QUARTERLY INVESTMENT REVIEW

Global Asset Allocation Strategy

Performance returns (USD)

ANNUALIZED RETURNS (QUARTER-END)	Quarter-End	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
Global Asset Allocation Strategy (net)	3.69	3.69	14.96	2.36	5.50	4.23	8.29
Global Asset Allocation Strategy (gross)	3.87	3.87	15.77	3.05	6.15	4.81	8.81
GMO Global Asset Allocation Index +	4.98	4.98	15.32	3.73	7.39	6.34	7.70
Value Add	-1.28	-1.28	-0.36	-1.37	-1.89	-2.11	+0.60

Major Performance Drivers

– Top-down asset allocation was negative for the quarter. This was due primarily to the regional allocation within equities.

– Security selection was broadly flat for the quarter.

Equities represented an average of 63.6% of the portfolio during the quarter, including 7.1% in Emerging Markets, 7.1% in Emerging Markets ex-China, 13.1% in Developed ex-U.S., 3.1% in Quality, 5.1% in U.S., 2.0% in U.S. Small Cap Value, 3.0% in U.S. Small Cap Quality, 3.1% in Quality Cyclicals, 7.1% in U.S. Opportunistic Value, 4.1% in Japan Value, 6.9% in International Opportunistic Value, and 1.9% in Resources equity.

The equity portfolio returned 6.2% for the quarter, trailing the MSCI ACWI return of 8.1%. The regional positioning proved detrimental as the U.S. beat Developed ex-U.S., while Emerging Markets lagged Developed Markets. Security selection was essentially flat for the quarter, a good result as Value lagged Growth in both Developed and Emerging Markets. The Emerging Market portfolio returned 2.2%, which was 10 bps ahead of the MSCI Emerging Market index, and Emerging Markets ex-China returned 2.3%, which was 140 bps behind the MSCI Emerging Markets ex-China index return of 3.7%. In Developed ex-U.S. markets, the portfolio posted 7.4% which was 190 bps ahead of the MSCI World ex-U.S. index, but International Opportunistic Value underperformed by 120 bps. In the U.S., the broad U.S. portfolio return of 12.3% beat the S&P Composite 1500 by 200 bps while U.S. Opportunistic Value outperformed by a smaller 20 bps, and Quality outperformed the S&P 500 by 40 bps. Quality Cyclicals underperformed, while U.S. Small Value and U.S. Small Quality portfolios both outperformed strongly. The Japan Value portfolio returned 6.8%, behind the TOPIX by 240 bps. Being very slightly underweight to equities had a marginal negative impact on relative performance.

Alternatives represented 12.6% on average through the quarter, all invested in the Alternative Allocation strategy. The Alternative Allocation strategy posted a return of 0.6% for the quarter, unable to keep pace with soaring equities but beating the negative return from bonds, as measured by the Bloomberg U.S. Aggregate. Within the Alternative Allocation strategy, Equity Dislocation was the biggest contributor, while both the Asset Allocation Long/Short strategy and put selling were also additive. The credit positions had no material impact, while Event-Driven, hampered by political push back on the takeover of U.S. Steel by Japan's Nippon Steel, and Fixed Income Absolute Return were both down slightly, detracting modestly. That left Systematic Global Macro as the biggest detractor for the quarter, with a relatively small short position in Cocoa being the culprit as the price absolutely skyrocketed.

Fixed income represented 23.6% on average through the quarter, including 3.0% in asset-backed securities, 3.0% in emerging country debt, 11.8% in the Multi-Sector Fixed Income strategy, and 5.8% in U.S. Treasury notes. Our fixed income strategies returned -0.7% for the quarter, in line with the Bloomberg U.S. Aggregate index return of -0.8%. Asset-backed securities were up nicely with a return of 1.5%, while Multi-Sector Fixed Income had a more challenging time at -0.4% and the U.S. Nominal Treasuries struggled, delivering -5.5%. The U.S. 10-year nominal yield finished the quarter a significant 32 bps higher than where it started, at 4.2%. Our emerging country debt portfolio returned 5.6%, which was nicely ahead of the EMBI Global Diversified Index return of 2.0%. Our underweight to fixed income had a positive impact on performance against the asset allocation benchmark.

Inception Date: 30-Jun-88

Performance for the year of inception is less than a full calendar year. Returns shown for periods less than one year are not annualized.

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PRODUCT OVERVIEW

The Strategy seeks to achieve a total return greater than that of its benchmark of 65% MSCI All Country World Index and 35% Bloomberg U.S. Aggregate Index, over a complete market cycle, by allocating dynamically across asset classes.

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.

IMPORTANT INFORMATION

Benchmark(s): The GMO Global Asset Allocation Index + is an internally maintained benchmark computed by GMO, comprised of (i) GMO blended benchmark of Global Asset Allocation Composite through 06/30/2014 and (ii) The GMO Global Asset Allocation (Blend) Index thereafter. The GMO blended benchmark of Global Asset Allocation Composite is comprised of a weighted average of account benchmarks; many of the account benchmarks consist of S&P 500, MSCI ACWI (MSCI Standard Index Series, net of withholding tax) and Bloomberg Aggregate 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 GMO Global Asset Allocation (Blend) Index is an internally maintained benchmark computed by GMO, comprised of 65% MSCI ACWI Index (MSCI Standard Index Series, net of withholding tax) and 35% the Bloomberg U.S. Aggregate Index. 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. 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.

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.