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GMO SYSTEMATIC GLOBAL MACRO TRUST
GMO SGM MAJOR MARKETS TRUST
GMO EMERGING MARKETS TRUST
GMO QUALITY TRUST
GMO CLIMATE CHANGE TRUST
GMO MULTI-ASSET TRUST

Statement of Additional Information dated: **14 October 2022**

This Statement of Additional Information is to be read in conjunction with Information Memorandum of GMO Systematic Global Macro Trust (ARSN 090 799 385), GMO SGM Major Markets Trust (ARSN 600 141 535), GMO Emerging Markets Trust (ARSN 089 054 446), GMO Quality Trust (ARSN 643 940 872), GMO Climate Change Trust (ARSN 653 552 875) and GMO Multi-Asset Trust (ARSN 661 257 405) (each a "Trust" and collectively the "Trusts").

GMO Australia Limited (ABN 30 071 502 639, AFSL 236 656) ("GMO Australia" or the "Responsible Entity") is the responsible entity of each Trust.

This is not a Product Disclosure Statement or Information Memorandum. The offer to invest in units in each Trust is contained in the Information Memorandum for the relevant Trust. Units in each Trust are available only to investors who are wholesale clients within the meaning of section 761G of the Corporations Act, and who satisfy the other criteria set out in the relevant Information Memorandum.

You should read this document carefully, as it contains important information. GMO Australia strongly recommends that you obtain independent professional advice before you enter into an investment in a Trust. GMO Australia reminds you that nothing in this document constitutes financial product, legal or tax advice.

Certain information in this document, together with any other information that may be furnished to prospective investors by a Trust, GMO Australia or any of its affiliates may contain forward-looking statements. Forward-looking statements are those that predict or describe future events or trends and that do not relate solely to historical matters. For example, forward-looking statements may predict future economic performance, describe plans and objectives of management for future operations or make projections of revenue, investment returns or other financial items. A prospective investor can generally identify forward-looking statements as statements containing the words "may", "should", "will", "believe", "expect", "anticipate", "intend", "contemplate", "estimate", "project", "assume", or other similar expressions. Such forward-looking statements are inherently uncertain because the matters they describe are subject to known (and unknown) risks, uncertainties and other unpredictable factors, many of which are beyond a Trust's control. Due to various risks and uncertainties, including those set forth in this document, actual events or results or the actual performance of a Trust may differ materially from those reflected or contemplated in such forward-looking statements. No representations or warranties are made as to the accuracy of such forward-looking statements.

Any queries regarding the information contained in this document should be directed to the GMO Client Service team at +61 2 8274 9900 during Sydney business hours.

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1. DEFINITIONS

When used in this document, the term “invest” includes direct and indirect investing and long and short investing and the term “investments” includes direct and indirect investments and long and short investments. For example, a Trust may invest indirectly in a given asset or asset class by investing in another GMO fund or by investing in derivatives and synthetic instruments, and the resulting exposure to the asset or asset class may be long or short. When used in this document, (i) the terms “bonds”, “debt instruments”, “fixed income investments” and “fixed income securities” include (a) obligations of an issuer to make payments on future dates of principal, interest (whether fixed or variable) or both and (b) synthetic debt instruments created by GMO by investing in derivatives (e.g., a futures contract, swap contract, forward currency contract or option); (ii) the term “equities” refers to common and preferred stocks and other stock-related securities, such as convertible securities, depositary receipts, and equity real estate investment trusts (REITs) and income trusts; (iii) the term “sovereign debt” refers to a fixed income security issued by a government or a derivative instrument providing exposure to sovereign debt; (iv) the term “quasi-sovereign debt” refers to debt issued by a governmental agency, political subdivision or other instrumentality or an issuer that is majority owned, directly or indirectly, or whose obligations are guaranteed, by a government or a derivative instrument providing exposure to quasi-sovereign debt; (v) the term “total return” includes capital appreciation and income; (vii) the term “underlying GMO funds” refers to other pooled investment vehicles offered or advised by GMO other than the Trusts; (viii) the term “underlying funds” refers to underlying pooled investment vehicles not offered or advised by GMO, including, among others, closed-end funds, money market funds, and ETFs; (ix) the term “merger arbitrage” refers to transactions in which a Trust purchases securities at prices below the value of the consideration GMO expects the Trust to receive for them upon consummation of an anticipated merger, exchange offer, tender offer, or other similar transaction in which the transaction price substantially exceeds the market price of the securities before the announcement of the transaction; and (x) the term “Governing Documents” means, with respect to each Trust, such Trust’s constitution, any Information Memorandum or Product Disclosure Statement issued for the Trust as well as this Statement of Additional Information (to the extent incorporated into such Product Disclosure Statement or Information Memorandum).

