

# International Equity Fund

Quarter Ending December 31, 2018

## OVERVIEW:

The GMO International Equity Fund seeks to deliver high total return by investing in equities or groups of equities that the GMO Global Equity team believes will provide higher returns than the MSCI EAFE Index.

## Performance (%)

Net of Fees, Class III, Fair Value, USD	-15.52
Gross of Fees, Class III, Local Close, USD	-15.49
MSCI EAFE <sup>1</sup>	-12.54
<b>Value Added</b>	<b>-2.95</b>

**SECTOR ALLOCATION: -0.4%**

**SECURITY SELECTION: -2.6%**

## Major Performance Drivers

The MSCI EAFE Index fell dramatically in the fourth quarter, with all countries and sectors ending in the quarter in negative territory. Areas with the largest declines included Energy, Information Technology, and Materials, while the defensive Utilities sector produced the best relative performance.

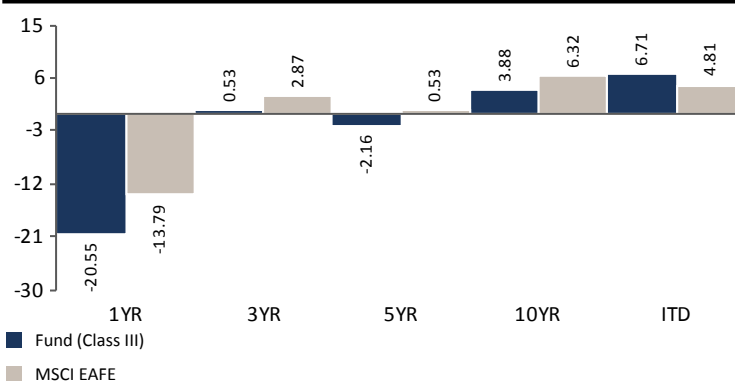
The portfolio lost value in the fourth quarter, primarily from stock selection. While value did see a rebound, both momentum-oriented and fundamental growth models did quite badly over the same period, leading to continued challenges for our Intrinsic Value approach. Cross-Asset signals, which aim to reflect sentiment from other asset classes, also performed contrary to expectations as stocks with the worst sentiment posted the best performance.

The stock selection challenges in Japan returned as a theme in the fourth quarter, including value lost from selection in Materials and Information Technology. Swedish names we deemed attractive across both Intrinsic Value and Cross-Asset models were also among the largest detractors including Volvo (Industrials) and Svenska Cellulosa (Materials). Highlights for the quarter included contributions from UK Health Care Intrinsic Value motivated holdings, GlaxoSmithKline and AstraZeneca.

Quarter-ending weights, as a percent of equity, for the positions mentioned were: Volvo (2.1%), Svenska Cellulosa (0.9%), GlaxoSmithKline (3.1%), and AstraZeneca (1.7%).

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 0.69% 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: 03/31/1987

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 MSCI EAFE (Europe, Australasia, and Far East) Index (MSCI Standard Index Series, net of withholding tax) is an independently maintained and widely published index comprised of international large and mid capitalization stocks. MSCI data may not be reproduced or used for any other purpose. MSCI provides no warranties, has not prepared or approved this report, and has no liability hereunder.