

QUARTERLY INVESTMENT REVIEW

U.S. Small Cap Value Strategy

Performance returns (USD)

ANNUALIZED RETURNS (QUARTER-END)	Quarter-End	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
U.S. Small Cap Value Strategy (net)	-3.14	1.90	14.84	4.45	-	-	9.93
U.S. Small Cap Value Strategy (gross)	-3.03	2.13	15.37	4.93	-	-	10.44
S&P 600 Value +	-4.85	-4.72	4.20	-0.79	-	-	7.80
Value Add	+1.71	+6.62	+10.64	+5.24	-	-	+2.14

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. While overall U.S. performance was strong, small caps underperformed large caps.

Within small caps the S&P Small Cap 600 Value index underperformed the S&P Small Cap 600 index in the second quarter. In this environment Value model performance was mixed. Bottom-up Value models struggled; however, Industry Value modestly outperformed the broader market. The Alerts model also contributed to outperformance as companies we identified as having few red flags for poor management behavior outperformed the broader market.

Stock selection was the primary driver of outperformance, with notable contributions from Consumer Discretionary and Information Technology names. Consumer Discretionary was the top sector contributor despite the headwinds from being overweight the underperforming sector.

Areas of challenging stock selection were relatively modest, including Industrials, Real Estate, and Materials.

Composite Inception Date: 31-Jul-19

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, Management and Operational Risk, Small Company Risk, Focused Investment Risk and Illiquidity 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. Gross returns are presented gross of management fees 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%.

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PRODUCT OVERVIEW

The GMO U.S. Small Cap Value Strategy seeks to generate total return in excess of its benchmark, the S&P Small Cap 600 Value Index, by investing primarily in equities of U.S. companies that are included in the S&P 600 Index or whose market capitalization at the time of investment is less than that of companies in the bottom decile of market capitalization of the MSCI U.S. IMI 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

Benchmark(s): The S&P 600 Value+ Index is an internally maintained benchmark computed by GMO, comprised of (i) Russell 2000 Value through 3/31/2020, and (ii) S&P SmallCap 600 Value thereafter. The index is internally blended by GMO. 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. Russell Investment Group is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Russell® is a trademark is a trademark of Russell Investment Group.

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.

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*GMO's West Coast Hub is comprised of members of Investment, Global Client Relations, and other teams located in and around the Greater San Francisco area

**Representative Office