“GMO” refers to GMO Australia Limited, Grantham, Mayo, Van Otterloo & Co. LLC and their affiliates.

2. CERTAIN RISK FACTORS AND INVESTMENT CONSIDERATIONS

Investing in managed investment schemes, including the Trusts, involves many risks. The Trusts are permitted to employ a variety of investment techniques, which may include the use of leverage, short selling, options, swaps and other derivatives, that involve greater risks than those incurred by many other pooled investment vehicles. A Trust may make concentrated investments in one or more issuers or sectors or relating to one or more investment factors or theses. A Trust’s investment performance may be far more volatile than that of the securities markets generally. No assurance can be given that any investment technique or strategy utilized by a Trust will be successful, and there is a material risk that an investor may suffer a significant impairment or total loss of its investment. An investment in a Trust, by itself, generally does not provide a complete investment program but rather is intended to serve as part of an investor’s overall investment program.

An investment in a Trust is subject to the following risks and considerations, among others. The below list is not a complete list of the risks of investing in a Trust. Trusts could be subject to additional risks because of the types of investments they make and market conditions, which may change over time. In addition, the Trust are not managed to minimize taxes. A Trust (and/or its underlying funds) may be exposed to any of these risks through a direct investment in a given asset or asset class or indirectly by investing in an underlying fund or by investing in derivatives and/or synthetic instruments, and the resulting exposure to the asset or asset class may be long or short. With respect to the risks listed under Investment Risks below, please refer to the following table for the list of (i) the principal risks of and considerations regarding an investment in such Trust (noted with a “P”) and (ii) the additional risks of and considerations regarding an investment in such Trust (noted with an “A”). The risks listed under “Trusts Risks and Other General Risks” and “Conflicts of Interest” below may apply to each Trust (and/or its underlying funds) at any time or from time to time. The principal risks are summarized in the Information Memorandum for each Trust.

Rerefences to a Trust within this section include any underlying funds in which the Trust may invest (for example the underlying fund in which GMO Emerging Markets Trust invests).

	GMO Systematic Global Macro Trust	GMO SGM Major Markets Trust	GMO Emerging Markets Trust	GMO Quality Trust	GMO Climate Change Trust	GMO Multi-Asset Trust
Risks of investing in the Trust						
Asset-Backed and Related Securities Risks	A	A				P
Borrowing and Leverage Risk	A	A	P	P	P	A
Commodities Risks	P	P		A	P	P
Contingent Value Rights Risk			A		A	
Convertible Securities Risk			A	A	A	
Counterparty Risk	P	P	P	P	P	P
Credit Market Illiquidity Risk	A	A	A	A		A
Currency Risks	P	P	P	P	P	P
Depositary Receipts Risks	A	A	A	A	A	
Derivative Instruments Risks	P	P	P	P	P	P
Equities Risks	P	P	P	P	P	P
Event Driven Risk				A	P	
Fixed Income Risks	P	P	A	A	A	P
Focused Investment Risk	A	A	P	P	P	P
Forward Contracts Risks	P	P	A	A	A	A
Futures Risks	P	P	A	A	A	A
Illiquidity Risk	A	A	P	P	P	P
Income Trusts Risks			A			
Indexed Investments Risks	A	A	A			A
IPOs and Other Limited Opportunities Risks			A	A	A	
Lack of Correlation Risks; Hedging Risks	P	P		A	A	
Legal and Regulatory Risks Relating to Investment Strategy	A	A	A			A
Management and Operational Risks	P	P	P	P	P	P
Market Disruption and Geopolitical Risks	P	P	P	P	P	P
Options Risks	A	A	A	A	A	
Pooled Investment Vehicles Risks	P	P	P	A	A	P
Portfolio Turnover Risks	A	A		A	A	
Potential for Insufficient Investment Opportunities	A	A				
Preferred Securities Risks			A	A	A	

Private Investments in Public Companies Risks			A			
Real Estate Risks	A	A	A	A	A	
Repurchase Agreements, Reverse Repurchase Agreements and Similar Transactions Risks.	A	A	A	A	A	A
Restricted Securities Risks			A			
Risks of Concentrated Investor Holdings	A	A	P	P	P	P
Risk of Financial Fraud	A	A				
Risks of Investment in GMO Funds	A	A	A	A	A	P
Risks of Non-Australian Investments	P	P	P	P	P	P
Securities Lending Risks	A	A	A	A	A	
Securities of Stressed, Distressed or Defaulted Issuers Risks	A	A				
Service Provider Risks	A	A		P	P	
Short Investment Exposure Risks.	P	P		P	P	
Smaller Company Risks			P	P	P	
Structured Notes Risks			A			
Sub-Investment Grade Debt Securities	A	A	A			
Variable Rate Securities Risks	A	A		A	A	

INVESTMENT RISKS

Asset-Backed and Related Securities Risks. Investments in asset-backed securities not only are subject to all of the market risks described herein for fixed income investments but to other market risks as well.

