

U.S. Equity Series Fund

Year Ending December 31, 2018

OVERVIEW:

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

Performance (%)

| | |
|-------------------------------|--------------|
| Net of Fees, Class R6, USD | -9.84 |
| Gross of Fees, Class III, USD | -9.36 |
| Russell 3000 ¹ | -5.24 |
| Value Added | -4.12 |

SECTOR ALLOCATION: +0.5%

SECURITY SELECTION: -4.7%

Major Performance Drivers

The most salient feature of the US equity market in 2018 was the significant underperformance of value versus growth. Through the end of the third quarter, when comparing the performance of the Russell 3000 Indexes, value had lost to growth by 12.8%. This briefly reversed in October and November before growth stocks reasserted themselves to finish 6.5% ahead of value for the year.

While clearly a headwind for any investor with a valuation orientation, the US market exhibited other interesting themes as well over the past year. When considering the type of growth names that were winning for most of the year, in addition to the much discussed "FAANG" stocks, high growth companies with extremely poor scores on our Corporate Alerts model did exceptionally well for the year through September 30. Moreover, within groups that our process demands a discount to own, such as high volatility or junk, the worse a company appeared on our Corporate Alerts model, the better it seemed to perform. In fact, the pattern of outperformance in the first three quarters of 2018 was exactly the opposite of the long-term behavior of companies that exhibit these characteristics. In the fourth quarter, many of these dynamics began to reverse as value generally outperformed growth and the worst companies on Corporate Alerts experienced meaningful corrections. In fact, as it pertains to our Corporate Alerts model, the fourth quarter was much more in line with the historical norm.

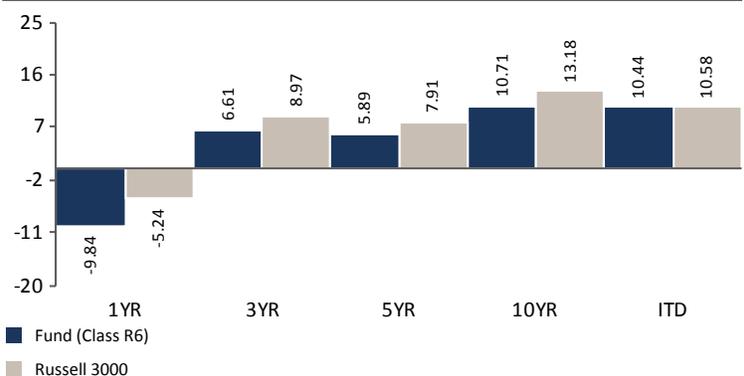
Major thematic contributors to performance in 2018:

- Underweight positioning in larger cap, growth-oriented names that we found expensive, including Apple (Information Technology), Amazon (Consumer Discretionary), and Microsoft (Information Technology), detracted from performance. The exception to the "FAANG" theme was Facebook (Communication Services); the portfolio's large underweight placed Facebook among the portfolio's top contributors for the year.

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 Class R6 0.52% is equal to the Funds Total Annual Operating Expenses set forth in the Funds most recent prospectus dated June 30, 2018.

The inception date refers to that of the GMO Trust Fund. Class R6 shares were first offered on January 1, 2012. Performance data quoted for each GMO Series Trust Fund reflects the performance data of the corresponding GMO Trust Fund restated to reflect the fees and expenses associated with the GMO Series Fund.

Annualized Return (%) as of December 31, 2018



Inception date: 09/18/1985

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

- Consumer Discretionary posed a challenge from overweight positions as well. Automobile and auto component manufacturers, such General Motors and Dana, were among the stocks that were attractive on their Intrinsic Value, yet underperformed. The position in Dana was also underpinned by positive views across Cross-Asset and Corporate Alert models.
- Information Technology performance was also impacted by the underperformance of stocks we deemed attractive for their Intrinsic Value. Applied Materials and TE Connectivity were among the top detractors in the sector despite attractive valuation and growth prospects, which were accompanied by positive sentiment from Cross-Asset signals.
- Health Care was the area of strongest performance for the year as evidenced by Eli Lilly, Merck, and Pfizer among the top contributors. All three positions were underpinned by attractive valuation, complimented by the positive views of other signal groups including attractive growth prospects for Eli Lilly and positive sentiment from other asset classes in the cases of Merck and Pfizer.

Year-ending weights, as a percent of equity, for the positions mentioned were: Apple (1.1%), Amazon (0.2%), Microsoft (0.6%), Facebook (0.0%), General Motors (0.0%), Dana (0.1%), Applied Materials (0.0%), TE Connectivity (0.8%), Eli Lilly (3.1%), Merck (3.4%), and Pfizer (3.0%).

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, 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.

Each GMO Series Trust Fund is a feeder fund investing substantially all of its assets in shares of a corresponding GMO Trust Fund (i.e., a master fund). Each Series Trust Fund's sole portfolio holding, other than cash, is shares of the corresponding Trust Fund.

¹ 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.