTUNITIES FUND

Year Ending December 31, 2020

## OVERVIEW

The GMO Emerging Domestic Opportunities Fund's investment objective is total return. The Fund begins with country and sector allocation and then uses fundamental analytical techniques to select individual companies whose prospects are linked to the internal ("domestic") development and growth of the world's non-developed markets ("emerging markets").

## PERFORMANCE (%)

Net of Fees, Class II, Fair Value, USD	+18.23
Gross of Fees, Class II, Local Close, USD	+19.55
MSCI Emerging Markets <sup>1</sup>	+18.31

## Major Performance Drivers

Emerging markets began the year concerned about the impact of the coronavirus on China and global economic growth. These concerns morphed into a full-fledged rout in stock prices. Later in the year, investors, fueled by generous doses of fiscal and monetary measures plus encouraging news of coronavirus vaccines, soared on hopes of a robust economic recovery. Fewer than one-third of the countries in the index ended the year above their start, but what mattered was the robust returns of the three largest markets – China, Taiwan, and Korea – that together account for ~65% of the asset class. Country returns varied, ranging from a 44.6% leap in Korea to a 26.9% fall in Greece. Domestic demand driven sector returns also (uncharacteristically) spanned a similar range, varying from a 60.1% jump in Information Technology to a drop of 16.9% in Real Estate.

The Chinese stock market was supported by reports of resilient economic activity in China. Also fueling the market was a jump in enthusiasm from retail investors. The market lagged later in the year as its defensive nature was in lower demand from newly risk-seeking investors. Our holdings in China Communication Services added to performance.

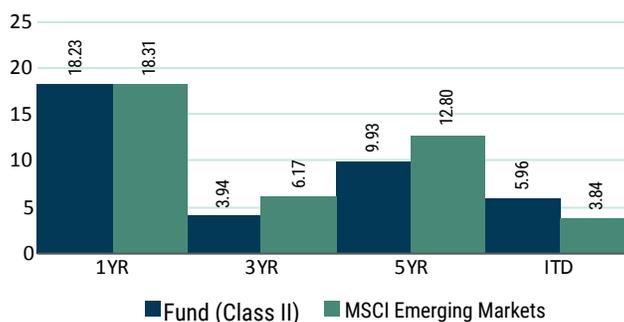
Even high-quality banks tend to carry higher leverage than firms in other industries and are therefore particularly susceptible to changes in economic conditions. Our avoidance of Financials positively impacted performance.

Equities in India dropped on concerns over the impact of the coronavirus on its fragile healthcare system and its weak economy. The drop in oil prices provided some relief to the market. Our investments in Indian Financials negatively impacted performance.

A steep drop in Energy prices pressured sentiment in Russia. Later in the year, investors worried over the impact of potentially higher sanctions from the Biden administration. Our investment in Russian Financials hurt performance. Global demand for 5G, high-performance computing and artificial intelligence was a strong tailwind for the Taiwanese IT sector for most of the year. There were some tremors in August as U.S. sanctions on sales to Chinese Technology firm Huawei created uncertainty about the infrastructure equipment business and over the rollout of 5G networks worldwide. Our holdings in Taiwan IT helped performance.

**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](http://www.gmo.com). Gross Expense Ratio of 1.14% 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: 03/24/2011

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, Non-U.S. Investment Risk, Currency Risk, Management and Operational 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 MSCI Emerging Markets Index (MSCI Standard Index Series, net of withholding tax) is an independently maintained and widely published index comprised of global emerging markets 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.