

# International Developed Equity Allocation Fund

Year Ending December 31, 2018

## OVERVIEW:

The GMO International Developed Equity Allocation Fund seeks total return greater than that of the MSCI EAFE Index. The Fund uses multi-year forecasts of returns among asset classes to build a portfolio that primarily provides exposure to non-U.S. equity markets.

## Performance (%)

Net of Fees, Class III, Fair Value, USD	-19.73
Gross of Fees, Class III, Local Close, USD	-19.42
MSCI EAFE <sup>1</sup>	-13.79
<b>Value Added</b>	<b>-5.63</b>

## GROUP ALLOCATION: -0.2%

Developed



Emerging



## SECURITY SELECTION: -5.4%

Developed



Emerging



## Major Performance Drivers

### Europe

**Characteristics:** Our position in Europe carries a fair amount of exposure to some of the more cyclically exposed segments of the market.

**Positioning:** Europe accounted for 56.2% of our total portfolio weight on average during the year.

**Results:** Our underweight allocation to European stocks was helpful for performance relative to the benchmark as Europe underperformed the MSCI EAFE Index by a little over 1%. Stock selection had a negative impact on relative performance as our portfolio meaningfully underperformed MSCI Europe driven by France, Sweden, Netherlands, Germany and the U.K.

### Japan

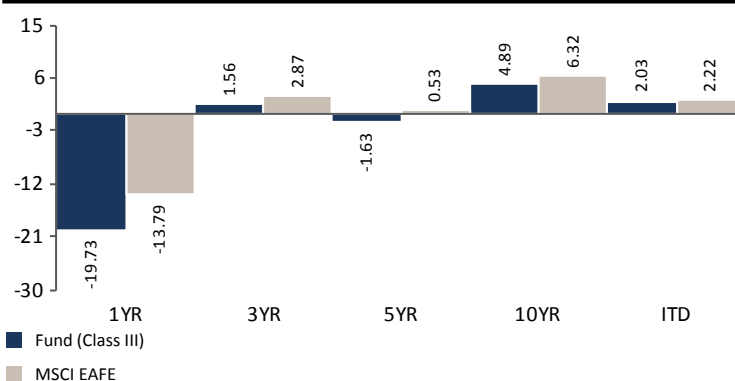
**Characteristics:** Our position in Japan is focused primarily on value stocks within the region selected by our quantitative valuation approach.

**Positioning:** Japan accounted for an average of 24.5% of our total portfolio weight during the year.

**Results:** Our portfolio weight in Japan is more or less in line with the benchmark (we are slightly overweight), so the allocation impact was minimal for the year. Stock selection in Japan had a sizeable negative impact as our portfolio significantly underperformed MSCI Japan. Although our overweight position in Hitachi (Information Technology) was among the biggest five detractors at the total portfolio level, it was predominantly our holdings in Materials that drove the disappointing relative performance.

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 0.64% 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: 06/05/2006

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

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## Emerging Markets

*Characteristics:* Our positioning in emerging markets emphasizes undervalued stocks identified within attractively valued countries/sectors.

*Positioning:* Emerging markets accounted for 10.1% of our total portfolio weight on average during the year.

*Results:* Our overweight position in emerging markets resulted in a modest negative allocation impact as they underperformed the MSCI EAFE Index by 0.7% for the year. Security selection was helpful as it proved to be another decent year for a valuation-driven approach to investing. In particular, our bets in Russia and Taiwan held up well during the market turbulence of 2018.

Year-ending weights, as a percentage of equity, for positions mentioned were: Hitachi (1.9%).

**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.