GMO

Grantham, Mayo, Van Otterloo & Co. LLC
40 Rowes Wharf, Boston, MA 02110
T: (617) 330-7500 F: (617) 261-0134 www.gmo.com

May 24, 2012

Via Electronic Mail

Division of Investment Management
United States Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549
Attn: Douglas J. Scheidt, Esq.

Re: GMO Trust

Dear Mr. Scheidt:

I am writing on behalf of GMO Trust, an open-end management investment company registered under the Investment Company Act of 1940, as amended (the "1940 Act"). I seek your assurance that the staff of the Division of Investment Management (the "Staff") will not recommend that the Securities and Exchange Commission (the "Commission") take enforcement action against GMO Trust under Section 6(b) of the Securities Act of 1933, as amended (the "1933 Act"), if GMO Trust, in calculating its registration fee pursuant to Section 24(f) of the 1940 Act and Rule 24f-2 thereunder, excludes the net sales price (*i.e.,* aggregate sales price reduced by the aggregate price of redemptions) of shares of each Master Fund (as defined below) sold to their corresponding Feeder Fund (as defined below) when calculating GMO Trust's "aggregate sales proceeds" in Item 5(i) of Form 24F-2, as further described below.

Background

As of January 1, 2012, GMO Series Trust, an open-end management investment company registered under the 1940 Act, began to offer publically shares of its eighteen (18) series (each a "Feeder Fund" and collectively, the "Feeder Funds").[1] Each Feeder Fund, in reliance on Section 12(d)(1)(E) of the 1940 Act, will invest substantially all of its assets in shares of a corresponding series of GMO Trust (each a "Master Fund" and collectively, the "Master Funds").[2] Shares of each Feeder Fund and shares

---

1 Grantham, Mayo, Van Otterloo & Co. LLC ("GMO"), an investment adviser registered under the Investment Advisers Act of 1940, as amended, serves as investment adviser to GMO Trust and GMO Series Trust and their respective series.

2 Shares of the Feeder Funds are primarily available for purchase by eligible retirement plans (*e.g.,* 401(k) plans, 457 plans, employer-sponsored 403(b) plans, profit-sharing and money purchase pension plans, defined benefit plans, and non-qualified deferred compensation plans) ("Plans") whose accounts are maintained by the Feeder Funds at an omnibus level. The initial purchase of shares of certain Feeder Funds by Plans took place on March 30, 2012.

of each corresponding Master Fund are registered under the 1933 Act. Each Feeder Fund's sole portfolio holding, other than cash, will be shares of its corresponding Master Fund.[3]

Given that the Master Funds and the Feeder Funds are open-end funds registered under the 1940 Act, they are subject to Section 24(f) of the 1940 Act. Section 24(f)(1) provides that a mutual fund is deemed to have registered an indefinite amount of shares upon the effective date of its registration statement under the 1933 Act. Section 24(f)(2) requires a mutual fund to pay a registration fee to the Commission based upon the aggregate sales price of shares sold during each fiscal year, reduced by the aggregate price of shares redeemed or repurchased during that fiscal year.[4]

I believe that the Master Funds, in calculating their annual Rule 24f-2 registration fees, should be able to exclude from their aggregate sales price the net sales price of shares sold to the Feeder Funds (which themselves will calculate and pay Rule 24f-2 registration fees on an annual basis). That outcome would prevent the payment of Rule 24f-2 registration fees for the same aggregate proceeds from investors in the Feeder Funds, thereby avoiding "double counting" of assets on which such registration fees are paid. I believe my request is analogous to a prior Staff interpretation and subsequent Commission rule-making concerning the inapplicability of Rule 24f-2 registration fees to shares sold to insurance company separate accounts and periodic payment plans, each themselves organized as unit investment trusts ("UITs") and registered under the 1940 Act.

Discussion

Relief from "double counting" of assets has a long history under Rule 24f-2. In June 1995, the Staff issued an interpretive letter to the American Council of Life Insurance which provided that underlying funds were not required to pay Rule 24f-2 registration fees on shares they sold to insurance company separate accounts registered as UITs and selling shares pursuant to registration under the 1933 Act (or separate accounts exempt from registration under the 1940 Act but which nonetheless register under the 1933 Act and pay registration fees thereon).[5] A few months later, in connection with amendments to Rule 24f-2 and Form 24F-2, the Commission stated that the purpose behind the American Council Letter was "to prevent payment of [Rule 24f-2] registration fees ... for the same aggregate proceeds from investors in variable insurance products that results in 'double counting' of assets on which such fees are paid."[6] In that same Release, the Commission, citing the American Council Letter, added instructions to Form 24F-2 providing for the exclusion of shares sold to unmanaged insurance company separate accounts that issue interests therein on which registration fees have been, or will be, paid.[7] Finally, in

---

3 Under normal circumstances, each Feeder Fund will invest at least 95% of its assets in shares of its corresponding Master Fund with any remaining assets being held as cash.

