

ALTERNATIVE ALLOCATION FUND

Investment Review: Quarter Ending December 31, 2022

OVERVIEW

The GMO Alternative Allocation Fund seeks to generate positive total return by investing in a diversified portfolio of underlying alternative strategies, all run by GMO teams.

PERFORMANCE (%)

Net of Fees, Class VI, Fair Value, USD	+4.76
Gross of Fees, Class VI, Local Close, USD	+4.93
FTSE 3-Mo. TBill ¹	+0.87
Value Added	+4.05

Major Performance Drivers

Over the course of the quarter, the total capital at work decreased by a few percentage points in aggregate. At the end of December 2022, the Alternative Allocation portfolio was allocated broadly: 34% Systematic Global Macro, 30% Event-Driven, 26% Equity Dislocation, 17% Credit & Relative Value Credit, 10% Fixed Income Absolute Return, 9% Asset Allocation Long/Short, and 7% Put Selling.

Systematic Global Macro led the way with a 6.5% return, adding some 2.2% at the total portfolio level due to its substantial allocation. While the portfolio benefited from a general recovery in equities, most importantly, long positions in better valued European and emerging countries fared significantly better than more expensive U.S. markets. Long positions in the yen and in the euro were well rewarded, reflecting in part a drawback from an overextended U.S. dollar.

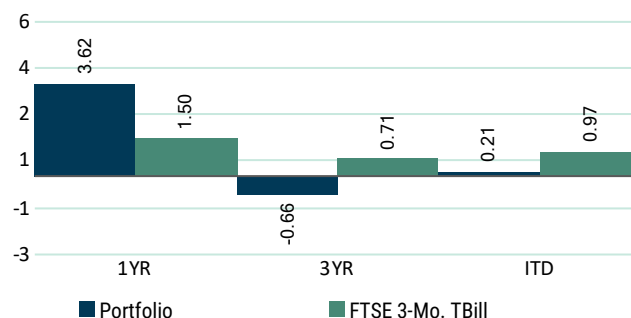
Credit was up 6.0% and Put Selling was up 4.5%, as both enjoyed the very benign quarter for more traditional assets, while Relative Value Credit was just the right side of zero. Given their relatively modest exposures, the combined Credit strategies added 0.7% and Put Selling contributed 0.3%. The Asset Allocation Long/Short positions returned 1.9%, but again the more controlled exposure meant that the contribution was a moderate 0.2%.

Equity Dislocation returned 1.8% and was a strong contributor to performance, adding 0.5% at the total portfolio level. This return was well behind the almost 9% outperformance of MSCI ACWI Value versus MSCI ACWI Growth for the quarter, driven by sector tailwinds and challenging performance in mega cap Growth, but we remain pleased by the return profile the Strategy has enjoyed since inception and consider that the opportunity set remains extremely compelling.

Event-Driven was up 0.6% for the quarter and added 0.2%, while Fixed Income Absolute Return was up 0.4% and contributed 0.1% at the total portfolio level. Altogether, a very pleasing quarter for the GMO Alternative Allocation portfolio as each of the underlying strategies delivered positive 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. Gross Expense Ratio of 1.51% 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: 05/01/2019

Includes purchase premiums and redemption fees impact if applicable.

ALTERNATIVE ALLOCATION FUND

Investment Review: Quarter Ending December 31, 2022

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, Leveraging Risk, Derivatives and Short Sales Risk, Market Risk-Equities 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 FTSE 3-Month Treasury Bill Index is an independently maintained and widely published index comprised of short-term U.S. Treasury bills.