

# U.S. Equity Fund

Quarter Ending December 31, 2018

## OVERVIEW:

The GMO U.S. Equity Fund seeks to deliver high total return by investing in a portfolio of U.S. equities.

## Performance (%)

Net of Fees, Class III, USD	-14.12
Gross of Fees, Class III, USD	-14.02
Russell 3000 <sup>1</sup>	-14.30
<b>Value Added</b>	<b>+0.28</b>

**SECTOR ALLOCATION: -0.3%**

**SECURITY SELECTION: +0.6%**

## Major Performance Drivers

The Russell 3000 Index fell dramatically in the fourth quarter. Amid the downdraft, the Russell 3000 Value outperformed the Russell 3000 Growth Index. Defensive Utilities finished the quarter adding incremental value, while all other sectors were down more than 5%. Energy stocks posted the worst performance, after oil prices fell dramatically including WTI crude ending the year at \$46.

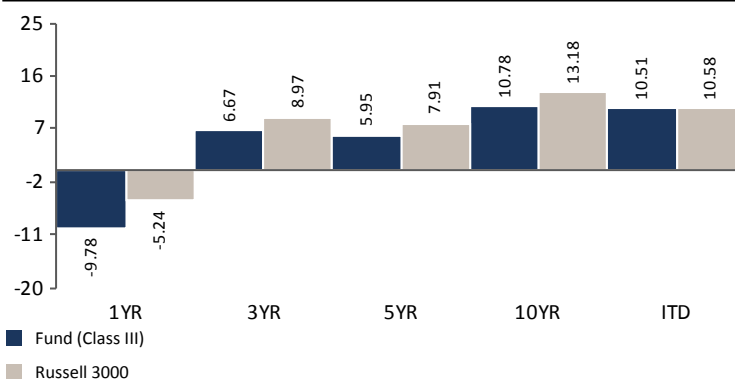
The portfolio added value in the fourth quarter. Value models did well, while both fundamental and momentum-oriented growth signals struggled. In contrast to behavior seen earlier in the year, companies with the worst corporate behavior on Corporate Alerts experienced meaningful corrections. Notably, despite large fourth quarter drawdowns for expensive stocks, those with positive Corporate Alert signals saw positive returns.

Stock selection added value, however sector allocation detracted on the margin due to a modest underweight toward the Utilities sector. Health Care was the strongest area for stock selection, and top contributors for the quarter included Eli Lilly, Merck, and Pfizer. An underweight toward Apple was also among the top contributors, a position motivated by the lack of positive views across multiple model groups. Within Information Technology, semiconductor stocks were notable contributors. For example, the portfolio added value by holding an overweight position in Intel on its attractive Intrinsic Value, while maintaining an underweight toward Nvidia on a mix of unattractive Valuation and Cross-Asset signals.

Quarter-ending weights, as a percentage of equity, for the positioned mentioned were: Eli Lilly (3.1%), Merck (3.4%), Pfizer (3.0%), Apple (1.0%), Intel (3.1%), and Nvidia (0.0%).

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](http://www.gmo.com). Gross Expense Ratio of 0.48% 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: 09/18/1985

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

**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](http://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.

<sup>1</sup> The Russell 3000 Index is an independently maintained and widely published index comprised of the stocks of the 3,000 largest U.S. companies based on total market capitalization. These companies represent approximately 98% of the total market capitalization of the U.S. equity market. Russell Investment Group is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Russell is a trademark of Russell Investment Group.