4 Rule 24f-2 under the 1940 Act prescribes the form (Form 24F-2) used by mutual funds to calculate and pay their registration fee to the Commission.

5 *See American Council of Life Insurance*, SEC No-Action Letter (pub. avail. June 20, 1995) (the "American Council Letter").

6 *See Registration Fees for Certain Investment Companies*, IC-21332 (Sept. 1, 1995) [60 FR 47041 (Sept. 11, 1995)] at 47044.

7 *Id.*

September 1997, in connection with further amendments to Rule 24f-2 and Form 24F-2, the Commission further expanded this exclusion to include shares sold to UITs whose interests are structured as periodic payment plans.[8] In doing so, the Commission concluded that with respect to both separate accounts and periodic payment plans, a fund was selling shares to a UIT that acts as a mere conduit for the investor's investment in the underlying fund.[9]

I believe that the master-feeder structure is analogous to the Form 24F-2 instructions as they pertain to separate accounts and periodic payment plans organized as UITs that act as mere conduits for the investor's investment in the underlying funds. Each Feeder Fund will be investing substantially all of its assets in shares of a corresponding Master Fund. In this regard, it is worth noting that Section 12(d)(1)(E) of the 1940 Act and related Staff guidance do not allow a Feeder Fund alternative investment options beyond the corresponding Master Fund.[10] As such, it is my position that the Feeder Funds should be viewed as nothing more than conduits for investment in the corresponding Master Funds and, therefore, the Form 24F-2 instructions as they pertain to separate accounts and periodic payment plans should be equally applicable to Master Fund shares sold to the corresponding Feeder Fund.[11]

---

8 *See Registration Under the Securities Act of 1933 of Certain Investment Company Securities*, IC-22815 (Sept. 10, 1997) [62 FR 47934 (Sept. 12, 1997)] at 47937 and n. 16.

9 *Id.* Of further note is that the Commission in this Release refused to expand the exclusion to include shares sold to a management investment company in a "fund of funds" arrangement, stating that, unlike the UIT arrangements, a fund of funds arrangement does not act generally as a conduit for investments in other funds. Accordingly, the relief requested hereby is limited to a feeder fund's investment in a corresponding master fund in reliance on Section 12(d)(1)(E) of the 1940 Act.

10 Section 12(d)(1)(E) of the 1940 Act carves out an exception from the fund-of-fund investment limitations of Section 12(d)(1) where the shares of the underlying fund constitute the only "investment security" held by the acquiring fund. The Staff has not provided guidance on what constitutes an "investment security" for purposes of Section 12(d)(1)(E). In a very limited number of cases, the Staff has issued no action relief to funds relying on Section 12(d)(1)(E) that proposed to also purchase zero coupon U.S. Treasury-issued notes or bonds, *although*, the Staff in granting this relief did not explicitly confirm that "government securities" are not "investment securities" under Section 12(d)(1)(E). (*See, e.g., Equity Securities Trust*, SEC No-Action Letter (pub. avail. Jan. 19, 1994); *The Thai Fund, Inc.*, SEC No-Action Letter (pub. avail. Nov. 30, 1987)). In light of the lack of any concrete precedent and subject to any future Commission rule-making and/or Staff relief in this regard, GMO does not intend to invest the minimal cash balances held by any Feeder Fund.

11 Specifically, instruction 3 on Form 24F-2 provides for the exclusion from an issuer's aggregate sales price (reported in Item 5(i) of the Form) the sales price of shares sold to UITs that offer interests that are registered under the 1933 Act and on which registration fees have been, or will be, paid. The instruction further provides, *however*, that an issuer excluding the sales price of these shares from its aggregate sale price may not use shares redeemed or repurchased from these UITs for purposes of determining the redemption or repurchase price reported in Items 5(ii) and 5(iii) of the Form. In the context of the master-feeder structure described in this letter, GMO Trust will not use shares redeemed or repurchased from the GMO Feeder Funds for purposes of determining the redemption or repurchase price reported in Items 5(ii) and 5(iii) of the Form. In order to meet this requirement, GMO Trust intends to exclude the net sales price (*i.e.*, aggregate sales price reduced by the aggregate price of redemptions) of shares of each Master Fund sold to their corresponding Feeder Fund when calculating GMO Trust's "aggregate sales proceeds" in Item 5(i) of the Form.

Conclusion

Based on the foregoing, I would appreciate your confirming that the Staff will not recommend enforcement action to the Commission if GMO Trust excludes the net sales price of shares of each Master Fund sold to the corresponding Feeder Fund when calculating GMO Trust's "aggregate sales proceeds" in Item 5(i) of Form 24F-2.

Please contact the undersigned at (617) 790-5101, or Jason B. Harrison at (617) 346-7520, should you have any questions or concerns regarding this request.

Sincerely,

Kenneth R. Earley

cc: Michael S. Didiuk, Esq., Division of Investment Management
Heather Fernandez, Division of Investment Management