

Benchmark-Free Allocation Series Fund

Quarter Ending December 31, 2018

OVERVIEW:

The GMO Benchmark-Free Allocation Series Fund seeks to generate positive total return by allocating to undervalued asset classes and sectors of the global market, free from the constraints of traditional benchmarks. The Fund invests in both conventional and unconventional asset classes by allocating to other GMO-managed portfolios or holding securities directly.

Performance (%)

Net of Fees, Class R6, Fair Value, USD	-4.24
Gross of Fees, Class III, Local Close, USD	-4.14
CPI Index ¹	+0.29
Value Added	-4.44

TOP DOWN ALLOCATION: -4.6%



SECURITY SELECTION: +0.1%



Major Performance Drivers

Equity

Positioning: Equities represented 36.7% of the portfolio at quarter-end, including 24.0% long-only emerging markets, 7.6% developed ex-US equity, and 5.1% equity extension (a 130% long/30% short strategy comprised of developed ex-US and EM equity).

Results: The equity portfolio returned -9.6% for the quarter, well ahead of the MSCI ACWI return of -12.8%. This was predominantly down to our significant emerging market exposure, as the MSCI Emerging Markets Index held up much better than developed markets and returned -7.5%. Our emerging market stock selection was modestly ahead of the benchmark, but stock selection in developed markets proved challenging. Disappointing relative performance in Japan, Sweden and the UK led to the developed ex-US portfolio lagging the MSCI World ex-US Index by 2.8%. The ACWI ex-US Equity Extension strategy had a reasonable quarter, with its return of -11.8% outperforming the MSCI World ex-US Index by 1.0%.

Alternative Strategies

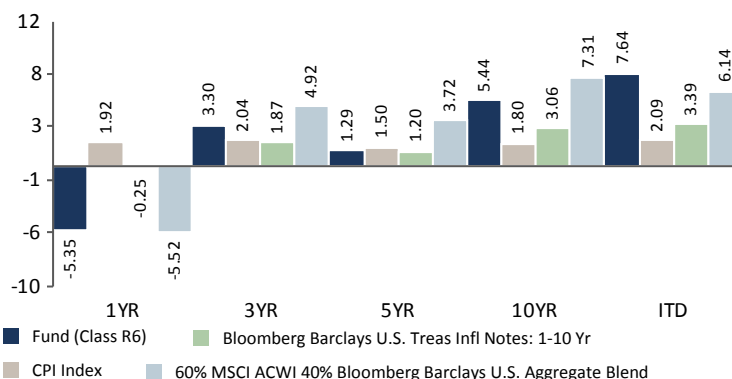
Positioning: Alternatives represented 32.1% at quarter-end, including 7.5% Systematic Global Macro, 5.5% Quality/S&P500, 5.3% merger arbitrage, 4.6% EAFE Value/S&P500, 3.3% relative value interest rates & FX, 2.5% Special Opportunities, and 3.5% put selling.

Results: Alternatives returned -2.4% for the quarter, a decent result in the context of the severe drawdowns in equity markets. Special Opportunities and Put Selling were hampered by their beta exposure and returned -18.3% and -11.2% respectively. Systematic Global Macro was down 2.4%, largely down to a modest long equity position and a long oil position. The EAFE Value (currency hedged) vs. S&P 500 trade was down 0.9% and merger arbitrage was down 0.5% for the quarter. The Quality vs. S&P 500 trade returned 1.7% as Quality brought a fine 2018 to an end with solid outperformance in the fourth quarter. Relative value interest rates & FX was up 3.2%, driven mostly by long rates positions in the US, Canada and New Zealand.

Performance data quoted represents past performance and is not indicative of future results. The investment return and principal value of an investment will fluctuate so that an investors shares, when redeemed, may be worth more or less than their original cost. Current performance data may be lower or higher than the performance data provided herein. To obtain performance information to the most recent month-end, visit www.gmo.com. Gross Expense Ratio Class R6 0.92% is equal to the Funds Total Annual Operating Expenses set forth in the Funds most recent prospectus dated June 30, 2018.

The inception date refers to that of the GMO Trust Fund. Class R6 shares were first offered on January 1, 2012. Performance data quoted for each GMO Series Trust Fund reflects the performance data of the corresponding GMO Trust Fund restated to reflect the fees and expenses associated with the GMO Series Fund.

Annualized Return (%) as of December 31, 2018



Inception date: 07/23/2003

Chart returns include purchase premiums and redemption fees impact if applicable.

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Fixed Income

Positioning: Fixed income represented 23.1% of the portfolio at quarter-end, including 10.9% TIPS, 5.0% asset-backed securities, 4.0% emerging country debt, and 3.2% high-yield and a select number of distressed credits.

Results: Our fixed income strategies returned -0.3% for the quarter. Asset-backed securities were up a solid 1.3% and the TIPS exposure was flat (the US 10-year nominal yield plunged from 3.05% at the start of the quarter to 2.69% at the end of the quarter, perhaps driven by a flight to safety in the face of the large equity drawdowns. It was, therefore, a little disappointing that the 10-year real yield actually rose during the quarter as worries about anemic global growth fed through to a significant lowering of the breakeven inflation rate). High Yield/Distressed was down 2.2%, struggling a little in the risk-off environment but well ahead of the high yield benchmark return of -4.7%. The emerging country debt portfolio returned -1.8%, a little worse than the benchmark EMBI Global Index.

Cash / Cash Plus

Positioning: Cash/cash plus represented 8.1% of the portfolio at quarter-end. We believe cash is an important “dry powder” asset in an investment environment offering limited opportunities.

Results: The allocation to cash/cash plus had a minimal impact on the portfolio returning, 0.7% for the quarter in line with 3 month US T-Bills.

An investor should consider the fund's investment objectives, risks, charges and expenses before investing. This and other important information can be found in the fund's prospectus. To obtain a prospectus please visit www.gmo.com. Read the prospectus carefully before investing.

Risks associated with investing in the Fund may include Market Risk - Equities, Management and Operational Risk, Non-U.S. Investment Risk, Liquidity Risk, and Derivatives Risk. For a more complete discussion of these risks and others, please consult the Fund's prospectus. Distributor: Funds Distributor LLC. GMO and Funds Distributor LLC are not affiliated.

Each GMO Series Trust Fund is a feeder fund investing substantially all of its assets in shares of a corresponding GMO Trust Fund (i.e., a master fund). Each Series Trust Fund's sole portfolio holding, other than cash, is shares of the corresponding Trust Fund.

¹ The CPI (Consumer Price Index) for All Urban Consumers US All Items is published monthly by the U.S. government as an indicator of changes in price levels (or inflation) paid by urban consumers for a representative basket of goods and services. CPI Index index returns are updated on the 15th of the month and may or may not be current.