

International Equity Allocation Fund

Quarter Ending December 31, 2018

OVERVIEW:

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

Performance (%)

Net of Fees, Class III, Fair Value, USD	-12.68
Gross of Fees, Class III, Local Close, USD	-12.60
MSCI ACWI ex USA ¹	-11.46
Value Added	-1.14

GROUP ALLOCATION: +0.5%

Developed



Emerging



SECURITY SELECTION: -1.6%

Developed



Emerging



Major Performance Drivers

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 40.3% of our total portfolio weight on average during the quarter.

Results: Our small underweight allocation to European stocks was marginally helpful to performance relative to the benchmark as Europe modestly underperformed the MSCI ACWI ex-US. Stock selection had a negative impact on relative performance as our portfolio underperformed MSCI Europe by about 3%, driven by Sweden, the UK and Norway.

Japan

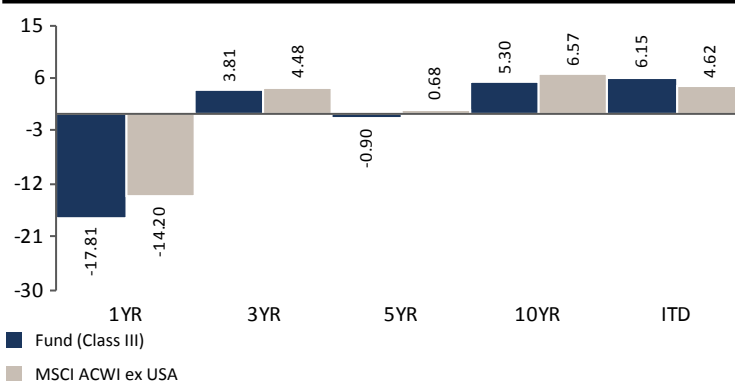
Characteristics: Our position in Japan is focused primarily on value stocks within the region selected by our quantitative valuation approach.

Positioning: Japan accounted for 17.8% of our total portfolio weight during the quarter.

Results: We were modestly overweight Japan relative to the benchmark and this had a minimal negative impact on relative performance as Japan lagged the MSCI ACWI ex-US Index. Stock selection in Japan had a sizeable negative impact as our portfolio underperformed MSCI Japan by about 3%. Overweight positions in Astellas Pharma (Health Care), Asahi Kasei (Materials) and Hitachi (Information Technology) all featured in the biggest five detractors 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. Gross Expense Ratio of 0.74% 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: 10/11/1996

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

International Equity Allocation Fund

Quarter Ending December 31, 2018

Emerging Markets

Characteristics: Our positioning in emerging markets emphasizes undervalued stocks identified within attractively valued countries/sectors.

Positioning: Emerging markets accounted for 35.4% 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 ACWI ex-US Index by 4% 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. The overweight in Russian Energy and Financials negatively impacted performance as the oil price crashed. The underweight in Brazilian Financials and Consumer Discretionary detracted from performance as both equity and currency performed very well amid a positive market response to the election of Bolsonaro as president.

Quarter-ending weights, as a percent of equity, for the positions mentioned were: Astellas Pharma (1.2%), Asahi Kasei (0.9%) and Hitachi (1.3%).

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 ex USA Index (MSCI Standard Index Series, net of withholding tax) is an independently maintained and widely published index comprised of international (excluding U.S. and including emerging) 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.