

U.S. Small Cap Value Fund

Quarter Ending September 30, 2019

OVERVIEW:

The GMO U.S. Small Cap Value Equity Fund seeks to generate total return in excess of its benchmark, the Russell 2000 Value Index, by investing primarily in equities of U.S. companies that are included in the Russell 2000 Index or whose market capitalization at the time of investment is less than that of the 1000 largest publicly held companies.

Performance (%)

Net of Fees, Class VI, USD	+0.35
Gross of Fees, Class VI, USD	+0.46
Russell 2000 Value	-0.02
Value Added	+0.48

Major Performance Drivers

Value headwinds subsided as growth underperformed value by 3.6% for the quarter, still leaving growth about 2.5% ahead of value for the first nine months of the year. However, midway through the quarter, the picture looked an awful lot worse for value before it enjoyed a significant resurgence in September, with the Russell 2000 Value Index outperforming the Russell 2000 Growth Index by almost 6.0% for the month.

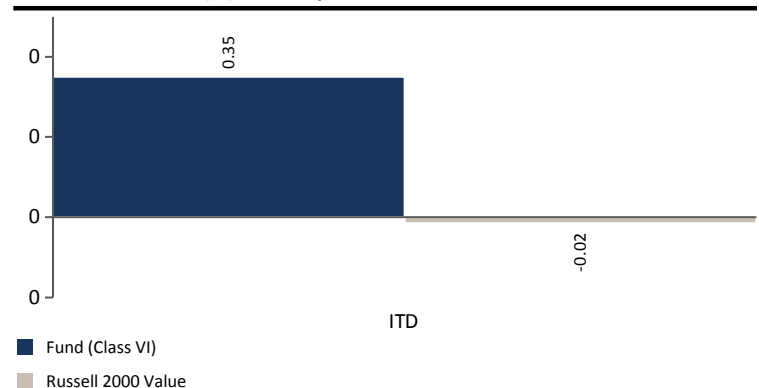
The portfolio outperformed the benchmark with value added from sector allocation, while security selection was essentially flat. Sector allocation benefitted from an underweight position in Energy, the standout worst performing sector, and an overweight position in Consumer Discretionary, the best performing sector. An overweight position in Information Technology and an underweight in Health Care also helped, while an overweight in Communication Services and underweight in Real Estate detracted from relative performance.

Areas of strong security selection included Industrials, Communication Services, and Energy. Indeed, Gannett (Communication Services), McDermott International (Energy) and Brady Corporation (Industrials) were the top three individual stock contributors to relative performance at the total portfolio level. This was offset by challenging performance in Real Estate and Information Technology. The underperformance in Real Estate was an aggregation of small losing positions, both overweight and underweight, while an overweight position in Information Technology company Verint Systems was the fifth largest individual detractor at the total portfolio level.

Quarter-ending weights, as a percent of equities, for the positions mentioned were: Gannett (0.9%); McDermott International (0.0%); Brady Corporation (1.6%); and Verint Systems (0.6%).

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 0.57% 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 September 30, 2019



Inception date: 07/02/2019

Includes 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, Management and Operational Risk, Small Company Risk, Focused Investment Risk and Illiquidity Risk. For a more complete discussion of these risks and others, please consult the Fund's prospectus.