

GLOBAL ASSET ALLOCATION FUND

Year Ending December 31, 2020

OVERVIEW

The GMO Global Asset Allocation Fund seeks total return greater than that of its benchmark, the GMO Global Asset Allocation Index, an internally maintained index computed by GMO consisting of 65% MSCI ACWI and 35% Bloomberg Barclays U.S. Aggregate Index.

PERFORMANCE (%)

Net of Fees, Class III, Fair Value, USD	+6.14
Gross of Fees, Class III, Local Close, USD	+6.72
GMO Global Asset Allocation Index ¹	+13.90
Value Added	-7.18

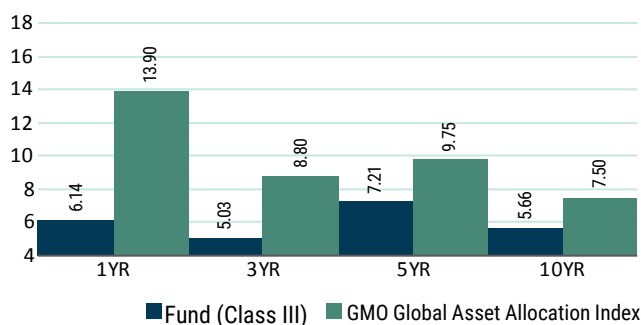
Major Performance Drivers

The Covid-19 pandemic rocked markets in the first quarter, with the MSCI ACWI Index down -21.4%. Unprecedented global monetary and fiscal stimulus triggered an incredible recovery, which was further spurred on by positive vaccine developments in November. Despite the ongoing public health and economic uncertainties MSCI ACWI posted a, somewhat remarkable in the circumstances, 16.3% return for 2020. It was a major headwind to performance to have a valuation-driven approach to investing. For 2020, the difference between a value and growth approach was truly astounding, as the MSCI ACWI Growth Index returned a whopping 33.6% while the MSCI Value Index was actually negative, at -0.3%. There was also a sizeable disparity in returns across developed markets as the S&P 500 returned an impressive 18.4% while MSCI World ex-U.S. languished far behind with a 7.6% return.

- The equity portfolio returned 9.0% for the year, behind the MSCI ACWI return of 16.3%. The largest position was in Emerging Markets Value. Although emerging markets did absolutely fine, with the MSCI Emerging Markets Index posting an impressive 18.3%, a value bias was hugely detrimental as the MSCI Emerging Markets Value Index trailed considerably with a relatively paltry 5.5% return. Within developed markets, we maintained a bias away from the U.S. and this proved costly to relative performance as the U.S. raced ahead. Stock selection within developed ex-U.S. markets was very good, with our return of 7.7% fractionally ahead of the broad index but some 10.9% better than the MSCI World ex-U.S. Value Index. Being underweight equities compared to the benchmark also detracted from relative returns.
- Alternative strategies returned -2.9% for the year, disappointing in any event but particularly when compared to the strong returns of equity markets. The allocation to alternatives was detrimental to relative performance as they considerably lagged the benchmark.
- The fixed income strategies returned 8.9% for the year, nicely ahead of the Bloomberg Barclays U.S. Aggregate Index return of 7.5%. Good returns from TIPS (Treasury Inflation-Protected Securities) and Multi-Sector Fixed Income were the biggest contributors and security selection in Emerging Country Debt was also strong. Asset-Backed Securities generated a solid positive return. Being underweight fixed income compared to the benchmark added to relative returns as it lagged the overall benchmark.
- The small allocation to Cash/Cash Plus had a modest negative impact on relative performance for the year.

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 0.60% 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: 10/22/1996
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. 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 GMO Global Asset Allocation Index is an internally maintained benchmark computed by GMO, comprised of (i) the MSCI ACWI (All Country World) Index (MSCI Standard Index Series, net of withholding tax) through 6/28/2002 and (ii) the GMO Global Asset Allocation (Blend) Index thereafter. 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.