

QUARTERLY INVESTMENT REVIEW

International Equity Strategy

Performance returns (USD)

ANNUALIZED RETURNS (QUARTER-END)	Quarter-End	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
International Equity Strategy (net)	0.20	7.30	15.79	4.75	9.00	3.61	7.25
International Equity Strategy (gross)	0.38	7.68	16.63	5.50	9.79	4.37	8.01
MSCI EAFE +	-0.31	5.34	11.54	2.89	6.46	4.33	6.63
Value Add vs. MSCI EAFE +	+0.51	+1.96	+4.25	+1.85	+2.54	-0.72	+0.63
MSCI EAFE Value	0.19	4.49	13.75	5.55	6.06	3.01	6.26
Value Add vs. MSCI EAFE Value	+0.01	+2.80	+2.04	-0.80	+2.94	+0.60	+0.99

MAJOR PERFORMANCE DRIVERS

Global equity markets continued to post positive performance in the second quarter, driven by robust performance in the U.S. and Emerging Markets. Developed Markets outside the U.S. were the exception, posting a small decline in the second quarter, but all three regions remain in positive territory year to date. Market optimism persists despite heightened geopolitical tensions in the Europe and the Middle East, sticky inflation, and uncertainty around the impact of election results in both Developed and Emerging Markets.

In the second quarter MSCI EAFE Value modestly outperformed MSCI EAFE. In this environment the Industry Value model was the strongest performer. Alerts was also additive as companies with few red flags for poor management behavior outperformed the broader market.

Portfolio outperformance was driven by strong stock selection, with notable contributions from France and Japan. While the decision of President Emmanuel Macron to hold snap elections on June 30 was viewed unfavorably by the market and being overweight the country was a headwind, the portfolio benefitted from strong stock selection in France Consumer Discretionary and Industrials.

Country and sector allocation decisions detracted from performance. Australia and the United Kingdom were among the larger detractors, both negatively impacted by a mix of underweight country allocations and poor stock selection. An underweight toward Denmark Health Care also detracted as makers of obesity drugs continued to rally.

Composite Inception Date: 31-Mar-87

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 Market Risk - Equities, Non-U.S. Investment Risk, Management and Operational Risk Currency Risk, 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:** 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. The portfolio is not managed relative to a benchmark. References to an index are for informational purposes only. Gross returns are presented gross of management 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%. The portfolio is not managed relative to a benchmark. References to an index are for informational purposes only.

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PRODUCT OVERVIEW

The GMO International Equity Strategy seeks to generate high total return by investing primarily in non-U.S. developed market equities. The Strategy measures its performance against the MSCI EAFE Index.

The Strategy's investment approach is grounded in the Systematic Equity team's belief that, in the short term, equity markets exhibit exploitable inefficiencies as a result of irrational investor actions, the imperfect flow of information, and the participation of non-economic actors, while in the long-term returns are ultimately driven by economic reality. The Strategy aims to take advantage of these inefficiencies by utilizing a multi-factor valuation model in conjunction with other methods, such as cross-asset signals and corporate alerts, to identify undervalued equity securities.

IMPORTANT INFORMATION

Comparator Index(es): The MSCI EAFE + (Europe, Australasia, and Far East) Index is an internally maintained benchmark computed by GMO, comprised of (i) the MSCI EAFE (Europe, Australasia, and Far East) Value Index (MSCI Standard Index Series, net of withholding tax) through 06/30/2014 and (ii) the MSCI EAFE (Europe, Australasia, and Far East) Index (MSCI Standard Index Series, net of withholding tax) thereafter. 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 MSCI EAFE (Europe, Australasia, and Far East) Value Index (MSCI Standard Index Series, net of withholding tax) is an independently maintained and widely published index comprised of international large and mid capitalization stocks that have a value style. Large and mid capitalization stocks encompass approximately 85% of each market's free float-adjusted market capitalization. Style is determined using a multi-factor approach based on historical and forward-looking characteristics. 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.

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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