Asset-backed securities are often exposed to higher risk of severe credit downgrades, illiquidity and defaults than many other types of fixed income investments. These risks become particularly acute during periods of adverse market conditions, such as those that occurred in 2008. A Trust may own asset-backed securities once rated investment grade that may now be rated below investment grade.

Mortgage-Backed Securities Risks. Unscheduled prepayments of the underlying mortgage loans may result in early payment of the applicable mortgage-backed securities held by a Trust. The Trust may be unable to invest prepayments in an investment that provides as high a yield as the mortgage-backed securities. Consequently, early payment associated with mortgage-backed securities may cause these securities to experience significantly greater price and yield volatility than traditional fixed income investments. Many factors affect the rate of mortgage loan prepayments including changes in interest rates, general economic conditions, further deterioration of worldwide economic and liquidity conditions, the location of the property underlying the mortgage, the age of the mortgage loan, governmental action, including legal impairment of underlying home loans, changes in demand for products financed by those loans, the inability of borrowers to refinance existing loans (e.g., sub-prime mortgages) and social and demographic conditions. During periods of falling interest rates, the rate of mortgage loan prepayments usually increases, which tends to decrease the life of mortgage-backed securities. During periods of rising interest rates, the rate of mortgage loan prepayments usually decreases, which tends to increase the life of mortgage-backed securities.

Mortgage-backed securities are subject to varying degrees of credit risk, depending on whether they are issued by agencies or instrumentalities of the U.S. government (including those whose securities are neither guaranteed nor insured by the U.S. government) or by non-governmental issuers. Securities issued by private organizations may not be readily marketable. When worldwide economic and liquidity conditions

deteriorated in 2008, mortgage-backed securities became subject to greater illiquidity risk. These conditions may occur again. Also, government actions and proposals affecting the terms of underlying home loans, changes in demand for products (e.g., automobiles) financed by those loans, and the inability of borrowers to refinance existing loans (e.g., sub-prime mortgages) have had, and may continue to have, adverse valuation and liquidity effects on mortgage-backed securities. Although liquidity of mortgage-backed securities has improved, there can be no assurance that in the future the market for mortgage-backed securities will continue to improve and become more liquid. In addition, mortgage-backed securities are subject to the risk of loss of principal if the obligors of the underlying obligations default in their payment obligations, and to certain other risks described in "Other Asset-Backed Securities Risks" below. The risk of defaults associated with mortgage-backed securities is generally higher in the case of mortgage-backed investments that include sub-prime mortgages.

Other Asset-Backed Securities Risks. These other asset-backed securities may be subject to risks associated with changes in interest rates and prepayment of underlying obligations similar to the risks of investment in mortgage-backed securities described immediately above. Similar to mortgage-backed securities, other asset-backed securities face illiquidity risk from worldwide economic and liquidity conditions as described above. The risk of investing in asset-backed securities has increased since 2008 because performance of the various sectors in which the assets underlying asset-backed securities are concentrated (*e.g.*, auto loans, student loans, sub-prime mortgages and credit card receivables) has become more highly correlated. A single financial institution may serve as a servicer for many asset-backed securities. As a result, a disruption in that institution's business likely would have a material impact on the many asset-backed securities it services.

