

Global Equity Allocation Investment

Quarter Ending December 31, 2019

OVERVIEW:

The GMO Global Equity Allocation Investment Fund seeks total return by investing in global equities and equity-related securities. The Fund does not seek to allocate its investments in line with or seek to control risk relative to the MSCI All Country World Index or any other securities market index or benchmark.

Performance (%)

Net of Fees, GBP	+2.03
Gross of Fees, Unswung, GBP	+2.23
MSCI ACWI ¹	+1.35
Value Added	+0.88

Major Performance Drivers

- Top-down asset allocation was positive for the quarter, driven by our overweight position in emerging markets.
- Security selection within countries was positive for the quarter, which was a pleasing result as growth continued its dominance over value in both developed and emerging markets. Of particular note, performance in the UK beat the benchmark by more than 9%.

Emerging equities, with an emphasis on undervalued stocks, represented 26.5% of the total portfolio weight on average during the quarter. Our overweight position in emerging equities added to performance as MSCI Emerging Markets returned 4.0% in GBP terms, comfortably beating the MSCI ACWI return of 1.3%. Security selection was moderately challenging although the overweight positions in Shimao Property Holdings (China Real Estate) and Novatek Microelectronics (Taiwan Information Technology) featured in the top five individual contributors at the total portfolio level. On the flipside, overweight positions in pork producer JBS (Brazil Consumer Staples), Telkom (South Africa Communication Services), and China Telecom (China Communication Services) all featured in the biggest individual stock detractors to relative return at the total portfolio level. Altogether, our emerging markets portfolio returned 2.6%, which although lagging the broad emerging index, remained ahead of the 2.3% return of the MSCI Emerging Markets Value Index.

US equities accounted for 29.1% of the total portfolio on average through the quarter, made up of 17.5% in broad US and the remainder in Quality equity. This leaves the portfolio a little over 26.5% underweight US equities in total, and this had a small negative impact on relative returns for the quarter as the S&P 500 returned 1.5%, just ahead of the MSCI ACWI. Security selection in the US was also modestly negative as a good performance from Quality was offset by a difficult quarter for broad US. Indeed, it was a challenging quarter for a valuation driven approach to investing as the Russell 3000 Value Index underperformed the Russell 3000 Index by 1.5%. An underweight to Apple (Information Technology) was the biggest individual detractor from 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 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.

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.

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Core European equities accounted for an average weight of 26.6% of the portfolio for the quarter, although the actual exposure is a little higher allowing for the domicile of some of the Quality holdings. Our overweight position in Europe had little impact on relative performance as the MSCI Europe Index returned 1.2%, nearly in line with the MSCI ACWI return of 1.3%. This was more than offset by strong security selection within Europe, particularly driven by the UK and abetted by Sweden. Overweight positions in International Consolidated Airlines Group (UK Industrials) and housebuilder Persimmon (UK Consumer Discretionary) were the two biggest individual contributors to relative performance at the total portfolio level.

Japanese equities accounted for 9.4% of the total portfolio on average through the quarter. This is a modest overweight position against the benchmark and detracted a little from performance relative to benchmark as MSCI Japan returned a paltry 0.1% in GBP terms. Strong stock selection more than made up for this as our Japanese holdings returned a much more satisfactory 2.6%. The portfolio held 5.2% on average in the remaining catch-all “other international.” In aggregate, this had little impact from an allocation or stock selection perspective, but it is worth noting that an overweight position in Royal Bank of Canada was the fourth biggest individual detractor from relative performance at the total portfolio level.

¹ The MSCI ACWI (All Country World) Index (MSCI Standard Index Series, net of withholding tax) is an independently maintained and widely published index comprised of global developed and emerging markets. 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.