

GMO Real Return Global Balanced Asset Allocation Strategy

June 30, 2019

STRATEGY OVERVIEW

The GMO Real Return Global Balanced Asset Allocation Strategy seeks to outperform its benchmark by 3%-4% per annum with low risk relative to its benchmark. The Strategy uses both top-down and bottom-up valuation methodologies to value asset classes, countries and individual securities in order to allocate assets to undervalued countries, currencies and securities around the world. The resulting portfolio typically provides nearly full exposure to global financial markets as represented by equities, commodities, currencies and fixed income securities.

The Strategy is typically implemented via an allocation to two underlying pooled investment vehicles:

- GMO Strategic Opportunities Allocation Fund, a GMO-managed fund-of-funds, which is governed by the GMO Trust Prospectus.
- GMO Multi-Strategy Fund, a GMO managed hedge fund-of-funds which is governed by its own private placement memorandum.

STRATEGY FACTS

Inception: 6/30/04

Benchmark: GMO Real Return Global Balanced Asset Allocation Blended Index

Assets: \$1.6 Billion

Portfolio Management:

Ben Inker
John Thorndike

Risks:

Risks associated with investing in the Strategy may include the risk that one or more of the underlying portfolios will not perform as expected and that the Strategy will indirectly be exposed to all of the risks of an investment in the underlying portfolios. Other significant risks associated with investment in the Strategy may include: Market Risk - Equities, Market Risk-Fixed Income, Non-U.S. Investment Risk, Management and Operational Risk, and Derivatives and Short Sales 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:

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OUR INVESTMENT PHILOSOPHY

One true advantage: the long horizon

Investors have one true advantage: their long investment horizon. The long horizon frees investors from the pressure to make short-term market predictions and tactical portfolio moves. It also gives investors the flexibility to be dynamic and change portfolio allocations to reflect the current opportunity set.

Overpaying is the greatest risk

A robust understanding of valuation lies at the heart of our investment approach. We believe that mean reversion around intrinsic value is the closest thing to the law of gravity that we have in finance. Paying too much for an asset limits its long-term return potential and eliminates the investor's margin of safety, thereby increasing the probability of permanently impairing the investor's capital. We aim to avoid this.

Career risk governs the short run

At GMO, we are distinguished by our willingness to stand apart from the market consensus. In the effort to protect their careers, many professional investors remain close to benchmarks or peer groups to avoid taking risks that may lead them to underperform. Such activity often creates opportunities for us as contrarian investors to buy underappreciated, unpopular assets and avoid expensive ones.

KEYS TO OUR INVESTMENT APPROACH

The Strategy is managed by GMO's Asset Allocation team, which leverages the strengths of investment teams across the firm and has nearly three decades of experience managing multi-asset class portfolios.

Anchor to Valuation

Our 7-year asset class forecasts form the foundation of our investment process, providing a valuation framework to assess the return opportunity embedded in different asset classes.

Cast a Wide Net We believe the most effective way to compound wealth over full market cycles is not to be rigidly tied to certain asset class exposures. To that end, we attempt to access as broad an opportunity set as possible and do not seek to control risk relative to the benchmark.

Cast a Deep Net We combine GMO's quantitative, fundamental, top-down and bottom-up resources to identify mispriced market segments and securities.

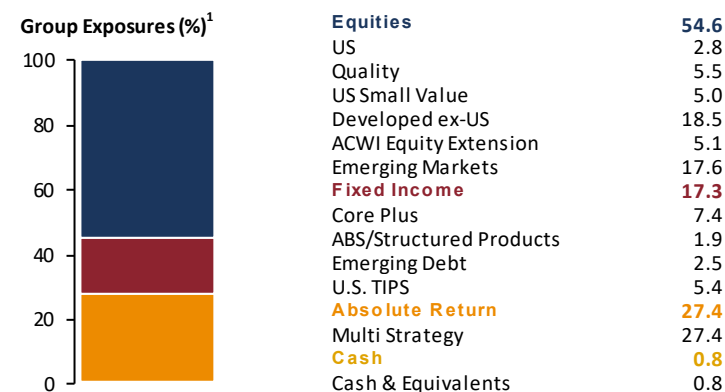
Be Contrarian We are prepared to take unconventional positions within our portfolios and hold them longer than the pain threshold of most other market participants.

Be Bold We are structured to be dynamic, moving assets across asset groups and taking significant positions when we see markets move to extreme valuations.