As described under "Market Risk – Fixed Income Investments", the market price of fixed income investments with complex structures such as asset-backed securities can decline due to a variety of factors, including market uncertainty about their credit quality and the reliability of their payment streams. Payment of interest on asset-backed securities and repayment of principal largely depends on the cash flows generated by the underlying assets backing the securities and in certain cases, may be supported by letters of credit, surety bonds, or other credit enhancements. The amount of market risk associated with asset-backed securities depends on many factors, including the deal structure (*e.g.*, the amount of underlying assets or other support available to produce the cash flows necessary to service interest and make principal payments), the quality of the underlying assets, the level of credit support, if any, provided for securities, and the credit quality of the credit-support provider, if any. A problem in any one of these factors can lead to a reduction in the payment stream GMO expected a Trust to receive at the time the Trust purchased the asset-backed security. Principal repayments of asset-backed securities are at risk if obligors of the underlying obligations default and the value of the defaulted obligations exceed whatever credit support the securities have. Asset-backed securities backed by sub-prime mortgage loans, in particular, expose a Trust to potentially greater declines in value due to defaults because sub-prime mortgage loans are typically made to less creditworthy borrowers and thus have a higher risk of default than conventional mortgage loans. The obligations of issuers (and obligors of asset-backed securities) also may be subject to bankruptcy, insolvency and other laws affecting the rights and remedies of creditors. In addition, the existence of insurance on an asset-backed security does not guarantee that principal and interest will be paid because the insurer could default on its obligations. During the 2008 global financial crisis, a significant number of asset-backed security insurers defaulted on their obligations.

The value of an asset-backed security may be affected by the factors described above and other factors, such as the availability of information concerning the pool and its structure, the creditworthiness of the servicing agent for the pool, the originator of the underlying assets, or the entities providing the credit enhancement. The value of asset-backed securities depend in part on the servicing of its underlying assets and is therefore, subject to risks associated with the negligence or defalcation of its servicer. The mishandling of documentation for underlying assets (e.g., failure to properly document a security interest in the underlying collateral) also can affect the rights of holders of those underlying assets. The insolvency of a servicer is likely to result in a decline in the market price of the securities it is servicing, as well as costs and delays.

Certain types of asset-backed securities present additional risks that are not presented by mortgage-backed securities. In particular, certain types of asset-backed securities may not have the benefit of a security interest in the related assets. Even when security interests are present, the ability of an issuer of certain types of asset-backed securities to enforce those interests may be more limited than that of an issuer of mortgage-backed securities. For instance, automobile receivables generally are secured by automobiles rather than by real property. Most issuers of automobile receivables permit loan servicers to retain possession of the underlying assets. In addition, because of the large number of underlying vehicles involved in a typical issue

of asset-backed securities and technical requirements under state law, the trustee for the holders of the automobile receivables may not have a proper security interest in all of the automobiles. Therefore, recoveries on repossessed automobiles may not be available to support payments on these securities.

In addition, certain types of asset-backed securities may experience losses on the underlying assets as a result of certain rights provided to consumer debtors under the laws in Australia, the U.S. and other jurisdictions. In the case of certain consumer debt, such as credit card debt, debtors are entitled to the protection of a number of consumer credit laws, many of which give such debtors the right to set off certain amounts owed on their credit cards (or other debt), thereby reducing their balances due. For instance, a debtor may be able to offset certain damages for which a court has determined that the creditor is liable to the debtor against amounts owed to the creditor by the debtor on his or her credit card.

In many securitizations, CDOs and similar transactions, there are asset and counterparty performance requirements that must be met to ensure income is paid to all investors, rather than being retained in a lock-up or cash reserve as additional credit or liquidity support for senior investors. If a Trust takes subordinated positions in such transactions, or if a diversion were to occur, it could result in an elimination, deferral or reduction of the income received by the Trust.

Each loan portfolio underlying a securitization is administered by a servicer whose role may include underwriting the loan portfolio, arranging its securitization, administering cash flows and arrears, and overseeing the realization of security where a loan has gone into default. A Trust's investment and the return to the Trust may be adversely impacted where, among other things, the servicer (1) fails to follow best practices in realizing any security values, or (2) fails to adequately administer the loans that fall into arrears or default. In the event that the servicer is unable to meet its administrative obligations, a substitute servicer will need to be appointed. There is a risk that a substitute servicer will not be available when required, that the substitute servicer will not be able to perform its duties with the requisite level of skill and competence or that it will require extra time to assume responsibility for the portfolio.

Collateralized Mortgage Obligation ("CMO"); Residuals and Strips ("IO/PO Strips") Risks. CMOs may be less liquid and may exhibit greater price volatility than other types of mortgage- or other asset-backed securities. A Trust may hold CMO residuals and IO/PO Strips, which tend to be less liquid and may exhibit greater price volatility than other types of asset-backed securities. If the underlying securities are prepaid, holders of IO/PO Strips and CMO residuals may lose a substantial portion or the entire value of their investment. In addition, if a CMO pays interest at an variable rate, the cash flows on the related CMO residual will be extremely sensitive to rate adjustments.

