

STRATEGY OVERVIEW

The GMO Quality Strategy seeks to deliver total return by investing in equities of companies that the GMO Focused Equity team believes to be of high quality.

STRATEGY FACTS

Inception: 2/6/04

Assets: \$9.4 Billion

Portfolio Management:

Tom Hancock
Ty Cobb
Anthony Hene

Risks:

Risks associated with investing in the Strategy may include Market Risk - Equities, Management and Operational Risk, Focused Investment Risk, Non-U.S. Investment Risk, and Currency Risk.

About GMO:

Founded in 1977, GMO is an independently-owned, global institutional investment manager dedicated to providing our clients with superior investment advice and performance.

Contact Us:

40 Rowes Wharf
Boston, Massachusetts 02110
(617) 330-7500 | www.gmo.com

METHODOLOGY

A high quality company is generally one that GMO believes has an established business that will deliver a high level of return on past investments and that will utilize cash flows in the future by making investments with potential for high levels of return on capital or by returning cash to shareholders through dividends, share buybacks, or other mechanisms.

In selecting securities for the Strategy, GMO's Focused Equity team uses a combination of investment methods and may consider both quantitative and fundamental factors. Quantitative factors are generally based on profitability, profit stability, leverage, and other publically available financial information. Fundamental factors are generally based on an assessment of future profitability, capital allocation, sustainability against competitive forces, and growth opportunities.

The team utilizes valuation methodologies such as discounted cash flow analysis, forecasted financial information, and patterns of information like price movement or volatility of a security or groups of securities.

PORTFOLIO CONSTRUCTION

The Strategy is permitted to invest directly and indirectly (e.g., through underlying funds or derivatives) in equities of companies tied economically to any country in the world, including emerging countries. At times, the Strategy may have substantial exposure to a single asset class, industry, sector, country, region, or currency. The Strategy may invest in securities of companies of any market capitalization. GMO does not manage the Strategy to, or control the Strategy's risk relative to, any securities index or securities benchmark.

PHILOSOPHY

Profitability Is Key



Due to their higher return on equity, quality companies should trade at a premium to the market

Price Also Matters



Using top-down and bottom-up analysis, we find the best valuations within the quality universe

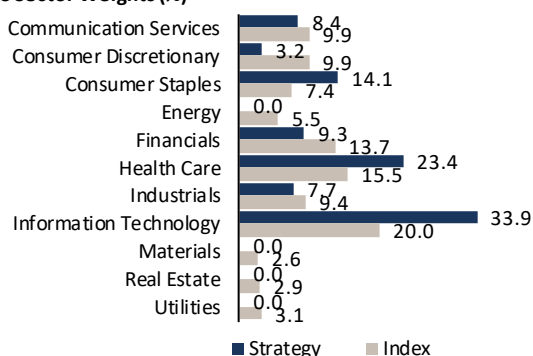
Stay the Course



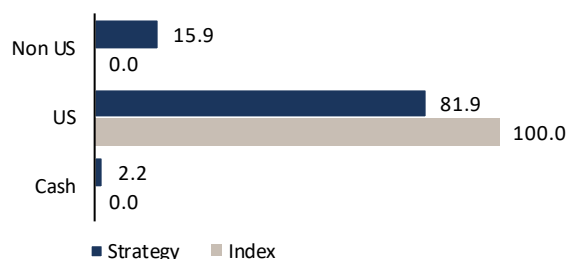
Maintain the long-term focus and don't focus on benchmark risk

STRATEGY PROFILE

GICS Sector Weights (%)



Region Weights (%)



5-Year Risk Profile¹

	Strategy	Index
Alpha	2.80	0.00
Beta	0.89	1.00
R ²	0.90	1.00
Sharpe Ratio	1.03	0.83
Std. Deviation	11.19	11.93

Characteristics

	Strategy	Index
Price/Earnings - Forecast 1 Yr Wtd Median	17.5 x	19.0 x
Return on Equity - Forecast 1 Yr Wtd Median	35.8 x	21.2 x
Market Cap - Weighted Median \$Bil	\$143.1	\$110.7 %
Net Debt/EBITDA - Wtd Median	0.5 x	1.2 x
Dividend Yield - Hist 1 Yr Wtd Avg	1.9 %	2.0 %
Number of Equity Holdings	42	505

Top Holdings²

Company	Sector	% of Equity
Microsoft Corp.	Information Technology	6.5
Alphabet Inc.	Communication Services	5.6
Apple Inc.	Information Technology	5.2
Oracle Corp.	Information Technology	5.2
UnitedHealth Group Inc.	Health Care	3.6
Total		26.1

¹ Alpha is a measure of risk-adjusted return; Beta is a measure of a portfolio's sensitivity to the market; R² is a measure of how well a portfolio tracks the market; Sharpe Ratio is the return over the risk free rate per unit of risk; Std. Deviation is a measure of the volatility of a portfolio. Risk profile data is net.

² Portfolio holdings are percent of equity. They are subject to change and should not be considered a recommendation to buy individual securities.

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.

PERFORMANCE NET OF FEES

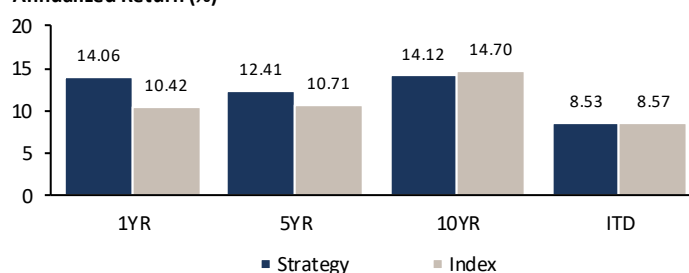
Total Return (%)

	Strategy	Index
2Q 2019	3.66	4.30
YTD 2019	17.32	18.54

Annual Total Return (%)

2018	0.37	-4.38
2017	28.89	21.83
2016	9.59	11.96
2015	1.40	1.38
2014	12.54	13.69
2013	25.47	32.39
2012	11.81	16.00
2011	11.84	2.11
2010	5.48	15.06
2009	19.89	26.46

Annualized Return (%)



Performance data quoted represents past performance and is not predictive of future performance. Returns are shown after the deduction of management fees, transaction costs and other expenses, but before custody charges, withholding taxes, and other indirect expenses. The returns assume the reinvestment of dividends and other income.

Performance is shown for the GMO Quality Composite. The inception date of the Composite is 2/29/04.

The S&P 500 Index is an independently maintained and widely published index comprised of U.S. large capitalization stocks. S&P does not guarantee the accuracy, adequacy, completeness or availability of any data or information and is not responsible for any errors or omissions from the use of such data or information. Reproduction of the data or information in any form is prohibited except with the prior written permission of S&P or its third party licensors.