QUARTERLY INVESTMENT REVIEW

Benchmark-Free Allocation Strategy

RETURNS (%) (LOCAL)

	Cumulative (%)		Annualized (%)				
	QTD	YTD	1 Year	3 Years	5 Years	10 Years	ITD
Net of Fees (Composite)	2.31	5.05	8.57	4.20	1.93	2.78	7.29
Gross of Fees (Composite)	2.50	5.44	9.45	5.08	2.78	3.62	8.15
CPI Index	0.67	1.92	2.88	5.71	3.91	2.69	2.49
Value Added (vs. CPI Index)	1.64	3.13	5.69	-1.51	-1.98	0.08	4.80

Major Performance Drivers

– Top-down asset allocation was strongly positive, driven largely by allocating to equities in a rising market.

– Security selection was negative, due primarily to a challenging quarter for the alternative strategies.

Long-only equities represented 48.9% of the portfolio on average through the quarter, with 8.0% in Emerging Markets and 7.0% in Emerging Markets ex-China, both with a distinct Value bias, 6.2% in Japan Value, 5.0% in developed ex-U.S. Small Value, 6.0% in Developed ex-U.S., 3.0% in Resource Equity, and 4.2% in Quality Cyclicals. There was an average exposure of 5.2% in U.S. Opportunistic Value and 4.3% in European Opportunistic Value.

The equity portfolio returned 4.5% for the quarter, well behind the MSCI ACWI return of 6.2%. Top-down regional exposures proved unhelpful for the quarter as the U.S. soundly beat Developed ex-U.S. and Emerging Markets. Security selection was positive for the quarter as Growth's dominance over Value was largely constrained to the U.S. Our Emerging Markets portfolio returned 7.8%, well ahead of the MSCI Emerging Market index return of 0.9%, while the Emerging Markets ex-China portfolio posted 5.2%, which lagged the MSCI Emerging ex-China benchmark's 6.0% return. The Japan portfolio posted 5.3%, in line with the TOPIX return of 5.4%, and the developed ex-U.S. small cap portfolio delivered a 3.8% return, 310 bps ahead of its benchmark. The developed ex-U.S. exposure posted 4.4%, which beat the MSCI World ex-U.S. index by 140 bps and the MSCI World ex-U.S. Value index by a similar 130 bps. Quality Cyclicals returned 4.1%, 210 bps behind its benchmark, while Resources delivered -0.4%, which was still 110 bps ahead of its benchmark in what was a relatively poor quarter for both the Energy and Materials sectors. The U.S. Opportunistic Value exposure returned 3.9%, lagging the S&P Composite 1500 index by 450 bps as Growth crushed Value in the U.S., and European Opportunistic Value posted 1.8%, 1% behind MSCI Europe.

Alternative strategies averaged 37.8% through the quarter, including 9.0% in Systematic Global Macro, 5.0% in Event-Driven, 4.1% in Fixed Income Absolute Return, and 19.6% in Equity Dislocation. Alternative strategies returned -0.8% for the quarter, as only Systematic Global Macro finished on the pleasant side of zero. Equity Dislocation was down -1.4%, which was actually a very strong result in what proved another difficult quarter for Value. For context, MSCI ACWI Value trailed MSCI ACWI Growth by -6.2%. Event-Driven was down -2.0%, losing ground after First Horizon and its prospective buyer, TD Bank, mutually agreed to terminate the merger. Fixed Income Absolute Return was essentially flat, down -0.1%, while Systematic Global Macro was up 0.7%, as diverse contributions, more-or-less across the board, worked to offset a significant detraction from equity market selection.

Inception Date: 31-Jul-01

Risks: Risks associated with investing in the Strategy may include Management and Operational Risk, Market Risk - Equities, Non-U.S. Investment Risk, Market Risk - Fixed Income Investments, and Derivatives and Short Sales Risk.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 Returns: Performance data quoted represents past performance and is not predictive of future performance.** Net returns are presented after the deduction of a model advisory fee and incentive fee if applicable. These returns include transaction costs, commissions and withholding taxes on foreign income and capital gains and include the reinvestment of dividends and other income, as applicable. Fees paid by accounts within the composite may be higher or lower than the model fees used. Gross returns are presented gross of management fees and any incentive fees if applicable. These returns include transaction costs, commissions, withholding taxes on foreign income and capital gains and include the reinvestment of dividends and other income, as applicable. If management and incentive fees were deducted performance would be lower. For example, if, before fees, the strategy were to achieve a 10% annual rate of return above its hurdle rate each year for ten years, and an annual advisory fee of 1% and incentive fee of 20% of net returns above the hurdle rate were charged during that period, the resulting average annual net return (after the deduction of management and incentive fees) would be approximately 7.20%. Prior to January 1, 2012, the accounts in the Composite served as the principal component of a broader real return strategy. Beginning January 1, 2012, accounts in the composite have been managed as a standalone investment.**A Global Investment Performance Standards (GIPS®) Composite Report is included in the Important Information section at the back of this presentation. GIPS® is a registered trademark owned by CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein. Actual fees are disclosed in Part 2 of GMO's Form ADV and are also available in each strategy's Composite Report.**

QUARTERLY INVESTMENT REVIEW

Major Performance Drivers Cont.

Fixed income represented 13.3% of the portfolio on average through the quarter, including 4.9% in asset-backed securities, 1.4% in high-yield, 4.1% in Emerging Country Debt, and 2.9% in U.S. nominal treasuries. Our fixed income strategies returned 0.8% for the quarter, well ahead of the Bloomberg U.S. Aggregate return of -0.8%. Emerging Country Debt, as measured by the J.P. Morgan EMBIG-D index, had a solid 2.2% return, but our portfolio beat that nicely with a 3.4% return. The High Yield position returned 1.3%, a little behind the BoA Merrill Lynch U.S. High Yield benchmark's return of 1.6%, and asset-backed securities posted 1.4%, soundly beating the Bloomberg U.S. Securitized index return of -0.6%. It was a tougher quarter for traditional duration and the nominal U.S. treasuries fell -4.4%.

PRODUCT OVERVIEW

The Strategy seeks to generate positive total return by investing in asset classes GMO believes offer the most attractive return and risk opportunities. GMO uses our multi-year forecasts of returns among asset classes, together with our assessment of the relative risks of such asset classes, to determine the asset classes in which the Strategy invests.

IMPORTANT INFORMATION

Comparator Index(es): The CPI (Consumer Price Index) for All Urban Consumers US All Items is published monthly by the U.S. government as an indicator of changes in price levels (or inflation) paid by urban consumers for a representative basket of goods and services.

The above information is based on a representative account in the Strategy selected because it has the fewest restrictions and best represents the implementation of the Strategy.