

Global Asset Allocation Fund

Quarter 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	-6.44
Gross of Fees, Class III, Local Close, USD	-6.35
GMO Global Asset Allocation Index ¹	-7.82
Value Added	+1.48

TOP DOWN ALLOCATION: +1.9%



SECURITY SELECTION: -0.4%



Major Performance Drivers

Equity

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

Results: The equity portfolio returned -12.0% for the quarter, outperforming the MSCI ACWI return of -12.8%. This was predominantly down to our significant emerging market exposure, which held up better than developed equities as the MSCI Emerging Markets Index returned -7.5%. Stock selection was strong in the US, helped by our Quality exposure which had a good quarter from a relative perspective. Our emerging market stock selection was also modestly ahead of the benchmark. Stock selection in developed markets proved challenging with disappointing relative performance in Japan, Sweden and the UK leading to the developed ex-US portfolio lagging the MSCI World ex-US Index by 2.7%. Being underweight equities was decently additive as they underperformed the blended benchmark return of -7.8%.

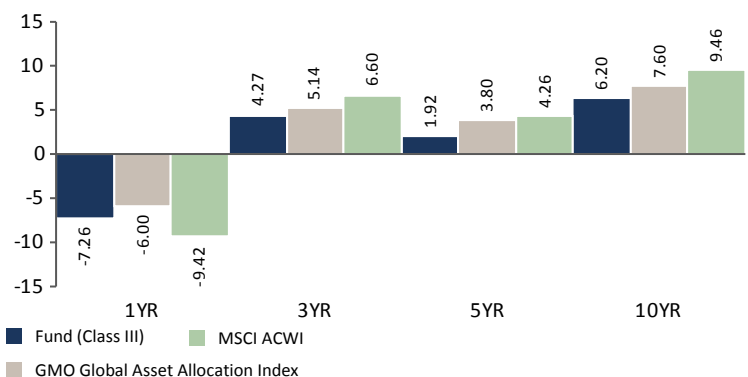
Alternative Strategies

Positioning: Alternatives represented 10.4% at quarter-end, including 3.0% Systematic Global Macro, 3.1% Alpha Only, 2.5% put selling and 1.9% relative value rates & FX.

Results: Alternative Strategies returned -1.5% for the quarter, a decent result in the context of the severe drawdowns in equity markets. Put selling was hampered by its beta exposure and returned -10.4% respectively. Systematic Global Macro was down 2.4%, largely due to a modest long equity position and a long oil position. Relative value interest rates & FX was up 3.0%, driven mostly by long rates positions in the US, Canada and New Zealand. Alpha Only was up 4.4%, driven largely by the strong outperformance of emerging markets and Quality against the short S&P 500 positions.

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 investor's 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 quarter 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 1.1% for the quarter. Core Plus was up 2.3%, benefitting as 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. Asset-backed securities were up a solid 1.3% and the TIPS exposure was flat (it was therefore a little disappointing that the 10-year real yield actually rose during the quarter as worries about anemic global growth led to a significant lowering of the breakeven inflation rate). The emerging country debt portfolio returned -1.8%, a little worse than the benchmark EMBI Global Index. 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 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 returned 0.6% for the quarter, 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.