

International Developed Equity Allocation Fund

Quarter Ending June 30, 2019

OVERVIEW:

The GMO International Developed Equity Allocation Fund seeks total return greater than that of its benchmark, the MSCI EAFE Index.

Performance (%)

Net of Fees, Class III, Fair Value, USD	+1.83
Gross of Fees, Class III, Local Close, USD	+2.05
MSCI EAFE ¹	+3.68
Value Added	-1.63

Major Performance Drivers

- Top-down asset allocation was modestly negative for the quarter. On the surface our overweight position in emerging markets, which lagged MSCI EAFE, would have detracted from relative performance but this was largely offset by good country positioning within emerging markets. Small underweight positions in Switzerland, Australia, and France also had a small negative impact.
- Security selection was negative for the quarter. It was a very challenging quarter for a valuation approach to investing as the MSCI EAFE Value Index underperformed the MSCI EAFE Growth Index by more than 4%.

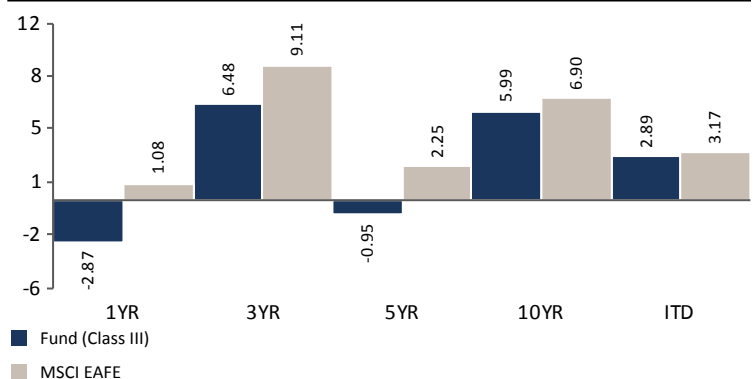
Emerging equities, with an emphasis on undervalued stocks within attractively valued countries/sectors, represented 10.0% of the total portfolio weight on average during the quarter. Our overweight position in emerging equities detracted from performance as MSCI Emerging Markets returned 0.6%, lagging the MSCI EAFE return of 3.7%. However, our performance within emerging markets was significantly better than the index and the portfolio returned an excellent 3.2%. Chinese equities struggled during the quarter as the trade tensions with the U.S. continued to rumble on, and our underweights in China Communication Services and Consumer Discretionary helped performance. On the other hand, Russia leapt 16.9% as interest rates were cut, and our overweight positions in Russia Energy and Financials were additive. Indeed, our overweight position in Gazprom (Russia Energy) was the fifth biggest stock contributor to relative performance at a total portfolio level.

European equities accounted for an average weight of 58.8% of the portfolio for the quarter. Our small underweight position in Europe detracted modestly from performance as the MSCI Europe Index returned 4.5%, beating MSCI EAFE by 0.8%. Unfortunately, security selection within Europe proved to be a challenge, not helped by the underperformance of value. The biggest impact was in Netherlands and Germany, where the overweight position in Deutsche Lufthansa was the single largest detractor at a total portfolio level.

Japanese equities accounted for 23.0% of the total portfolio on average through the quarter, a similar weight to the benchmark MSCI EAFE Index. Stock selection in Japan was positive and Hitachi (Japan Information Technology) was the biggest single stock contributor to relative performance

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 0.64% is equal to the Funds Total Annual Operating Expenses set forth in the Funds most recent prospectus dated June 30, 2019.

Annualized Return (%) as of June 30, 2019



Inception date: 06/05/2006

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

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at the total portfolio level. The portfolio held 6.3% on average in the remaining catch-all “other international”. This had very little impact from an allocation perspective, but stock selection detracted mildly from relative performance as our portfolio lagged benchmark returns in Australia and Hong Kong.

Quarter-ending weights, as a percent of equity, for the positions mentioned are as follows: Gazprom (0.2%), Deutsche Lufthansa (0.9%) and Hitachi (2.0%).

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, Non-U.S. Investment Risk Management and Operational Risk, Currency Risk and Derivative and Short Sale Risk. For a more complete discussion of these risks and others, please consult the Fund’s prospectus.

¹ The MSCI EAFE (Europe, Australasia, and Far East) Index (MSCI Standard Index Series, net of withholding tax) is an independently maintained and widely published index comprised of international large and mid capitalization stocks. 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.