

Foreign Small Companies Fund

Quarter Ending December 31, 2018

OVERVIEW:

The Foreign Small Companies Fund seeks to deliver high total return by investing in non-U.S. equities whose outstanding publicly traded equities are in the lowest 25% of publicly traded market capitalization (float) in a particular country at the time of investment. The Funds benchmark is the S&P Developed ex-U.S. Small Cap Index.

Performance (%)

Net of Fees, Class III, Fair Value, USD	-17.02
Gross of Fees, Class III, Local Close, USD	-16.90
S&P Developed ex-U.S. Small Cap ¹	-16.56
Value Added	-0.34

SECTOR ALLOCATION: -0.6%

SECURITY SELECTION: +0.2%

Major Performance Drivers

The portfolio trailed the benchmark in the fourth quarter. The companies that we believed had the most attractive growth prospects were among the worst performing stocks in a period where every sector in the index lost value. Our Intrinsic Value models struggled as the Growth components underperformed and offset the relatively strong performance of our Valuation-oriented models. The negative views of our Cross-Asset models performed well and motivated underweight positioning in stocks with negative sentiment from other asset classes, which helped performance.

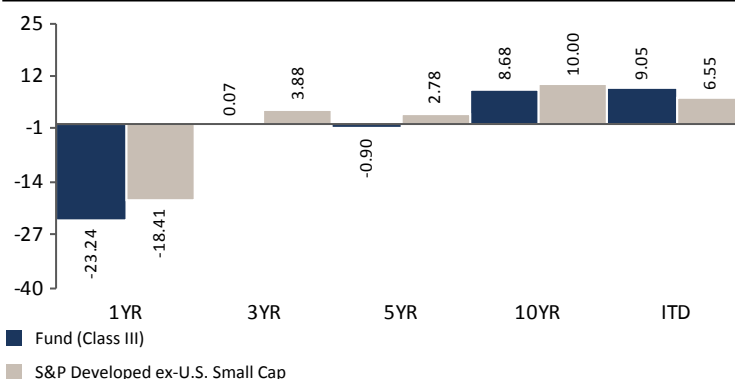
Areas that posed the greatest stock selection challenges included Canada, Materials, and Consumer Discretionary. Challenges with Materials were broad-based; detractors included Valuation-oriented positions in Canada and Japan, as well as Growth-motivated holdings in Spain. BRP (Canada Consumer Discretionary) exemplifies both the good growth prospects at an attractive valuation we tend to favor, and the challenges of the recent environment. BRP ended the quarter as the top detractor despite having posted better than expected earnings growth in the quarter-ended October 31, 2018.

Performance highlights included emerging market holdings in Indian Utilities and Chinese Real Estate, and stock selection in the Energy and Consumer Staples sectors. Top contributors included Japanese Consumer Staples companies FancI Corporation and House Foods Group. Gaztransport & Technigaz (France Energy) was also among the top contributors for the second quarter in a row.

Quarter-ending weights, as a percent of equity, for the positions mentioned were: BRP (1.5%), FancI Corporation (2.6%), House Foods Group (2.1%), and Gaztransport & Technigaz (2.8%).

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 of 0.90% is equal to the Funds Total Annual Operating Expenses set forth in the Funds most recent prospectus dated June 30, 2018.

Annualized Return (%) as of December 31, 2018



Inception date: 01/04/1995

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

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.

¹ The S&P Developed ex-U.S. Small Cap Index is an independently maintained and widely published index comprised of the small capitalization stock component of the S&P Broad Market Index (BMI). The BMI includes listed shares of companies from developed and emerging countries with a total available market capitalization (float) of at least the local equivalent of \$100 million USD. The S&P Developed ex-U. S. Small Cap Index represents the bottom 15% of available market capitalization (float) of the BMI in each country. 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.