

QUARTERLY INVESTMENT REVIEW

Benchmark-Free Allocation Strategy

Performance returns (USD)

ANNUALIZED RETURNS (QUARTER-END)	Quarter-End	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
Benchmark-Free Allocation Strategy (net)	0.42	3.50	11.91	3.63	3.64	2.78	7.49
Benchmark-Free Allocation Strategy (gross)	0.61	3.90	12.77	4.48	4.49	3.62	8.35
CPI Index	0.26	1.36	3.03	4.93	4.16	2.79	2.51
Value Add	+0.16	+2.14	+8.88	-1.29	-0.52	-0.01	+4.98

MAJOR PERFORMANCE DRIVERS

- Top-down asset allocation was positive as each of equities, alternatives, and fixed income had a positive quarter. Allocation within equities hampered returns as many Developed ex-U.S. markets struggled.
- Security selection was modestly negative as Resource Equity, Quality Cyclical, and Systematic Global Macro had a challenging quarter.

Long-only equities represented 56.5% of the portfolio on average through the quarter, with 6.4% in Emerging Markets and 5.8% in Emerging Markets ex-China, both with a distinct Value bias; 6.1% in Japan Fundamental Value; 5.3% in Developed ex-U.S. Small Value; 6.2% in Developed ex-U.S.; 5.0% in Resource Equity; 4.3% in Quality Cyclical; 6.1% in U.S. Opportunistic Value; 9.6% in International Opportunistic Value; and 1.7% in Japan Small Value.

Composite Inception Date: 31-Jul-01

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 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:** 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. **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. **GMO LLC claims compliance with the Global Investment Performance Standards (GIPS®). A Global Investment Performance Standards (GIPS®) Composite Report is available on GMO.com by clicking the GIPS® Composite Report link in the documents section of the strategy page. 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.** 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.

QUARTERLY INVESTMENT REVIEW

MAJOR PERFORMANCE DRIVERS CONT.

The equity portfolio returned 0.1% for the quarter, behind the MSCI ACWI return of 2.9%. Top-down regional exposures had a detrimental impact for the quarter as the U.S. beat Developed ex-U.S., although this was partially offset by it being a reasonable quarter for Emerging Markets. Security selection was a little negative for the quarter, driven by a challenging time for Quality Cyclical and the Resource Equity exposures. Our Emerging Markets portfolio returned 8.3%, again well ahead of the MSCI Emerging Market index return of 5.3%, while the Emerging Markets ex-China portfolio posted 3.2%, behind the MSCI Emerging ex-China benchmark's 4.6% return. The Japan Fundamental Value portfolio posted -2.8%, ahead of the TOPIX return of -3.7%, while the Japan Small Value exposure posted -3.0%. The Developed ex-U.S. small cap portfolio delivered a 1.1% return, 210 bps ahead of its benchmark. The Developed ex-U.S. exposure posted 0.8%, which beat the MSCI World ex-U.S. index by 130 bps and the MSCI World ex-U.S. Value index by a smaller 100 bps. Quality Cyclical returned -3.1%, 600 bps behind its benchmark, while Resources endured another difficult quarter and posted -3.9%. The U.S. Opportunistic Value exposure returned -1.6%, a little behind the MSCI USA Value index return of -1.4%, and International Opportunistic Value posted -0.6%, behind the MSCI World ex-USA return of 0.0%.

Alternative strategies averaged 32.1% through the quarter, including 7.0% in Systematic Global Macro, 4.1% in Event-Driven, and 20.7% in Equity Dislocation. The small Fixed Income Absolute Return allocation was taken to zero over the course of the quarter. Alternative strategies returned 1.1% for the quarter. Equity Dislocation was up 0.8%, which was an excellent result as MSCI ACWI Value lagged MSCI ACWI Growth by some 6.8%. Systematic Global Macro was down -2.3%, driven by equity and commodity positioning. Event-Driven was up 0.2%, and the collateral gave a nice boost to the alternatives sleeve with a 1.1% return for the quarter.

Fixed income represented 11.4% of the portfolio on average through the quarter, including 4.1% in asset-backed securities, 0.8% in high-yield, 3.1% in Emerging Country Debt, and 3.4% in U.S. nominal treasuries. Our fixed income strategies returned 1.0% for the quarter, ahead of the Bloomberg U.S. Aggregate return of 0.1%. Emerging Country Debt, as measured by the J.P. Morgan EMBIG-D index, had a 0.3% return, but our portfolio beat that nicely with a 1.4% return. The High Yield position returned 0.1%, broadly in line with the BofA Merrill Lynch U.S. High Yield benchmark's return of 0.2%, and asset-backed securities posted 1.6%, beating the Bloomberg U.S. Securitized index return of 0.1%. It was a tougher quarter for traditional duration and the nominal U.S. treasury exposure fell -0.4%.

QUARTERLY INVESTMENT REVIEW

PRODUCT OVERVIEW

The GMO Benchmark-Free Allocation Strategy seeks to generate positive total return by allocating dynamically across asset classes, free from the constraints of traditional benchmarks.

The philosophy that underlies all of GMO's Asset Allocation investment strategies is the belief that, at times and in the short term, the pricing of asset classes can deviate from true intrinsic value, but mean reverts to appropriate valuation levels over the long term. GMO's proprietary 7-Year Asset Class Forecasts form the foundation of our investment process, providing a framework to assess the return opportunity embedded in different asset classes. We use that insight to allocate to what we believe are the most attractively priced asset classes.

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. CPI Index returns are typically reported on the 15th of the month. The CPI data reported may not include the most recent month-end which could impact the data that GMO has provided.

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.

ABOUT GMO

Founded in 1977, GMO is a global asset manager committed to delivering superior performance and advice to our clients. We are privately owned, which allows us to singularly focus on our sole business – achieving outstanding long-term client investment outcomes. Offering multi-asset, equity, fixed income, and alternative strategies, we invest with a long-term, valuation-based philosophical approach.

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*GMO's West Coast Hub is comprised of members of Investment, Global Client Relations, and other teams located in and around the Greater San Francisco area

**Representative Office