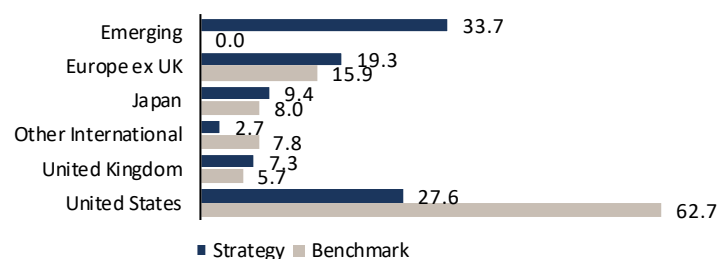
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STRATEGY PROFILE



Equity Regional Weights (%)



Equity Characteristics

	Strategy	Benchmark
Price/Earnings - Hist 1 Yr Wtd Median	12.4 x	20.6 x
Price/Book - Hist 1 Yr Wtd Avg	1.5 x	2.4 x
Return on Equity - Hist 1 Yr Med	15.3 %	18.3 %
Market Cap - Weighted Median \$Bil	\$13.8	\$56.6
Dividend Yield - Hist 1 Yr Wtd Avg	3.6 %	2.5 %

5-Year Risk Profile²

	Strategy	Benchmark
Alpha	-2.24	0.00
Beta	0.91	1.00
R ²	0.83	1.00
Sharpe Ratio	0.21	0.58
Std. Deviation	6.93	6.96

Bond Portfolio³

Total Portfolio Duration 1.5 years

Credit Ratings

Rating	Strategy (%)	Benchmark (%)
AAA	-3.1%	6.4%
AA	74.6%	6.0%
A	2.6%	7.5%
BBB	5.6%	0.1%
D		0.4%

¹ The groups indicated above represent exposures determined pursuant to proprietary methodologies and are subject to change over time.

² 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.

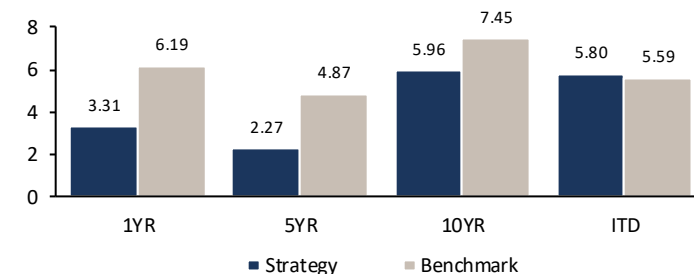
³ Total Portfolio Duration is calculated on all fixed income instruments held by the portfolio and is shown relative to the entire portfolio (inclusive of fixed income, equity, cash, alternative investments, etc.). The credit ratings above may encompass emerging debt, developed rates, and asset-backed exposure. Ratings for the emerging debt and developed rates portions of the portfolio are derived by taking the Standard and Poor's country ratings and applying these ratings to the country exposures of the portfolio. For the asset-backed portion of the portfolio, credit ratings are derived by using the lowest rating among rating agencies at the issue level. Final credit ratings are expressed based upon Standard and Poor's ratings scale. Standard & Poor's rates securities from AAA (highest quality) to C (lowest quality), and D to indicate securities in default; some securities are not rated (NR). BB and below are considered below investment grade 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	Benchmark
2Q 2019	1.91	3.25
YTD 2019	8.45	11.65
Annual Total Return (%)		
2018	-6.93	-4.74
2017	14.62	13.92
2016	5.19	5.20
2015	-5.16	-0.18
2014	2.00	4.22
2013	13.68	14.95
2012	10.65	10.42
2011	3.16	-1.76
2010	5.00	8.94
2009	13.02	19.17

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.

The GMO Real Return Global Balanced Asset Allocation Blended Index + is an internally maintained benchmark computed by GMO, comprised of (i) GMO blended benchmark of Real Return Global Balanced Asset Allocation Composite through 06/30/2014 and (ii) The GMO RRGBAL Blended Index thereafter. The GMO blended benchmark of Real Return Global Balanced Asset Allocation Composite is comprised of a weighted average of account benchmarks; many of the account benchmarks consist of MSCI World (MSCI Standard Index Series, net of withholding tax), Barclays Aggregate, and FTSE 3-Month T-Bill or some like proxy for each market exposure they have. For each underlying account benchmark, the weighting of each market index will vary slightly. The index is internally blended by GMO and maintained on a monthly basis. The RRGBAL Blended Index is comprised of 60% MSCI World Index (MSCI Standard Index Series, net of withholding tax), 20% Barclays U.S. Aggregate Index and 20% FTSE 3-Month Treasury Bill Index. The index is internally blended by GMO and maintained on a monthly basis. MSCI data may not be reproduced or used for any other purpose. MSCI provides no warranties, has not prepared or approved this report, and has no liability hereunder.