

# International Developed Equity Allocation Fund

Quarter 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	-14.69
Gross of Fees, Class III, Local Close, USD	-14.60
MSCI EAFE <sup>1</sup>	-12.54
<b>Value Added</b>	<b>-2.06</b>

## GROUP ALLOCATION: +0.2%

Developed



Emerging



## SECURITY SELECTION: -2.3%

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 55.9% of our total portfolio weight on average during the quarter.

**Results:** Our underweight allocation to European stocks was marginally helpful for performance relative to benchmark as Europe modestly underperformed the MSCI EAFE Index. Stock selection had a negative impact on relative performance as our portfolio underperformed MSCI Europe by about 3%, driven by Sweden, the UK, Norway and Switzerland.

### Japan

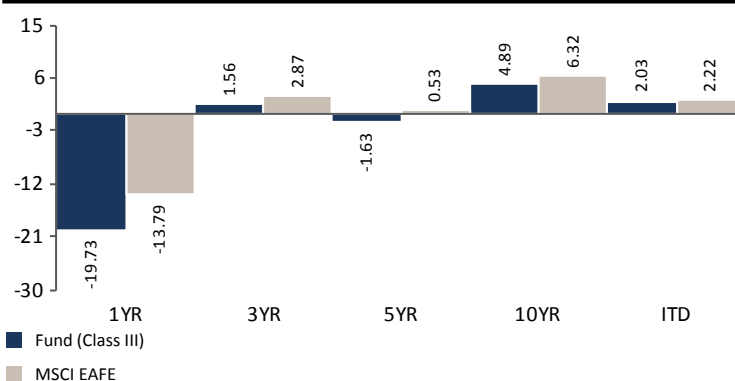
**Characteristics:** Our position in Japan is focused primarily on value stocks within the region selected by our quantitative valuation approach.

**Positioning:** Japan accounted for an average of 24.7% of our total portfolio weight during the quarter.

**Results:** Our portfolio weight in Japan is more or less in line with the index (we are slightly overweight) so the allocation impact was minimal for the quarter. Stock selection in Japan had a sizeable negative impact as our portfolio underperformed MSCI Japan by about 3%. Overweight positions in Astellas Pharma (Health Care), Asahi Kasei (Materials), and Hitachi (Information Technology) all featured in the biggest five detractors at the total portfolio level.

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 and sectors.

**Positioning:** Emerging markets accounted for 10.4% of our total portfolio weight on average during the quarter.

**Results:** Our overweight position in emerging markets resulted in a strong positive allocation impact as they outperformed the MSCI EAFE Index by 5% for the quarter. Security selection was also helpful as it proved to be another decent quarter for a valuation-driven approach to investing. The overweight in Turkish Financials and Consumer Staples as well as the underweight in Chinese Consumer Discretionary and Communication Services helped performance. The overweight in Russian Energy and Financials negatively impacted performance as the oil price crashed. The underweight in Brazilian Financials and Consumer Discretionary detracted from performance as both equity and currency performed very well as the market responded positively to the election of Bolsonaro as president.

Quarter-ending weights, as a percent of equity, for the positions mentioned were: Astellas Pharma (1.7%), Asahi Kasei (1.2%), and 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.