

SGM Major Markets Fund

Quarter Ending December 31, 2018

OVERVIEW:

The GMO SGM Major Markets Fund seeks long-term total return by investing in a portfolio of long and short positions in global equity, bond, currency, and commodity markets. We implement the Fund primarily by using liquid futures and forward non-U.S. exchange contracts.

Performance (%)

Net of Fees, Class III, USD	-2.83
Gross of Fees, Class III, Local Close, USD	-2.41
FTSE 3-Mo. TBill+++ ¹	+0.57
Value Added	-2.97

Major Performance Drivers

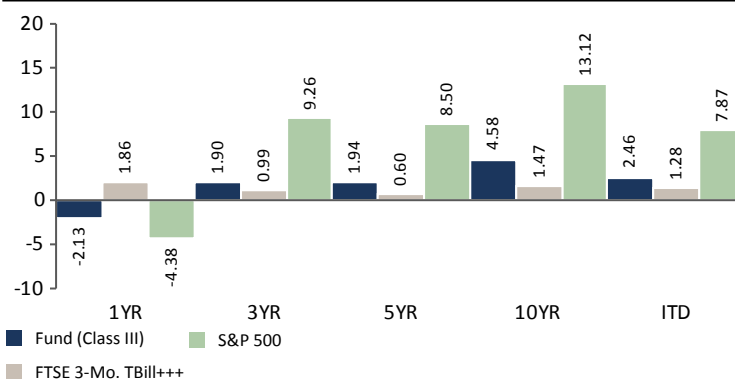
There was no holiday cheer for investors as equity markets continued their decline into year end, with the S&P 500 posting its worst month since 2009 during December. Markets that were already fragile wavered as anxieties about slowing global growth, tightening monetary conditions, and central bank autonomy weighed on the minds of investors. Whilst all equities were hit, those with less demanding valuations were less so as value outperformed growth over the quarter. It seems many of the geopolitical concerns that the market had to deal with during 2018 will persist into the New Year, particularly Brexit and the continued US-China trade tensions. Investors sought refuge in perceived safe havens, US Treasury yields fell, and gold and the yen rallied, whilst high beta assets such as oil retreated.

The portfolio posted a negative return for the quarter. Despite being net long equity markets, the portfolio's forecasted beta to equities is slightly positive, which assisted amidst weaker market conditions in the latter stages of the quarter. Selection within equities added value, particularly a significant short exposure to the US on valuation grounds. Currencies provided some support in aggregate, as the high beta Australian dollar, which we are short, added value, as did the Japanese Yen, held long, in the risk-off environment. A net short to fixed income did not benefit from this and detracted over the period.

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 1.03% is equal to the Funds Total Annual Operating Expenses set forth in the Funds most recent prospectus dated June 30, 2018.

Effective October 3, 2011, the fund implemented a new investment strategy and performance from periods prior to that date represents a different investment strategy than the one that the fund is currently pursuing.

Annualized Return (%) as of December 31, 2018



Inception date: 04/11/2005

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. 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 FTSE 3-Month Treasury Bill +++ Index is an internally maintained benchmark computed by GMO, comprised of 50% Dow Jones-UBS Commodity Index and 50% J.P. Morgan 3 Month Cash Index through 10/31/2011 and FTSE 3-Month Treasury Bill Index thereafter.