

Global Equity Allocation Fund

Quarter Ending December 31, 2018

OVERVIEW:

The GMO Global Equity Allocation Fund seeks total return greater than that of the MSCI All Country World Index. The Fund uses multi-year forecasts of returns among asset classes to build a portfolio that primarily provides exposure to non-U.S. and U.S. equity markets.

Performance (%)

Net of Fees, Class III, Fair Value, USD	-12.57
Gross of Fees, Class III, Local Close, USD	-12.49
MSCI ACWI + ¹	-12.75
Value Added	+0.26

GROUP ALLOCATION: +1.0%

Developed



Emerging



SECURITY SELECTION: -0.7%

Developed



Emerging



Major Performance Drivers

Emerging Markets

Characteristics: Our emerging market positioning emphasizes undervalued stocks within attractively valued countries/sectors.

Positioning: Emerging markets accounted for 26.3% of our total portfolio weight on average during the quarter.

Results: Our overweight position in emerging markets resulted in a strong positive allocation impact as they outperformed the MSCI All Country World Index by more than 5% for the quarter. Security selection was also helpful as it proved to be another decent quarter for a valuation-driven approach to investing. The overweight in Turkish Financials and Consumer Staples as well as the underweight in Chinese Consumer Discretionary and Communication Services helped performance. An overweight in Russian Energy and Financials negatively impacted performance as the oil price crashed. An underweight in Brazilian Financials and Consumer Discretionary detracted from performance as both equity and currency performed well amid a positive response to the election of Bolsonaro as president.

United States

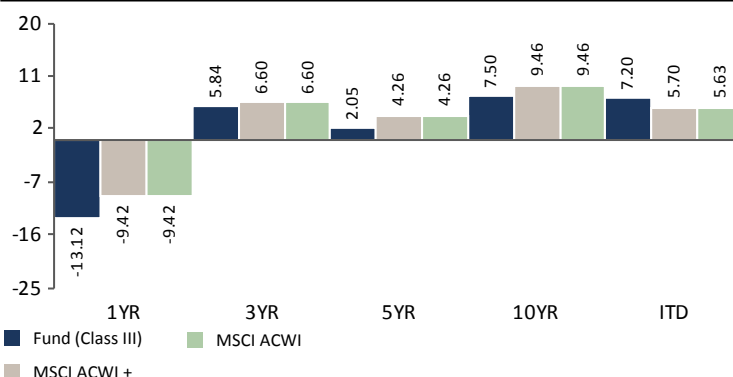
Characteristics: Our allocation in the US includes stocks we believe are attractively valued as selected by our quantitative valuation approach.

Positioning: We allocated 17.4% of our total portfolio weight on average during the quarter to US equities.

Results: US equities underperformed the MSCI ACWI so our underweight position added value to relative performance against the benchmark. Our stock selection impact was mildly positive, helped by value investing having a reasonable quarter as the Russell 3000 Value Index had a rare (in recent times) win over the Russell 300 Growth Index. Our underweight positions in Amazon and Apple both featured in the top five contributors to relative performance at the total portfolio level.

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 0.63% 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: 11/26/1996

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

High Quality

Characteristics: More than 80% of our position in high quality equity is domiciled in the US, but it is comparatively multinational and carries less cyclical economic exposure than the broad US market.

Positioning: Our allocation to high quality accounted for 16.0% of our total portfolio weight on average during the quarter.

Results: Our position in high quality had a negative allocation impact for the quarter as the S&P 500 Index underperformed the MSCI ACWI (although in aggregate we remain significantly underweight the US market). However, high quality outperformed the S&P by an excellent 1.6% for the quarter. A zero weight in poorly performing Amazon compensated for an overweight in poorly performing Apple. A zero weight in energy helped as the oil price crashed, and an overweight to Health Care along with strong selection within Health Care were also beneficial.

Europe

Characteristics: Our position in Europe carries a fair amount of exposure to some of the more cyclically exposed segments of the market.

Positioning: Europe accounted for 25.1% of our total portfolio weight on average during the quarter.

Results: From a top-down allocation perspective, our overweight position in European stocks had little impact on relative performance during the quarter as MSCI Europe performed broadly in line with MSCI ACWI. Stock selection had a negative impact on relative performance, driven by Sweden and the UK.

Quarter-ending weights, as a percent of equity, for the positions mentioned were: Amazon (0.0%), Apple (1.1%).

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 MSCI ACWI (All Country World) + Index is an internally maintained benchmark computed by GMO, comprised of (i) the GMO Global Equity Index, an internally maintained benchmark computed by GMO, comprised of 75% S&P 500 Index and 25% MSCI ACWI ex-U.S. Index (MSCI Standard Index Series, net of withholding tax) through 5/31/2008 and (ii) the MSCI ACWI Index (MSCI Standard Index Series, net of withholding tax) thereafter. 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. 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.