

Tax-Managed International Equities Fund

Quarter Ending June 30, 2019

OVERVIEW:

The GMO Tax-Managed International Equities Fund seeks to deliver high after-tax total return by investing primarily in international equities that GMO believes have positive return potential relative to other securities tied economically to international equity markets.

Performance (%)

Net of Fees, Class III, Fair Value, USD	+2.82
Gross of Fees, Class III, Local Close, USD	+3.13
MSCI EAFE ¹	+3.68
Value Added	-0.55

Major Performance Drivers

The MSCI EAFE Index continued to rise in the second quarter of 2019. The quarter also illustrated the continued headwinds faced by value. The MSCI EAFE Growth Index outperformed MSCI EAFE Value Index by more than 4% in the second quarter, bringing the relative outperformance of MSCI EAFE Growth vs. MSCI EAFE Value to nearly 9% year-to-date. Most countries and sectors were up modestly. Exceptions, posting negative performance, included the Real Estate sector and Israel.

The portfolio detracted value, primarily from stock selection and country allocation. Model performance was in line with the broader market trends noted above, with value models struggling and growth models doing well. However, selecting names with both good growth prospects and attractive valuations was not a winning strategy in the second quarter. Stocks identified as having positive sentiment from other asset classes or better management behavior also struggled.

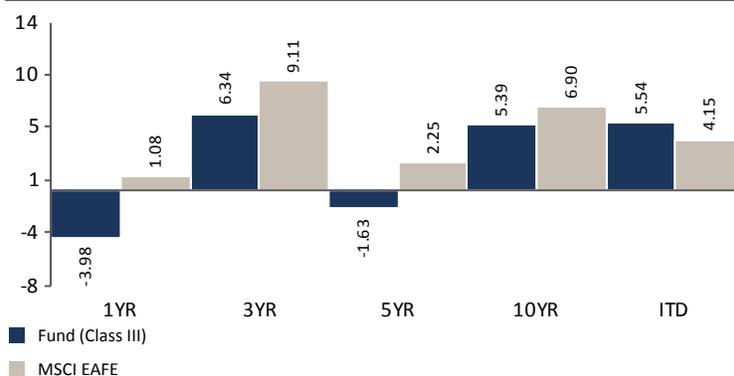
Areas of challenging stock selection included Industrials and Consumer Discretionary. However, the broader valuation-oriented challenges were reflected in the top detractors, which included Deutsche Lufthansa (German Industrials), Swedish Match (Sweden Consumer Staples), Astellas Pharma (Japan Health Care), and Royal Ahold Delhaize (Netherlands Consumer Staples).

Emerging market stock selection was a positive highlight. Value was added from overweight positioning in names underpinned by attractive valuations, good growth prospects, and positive sentiment from other asset classes, including Gazprom (Russia Energy), and JBS (Brazil Consumer Staples).

Quarter-ending weights, as a percent of equity, for the positions mentioned were: Deutsche Lufthansa (0.7%), Swedish Match (0.7%), Astellas Pharma (2.0%), Royal Ahold Delhaize (1.5%), Gazprom (1.2%), and JBS (0.8%).

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 1.33% 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: 07/29/1998

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

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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 Illiquidity 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.