

OPPORTUNISTIC INCOME FUND

Investment Review: Quarter Ending December 31, 2022

OVERVIEW

The GMO Opportunistic Income Fund seeks capital appreciation and current income by investing primarily in securitized credit securities.

PERFORMANCE (%)

Net of Fees, Class VI, USD	+1.16
Gross of Fees, Class VI, USD	+1.28
Bloomberg U.S. Securitized+ ¹	+2.05
Value Added	-0.78

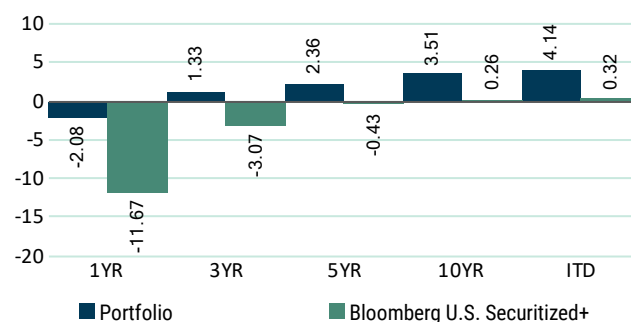
Major Performance Drivers

Total returns for securitized products were mixed in Q4 2022, and base rates (swap and Treasury yields) fell, resulting in positive total returns for most fixed-rate assets. Interest rates fell during the quarter, particularly in November when lower-than-expected CPI following the Fed's early November 75-bp hike supported a fixed-rate asset rally. Rates then reversed course in December, rising despite another lower-than-expected CPI print as the Fed delivered another rate hike (50 bps) and higher projections for Fed Funds in 2023. Overall, in the corporate credit markets, returns were positive, with Investment Grade (IG) finishing with a +3.5% total return and High Yield (HY) returning +4.0%. On the base rate side, swap rates ended the quarter down 12 bps and settling at 4.02% (U.S. 5-year).

Excess returns (vs. swaps/Libor) in structured products were mixed in the fourth quarter of 2022. Credit Risk Transfer (CRT) deals on residential mortgages reported positive excess returns, ranging from +0.4% to +2.8% on various tranches. In the residential space, Non-Agency Residential Mortgage-Backed Securities (RMBS) reported negative excess returns, with various collateral type excess returns from -0.8% to -2.5% in Q4. Single Family Rental (SFR), a somewhat hybrid member of the RMBS cohort, also posted negative results, with excess returns across the capital structure ranging from -0.6% to -3.3%. In Commercial Mortgage-Backed Securities (CMBS), a longer duration asset, overall performance was down -0.1% in excess on the quarter, with LCF AAA securities posting +0.3% excess returns, and lower rated BBB tranches posting -3.1%. Floating rate Asset-Backed Security (ABS) performance from Student Loans was negative in Q4, falling -0.4%. Overall performance in the Collateralized Loan Obligation (CLO) market was up +1.2% in excess during the quarter; excess returns in the lower part of the capital structure were also positive, with BBB posting +2.9% and BB posting +3.5%.

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 0.52% 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: 10/03/2011

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. Read the prospectus carefully before investing.

Risks associated with investing in the Fund may include Credit Risk, Market Risk - Asset-Backed Securities, Illiquidity Risk, Focused Investment Risk, and Market Risk - Fixed Income. 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 Bloomberg U.S. Securitized + Index is an internally maintained benchmark computed by GMO, comprised of (i) the J.P. Morgan U.S. 3 Month Cash through 12/30/2016 and (ii) the Bloomberg U.S. Securitized thereafter.