QUARTERLY INVESTMENT REVIEW

Global Real Return (UCITS) Fund USD Class A

RETURNS (%) (LOCAL)

	Cumulative (%)		Annualized (%)				
	QTD	YTD	1 Year	3 Years	5 Years	10 Years	ITD
Net of Fees Fund (USD Class A)	1.83	6.37	14.43	3.55	2.17	2.22	2.81
Gross of Fees Fund (USD Class A)	2.07	7.10	15.47	4.50	3.09	3.13	3.73
OECD CPI G7	0.61	3.22	3.77	5.20	3.55	2.42	2.35
Value Added (vs. OECD CPI G7)	1.22	3.16	10.66	-1.65	-1.38	-0.20	0.46

Major Performance Drivers

– Top-down asset allocation was negative, driven largely by allocating to equities in a falling market.

– Security selection was strong, as both equities and alternative strategies performed well.

Long-only equities represented 51.4% of the portfolio on average through the quarter, with 8.0% in Emerging Markets and 7.1% in Emerging Markets ex-China, both with a distinct Value bias, 6.1% in Japan Value, 5.1% in Developed ex-U.S. Small Value, 5.1% in Developed ex-U.S., 3.0% in Resource Equity, 4.0% in Quality Cyclicals, 5.0% in U.S. Opportunistic Value, and 7.9% in International Opportunistic Value (including the exposure previously badged as European Opportunistic Value).

The equity portfolio returned 0.3% for the quarter, well ahead of the MSCI ACWI return of -3.4%. Top-down regional exposures had limited impact for the quarter as the U.S. moderately beat Developed ex-U.S., but both lagged Emerging Markets. Security selection was positive for the quarter as Value beat Growth except in the U.S. Our Emerging Markets portfolio returned 2.3%, well ahead of the MSCI Emerging Market index return of -2.9%, while the Emerging Markets ex-China portfolio posted -0.9%, again well ahead of the MSCI Emerging ex-China benchmark's -3.3% return. The Japan portfolio posted 1.7%, beating the TOPIX return of -0.9%, and the Developed ex-U.S. Small Cap portfolio delivered a 2.2% return, 250 bps ahead of its benchmark. The Developed ex-U.S. exposure posted 0.5%, which beat the MSCI World ex-U.S. index by 460 bps and the MSCI World ex-U.S. Value index by a smaller 30 bps. Quality Cyclicals returned -5.1%, 170 bps behind its benchmark, while Resources did -0.7%, lagging its benchmark in what was a relatively strong quarter for commodity producers. The U.S. Opportunistic Value exposure returned -1.4%, beating the S&P Composite 1500 index by 200 bps despite Growth beating Value in the U.S., and International Opportunistic Value posted 1.6%, well ahead of MSCI World ex-USA.

Alternative strategies averaged 35.4% through the quarter, including 8.8% in Systematic Global Macro, 4.2% in Event-Driven, 2.3% in Fixed Income Absolute Return, and 20.0% Equity Dislocation. Alternative strategies returned 6.2% for the quarter, as all of the constituents delivered positive returns. Equity Dislocation was up 7.6%, which was an excellent result as MSCI ACWI Value beat MSCI ACWI Growth by 3.1%. Event-Driven was up 4.6%, on a string of positive antitrust news, while Fixed Income Absolute Return delivered 3.4%. Systematic Global Macro was also up 2.8%, largely buoyed by successful positioning in currencies and fixed income.

Inception Date: 20-Aug-12

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Major Performance Drivers Cont.

Fixed income represented 13.2% of the portfolio on average through the quarter, including 5.1% in asset-backed securities, 1.2% in high-yield, 4.1% in emerging country debt, and 2.8% in U.S. nominal treasuries. Our fixed income strategies returned -1.0% for the quarter, well ahead of the Bloomberg U.S. Aggregate return of -3.2%. Emerging country debt, as measured by the J.P. Morgan EMBIG-D index, had a difficult -2.2% return, but our portfolio beat that nicely with a -1.4% return. The High Yield position returned -0.4%, behind the BofA Merrill Lynch U.S. High Yield benchmark's return of 0.5%, and asset-backed securities posted 0.8%, soundly beating the Bloomberg U.S. Securitized index return of -3.8%. It was a tougher quarter for traditional duration and the nominal U.S. treasuries fell -4.1%.

PRODUCT OVERVIEW

The Fund seeks to achieve a return in excess of that of its benchmark, the OECD G7 Consumer Price Index, by allocating dynamically across asset classes, free from the constraints of traditional benchmarks. The Fund seeks annualized excess returns of 5% (net of fees) above the OECD G7 Consumer Price Index, over a complete market cycle.

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 approach to allocate to what we believe are the most attractively priced asset classes.

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.