

Global Asset Allocation Fund

Year Ending December 31, 2018

OVERVIEW:

The GMO Global Asset Allocation Fund seeks total return greater than that of its benchmark, 65% MSCI ACWI and 35% Barclays Capital U.S. Aggregate Index. The Fund uses top-down and bottom-up valuation methodologies to value asset classes, countries and securities in order to allocate assets to undervalued countries, currencies and securities around the world.

Performance (%)

Net of Fees, Class III, Fair Value, USD	-7.26
Gross of Fees, Class III, Local Close, USD	-6.88
GMO Global Asset Allocation Index ¹	-6.00
Value Added	-0.88

TOP DOWN ALLOCATION: -0.1%



SECURITY SELECTION: -0.8%



Major Performance Drivers

Equity

Positioning: Equities represented 53.8% at year-end: 19.2% emerging markets, 20.6% developed ex-US, 7.0% Quality, and 7.0% US.

Results: The equity portfolio returned -13.5% for the year, well behind the MSCI ACWI return of -9.4%. This underperformance was predominantly down to our bias against the US as the S&P 500 Index held up much better than other developed and emerging markets, particularly in the first three quarters. Our emerging market stock selection was decently ahead of the benchmark, with a portfolio return of -12.9% against a MSCI Emerging Market Index return of -14.5%. Stock selection in developed markets proved challenging and our portfolio returned -20.3%, much worse than the MSCI World ex-US Index. The US equity exposure returned -9.3%, lagging the Russell 3000 Index by 4.0%, and Quality had an excellent year with a positive return of 0.9%. Being underweight to equities was decently additive to relative performance as they underperformed the blended benchmark return of -6.0%.

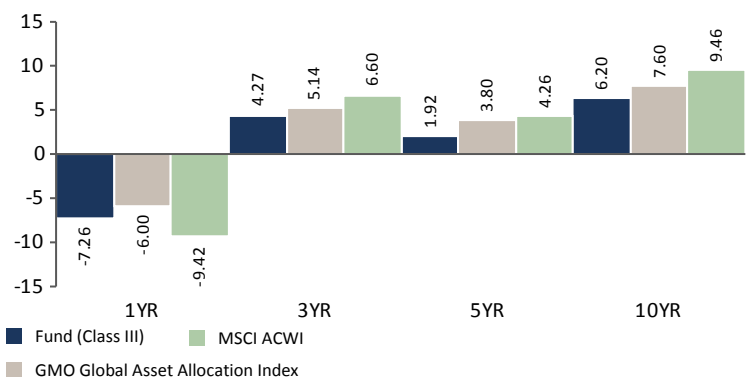
Alternatives

Positioning: Alternatives represented 10.4% at year-end: 3.0% Systematic Global Macro, 3.0% Alpha Only, 2.5% put selling and 1.9% relative value interest rates & FX.

Results: Alternatives returned -0.3% for the year, a mildly disappointing result despite the context of the severe drawdowns in equity markets. Put selling was hampered by its beta exposure and returned -7.1%. Systematic Global Macro was down 1.2%, largely down to its equity positioning – a modest long position effected by being short the US market versus long emerging and other developed markets. Alpha Only was down 0.8%, driven largely by strong outperformance of the short S&P 500 positions against the emerging markets and EAFE value positions. Pride of place went to relative value interest rates & FX, up an outstanding 12.3%, driven mostly by long rates positions in Canada and New Zealand and a short position in the Australian dollar.

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 0.57% 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: 10/22/1996

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

Fixed Income

Positioning: Fixed income represented 31.1% at year-end, including 10.3% TIPS, 2.1% asset-backed securities, 3.5% emerging country debt, and 15.3% core plus fixed income.

Results: Our fixed income strategies returned 0.6% for the year, nicely ahead of the 0.0% return from the Bloomberg Barclays US Aggregate Index. Asset-backed securities were up a solid 4.3% and Core Plus was up 2.6%. The US 10-year nominal yield finished the year at 2.69%, modestly up from the 2.46% it started at – although this masks the fact that it climbed as high as 3.22% during the Fall. The TIPS exposure was down 1.4% as real 10-year yields in the US drifted from 0.46% from the start of the year to 0.98% at the end of the year (having been as high as 1.17% in November). The emerging country debt portfolio returned -5.2%, a little worse than the benchmark EMBI Global Index return of -4.6%. Our underweight to fixed income detracted from performance against the asset allocation benchmark.

Cash/Cash Plus

Positioning: Cash/cash plus represented 4.6% of the portfolio at year-end. We believe cash is an important “dry powder” asset in an investment environment offering limited opportunities.

Results: The allocation to cash/cash plus returned 1.9% for the year, in line with 3-month US T-Bills. The allocation to cash/cash plus was helpful to relative performance as it handily outperformed the blended benchmark.

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 GMO Global Asset Allocation Index is an internally maintained benchmark computed by GMO, comprised of (i) the MSCI ACWI (All Country World) Index (MSCI Standard Index Series, net of withholding tax) through 6/28/2002 and (ii) the GMO Global Asset Allocation (Blend) Index 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.