

Foreign Small Companies Fund

Year Ending December 31, 2018

OVERVIEW:

The Foreign Small Companies Fund seeks to deliver high total return by investing in non-U.S. equities whose outstanding publicly traded equities are in the lowest 25% of publicly traded market capitalization (float) in a particular country at the time of investment. The Funds benchmark is the S&P Developed ex-U.S. Small Cap Index.

Performance (%)

Net of Fees, Class III, Fair Value, USD	-22.47
Gross of Fees, Class III, Local Close, USD	-21.76
S&P Developed ex-U.S. Small Cap ¹	-18.41
Value Added	-3.35

SECTOR ALLOCATION: -0.8%

SECURITY SELECTION: -2.5%

Major Performance Drivers

The portfolio's underperformance in 2018 was driven by stock selection, with the bulk of the value lost in the Industrials and Materials sectors. The stocks we found most attractive on both a Valuation and Growth basis underperformed, which proved to be a significant challenge for our Intrinsic Value approach. Cross-Asset signals also struggled. Corporate Alerts were a bright spot, identifying companies with questionable corporate behavior that subsequently underperformed.

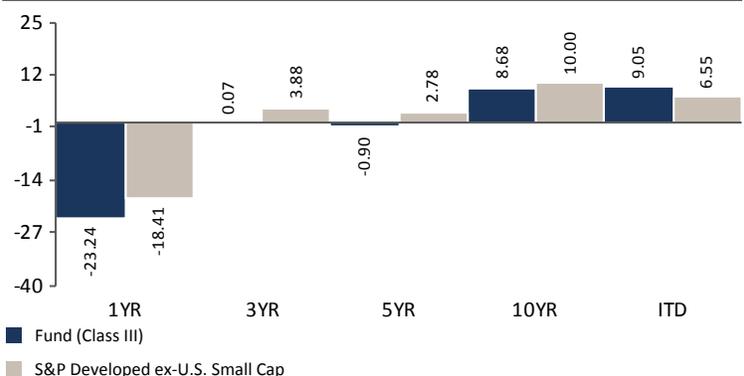
While a number of top detractors hailed from the Industrials sector, they represented a range of countries and industries, for example, Johnson Electric Holdings (Hong Kong Electrical Equipment), Wacker Neuson (Germany Machinery), and Bobst Group (Switzerland Machinery). Airlines were also among the detractors in Industrials, including Deutsche Lufthansa (Germany) which underperformed despite a modest rebound in relative performance in the second half of the year. Materials stock selection was also challenging, including value lost from holding Canfor Corporation (Canadian Materials), Mineral Resources (Australian Materials), and Mitsui Mining and Smelting Company (Japan Materials). Other stocks we favored for their attractive growth and reasonable valuations, which detracted in Japan, included Prima Meat Packers (Consumer Staples) and Dai-ichi Seiko Company (Information Technology).

Performance highlights for the year included strong stock selection in French Energy, UK Consumer Discretionary, Japan Consumer Staples, and Chinese Real Estate. Emerging Markets also added value from a mix of allocation and selection, with notable contributions from holdings in China, Taiwan and South Korea.

Year-ending weights, as a percent of equity, for the positions mentioned were: Johnson Electric Holdings (1.4%), Wacker Neuson (1.5%), Bobst Group (1.1%), Deutsche Lufthansa (0.0%), Canfor Corporation (1.0%), Mineral Resources (0.0%), Mitsui Mining and Smelting Company (0.0%), Prima Meat Packers (0.5%), and Dai-ichi Seiko Company (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. Gross Expense Ratio of 0.90% 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: 01/04/1995

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 S&P Developed ex-U.S. Small Cap Index is an independently maintained and widely published index comprised of the small capitalization stock component of the S&P Broad Market Index (BMI). The BMI includes listed shares of companies from developed and emerging countries with a total available market capitalization (float) of at least the local equivalent of \$100 million USD. The S&P Developed ex-U. S. Small Cap Index represents the bottom 15% of available market capitalization (float) of the BMI in each country. S&P does not guarantee the accuracy, adequacy, completeness or availability of any data or information and is not responsible for any errors or omissions from the use of such data or information. Reproduction of the data or information in any form is prohibited except with the prior written permission of S&P or its third party licensors.