

QUARTERLY INVESTMENT REVIEW

Multi-Sector Fixed Income Fund

Performance returns (USD)

ANNUALIZED RETURNS (QUARTER-END)	Quarter-End	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
Multi-Sector Fixed Income Fund (net)	-0.52	-0.52	2.48	-2.90	-0.02	1.55	4.24
Multi-Sector Fixed Income Fund (gross)	-0.41	-0.41	2.92	-2.49	0.40	1.97	4.66
Bloomberg U.S. Aggregate	-0.78	-0.78	1.70	-2.45	0.36	1.54	4.18
Value Add	+0.26	+0.26	+0.78	-0.44	-0.38	+0.01	+0.05

Major Performance Drivers

Index Performance and Core Portfolio

The Bloomberg U.S. Aggregate index was slightly negative for the first quarter of 2024. Positive sentiment for fixed income assets waned in the first quarter, as the timing and magnitude of cuts by the Federal Reserve came into question in the face of stubborn inflation and resilient economic data. In mid-January, Fed speaker Christopher Waller's hawkish retort to market pricing resulted in a duration selloff that intensified after strong retail sales data followed. Bond markets partly reversed course toward the end of month when the U.S. Treasury's quarterly refunding announcement came in well below expectations. By early February, a blowout nonfarm payrolls report set in motion another rates selloff, and more accommodative credit conditions summarized by the Fed's Senior Loan Officer Survey and another upside inflation print further cemented the moves in markets. Concerns over the banking sector re-emerged early in March, offering some momentary relief for fixed income, but the asset class floundered into quarter end. On average, U.S. Treasury yields traded 35 basis points higher for the quarter while the curve, as measured by the yield differential between 1-3 year and 20+ year bonds, flattened 8 basis points. The U.S. Aggregate's credit spread tightened 2 basis points, but underlying sector moves varied. Investment-grade corporate bond spreads rallied 9 basis points while agency mortgages weakened 2 basis points. Emerging sovereign spreads, as measured by the JP Morgan EMBIG-Diversified index, were 42 basis points tighter to the treasury curve.

Multi-Sector Fixed Income's core strategy outpaced the index, benefitting from allocation tilts and security selection. The portfolio's overweight allocation to emerging sovereign debt, via GMO Emerging Country Debt, helped the portfolio. Likewise, an active position to off-benchmark securitized products via GMO Opportunistic Income generated gains. Security selection in investment-grade corporates was robust, and owning higher coupon agency mortgages provided additional support. Systematic alpha overlay strategies struggled during the quarter.

Alpha Overlay

Systematic alpha overlay performance was negative during the first quarter. The duration model was near flat while the curve slope model posted gains. Both the G10 and emerging currency strategies struggled.

The duration strategy benefited from cross-market trades, namely positions in Australia and Sweden. Value and carry signals posted gains, while macro-based factors and price momentum struggled. Within the slope strategy, curve positioning in Switzerland and euro added value, though a net global flattener driven by momentum suffered.

In G10 currencies, cross-market selection was responsible for model underperformance, notably from Japanese yen and euro. Price momentum lagged, as did long-term macro-based gauges, but carry drew up. The emerging strategy benefited from currency selection in Asia and LatAm, though underperformance from net U.S. dollar positioning overwhelmed.

Inception Date: 30-Apr-97

Performance for the year of inception is less than a full calendar year. Returns shown for periods less than one year are not annualized.

Risks: Risks associated with investing in the Fund may include those as follows. (1) Market Risk - Fixed Income Investments: The market price of a fixed income investment can decline due to a number of market-related factors, including rising interest rates and widening credit spreads or decreased liquidity stemming from the market's uncertainty about the value of a fixed income investment (or class of fixed income investments). (2) Credit Risk: The risk that the issuer or guarantor of a fixed income investment or the obligor of an obligation underlying an asset-backed security will be unable or unwilling to satisfy its obligation to pay principal and interest or otherwise to honor its obligations in a timely manner. (3) Management and Operational Risk: The risk that GMO's investment techniques will fail to produce desired results. Annualized Returns may include the impact of purchase premiums and redemption fees. Returns shown for periods greater than one year are on an annualized basis. To obtain performance information to the most recent month-end, visit www.gmo.com.

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. The local market in which the Fund is priced was closed for Good Friday on March 29, 2024. Therefore, the performance for the fund and corresponding benchmark will utilize March 28 for purposes of the ending valuation for the March return and the starting valuation for the April return. If certain expenses were not reimbursed, performance would be lower. Transaction costs, if any, are paid to the fund to offset the cost of portfolio transactions to invest or raise cash. **Net Expense Ratio: 0.42%; Gross Expense Ratio: 0.74%** Net Expense Ratio reflects the reduction of expenses from fee reimbursements. The fee reimbursements will continue until at least June 30, 2024. Elimination of this reimbursement will result in higher fees and lower performance. Gross Expense Ratio is equal to the Funds Total Annual Operating Expenses set forth in the Funds most recent prospectus dated June 30, 2023.

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PRODUCT OVERVIEW

The GMO Multi-Sector Fixed Income Fund seeks to achieve total return in excess of that of its benchmark, the Bloomberg U.S. Aggregate Index, by extracting alpha opportunities without taking any secular bias in duration, maturity, rating, and overall aggregate composition. The Fund's investment program has two principal components. One component seeks to achieve a return commensurate with that of the Fund's benchmark. The second component seeks to add value relative to the Fund's benchmark by making investments that often will not track its benchmark.

IMPORTANT INFORMATION

Benchmark(s): The Bloomberg U.S. Aggregate Index is an independently maintained and widely published index comprised of U.S. fixed rate debt issues having a maturity of at least one year and rated investment grade or higher.

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 funds prospectus. To obtain a prospectus please visit www.gmo.com. Read the prospectus carefully before investing.

The GMO Trust funds are distributed in the United States by Funds Distributor LLC. GMO and Funds Distributor LLC are not affiliated.

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