Collateralized Debt Obligations ("CDO") Risks. The risks of an investment in a CDO depend largely on the type of underlying collateral securities and the tranche in which a Trust invests. A Trust may invest in any tranche of a CDO. Due to the complex nature of a CDO, an investment in a CDO may not perform as expected. For CDOs, the cash flows from the trust are split into two or more portions, called tranches, which vary in risk and yield. The riskier portions are the residual, equity and subordinate tranches, which bear some or all of the risk of default by the bonds or loans in the trust, and therefore protect the other, more senior tranches from default in all but the most severe circumstances. Since it is partially protected from defaults, a senior tranche from a CDO trust typically has higher ratings and lower yields than its underlying securities, and can be rated investment grade. Despite the protection from the riskier tranches, senior CDO tranches can experience substantial losses due to actual defaults (including collateral default), the total loss of the riskier tranches due to losses in the collateral, market anticipation of defaults, fraud by the trust and the illiquidity of CDO securities. Typically, CBOs, CLOs and other CDOs are privately offered and sold, and thus, are not registered under the securities laws of Australia, the U.S. or other jurisdictions.

CDOs are subject to the typical risks associated with fixed income investments. In addition to the other risks associated with investment in fixed income investments, investing in CDOs may entail a variety of unique risks. Also, among other risks, CDOs may be subject to prepayment risk, credit risk (including adverse credit spread moves), illiquidity risk, market risk, structural risk, legal risk and interest rate risk (which may be exacerbated if the interest rate payable on a structured financing changes based on multiples of changes in interest rates or inversely to changes in interest rates). Additional risks include, without limitation, (i) the possibility that distributions from collateral securities will be insufficient to make interest or other payments; (ii) the possibility that the quality of the collateral may decline in value or default, due to factors such as the availability of any credit enhancement, the level and timing of payments and recoveries on and the characteristics of the underlying receivables, loans, or other assets that are being securitized, remoteness of those assets from the originator or transferor, the adequacy of and ability to realize upon any related

collateral, and the capability of the servicer of the securitized assets (particularly where the underlying collateral in a loan portfolio is not individually assessed prior to purchase); (iii) market and illiquidity risks affecting the price of a structured finance investment, if required to be sold, at the time of sale; and (iv) if the particular structured product is invested in a security in which the Trust is also invested, this would tend to increase a Trust's overall exposure to the credit of the issuer of such securities, at least on an absolute, if not on a relative basis. An investment in a CDO also is subject to the risk that the issuer and the investors may interpret the terms of the instrument differently, giving rise to disputes.

Some structured financing may have prepayment provisions or may be prepaid because underlying loans are prepaid earlier than expected. Additionally, capital may otherwise be repaid earlier than expected. If GMO is unable to identify new accretive income producing assets that meet a Trust's investment objectives and policy or are unable to do so in a timely manner, this could adversely affect the Trust's investment.

The underlying collateral in a loan portfolio or securitization is not necessarily individually assessed prior to purchase. The manager of the loan portfolio is responsible for managing the collateral, but may not be able to prevent losses. Losses may occur not only because of default, but an adverse change in interest rates, poor servicing by a portfolio manager, prepayment occurring outside historical averages, adverse credit spread moves, basis risk movements and lower than assumed collateral recover rates, amongst others. Such losses within the collateral may adversely impact the loan portfolio or securitization assets in which a Trust may invest.

A Trust may hold a minority position in structured finance transactions and have little or no capacity to influence the transaction and may result in GMO being forced to take an action which it believes is not in the best interest of the Trust.

Borrowing and Leverage Risk. A Trust may purchase securities on margin and may arrange with banks, brokers and others to borrow money. A Trust may use leverage to increase its exposure to the underlying investments and may borrow money without limitation or use derivative instruments in connection therewith. The use of leverage creates opportunities for greater total return but at the same time creates greater risks. While gains made with borrowed funds generally would cause a Trust's net asset value to increase faster than without the use of borrowed funds, if the value of securities purchased with borrowed funds declines, or does not appreciate sufficiently to cover the costs of borrowing, the Trust's net asset value will decrease faster and more significantly than without the use of borrowed funds. Such decrease in net asset value could be substantial. Because the Trusts do not have specific limitations on long or short exposure, the risks associated with leverage may be greater than would otherwise be the case.

A Trust also may engage in transactions involving the use of derivatives, short sales and other investments which may have leveraging effects on the Trust's portfolio (i.e., a Trust's investment exposures exceed its net asset value). Because many derivatives have a leverage component (i.e., a notional value in excess of the assets needed to establish or maintain the derivative position), adverse changes in the value or level of the underlying asset, rate, or index may result in a loss substantially greater than the amount invested in the derivative itself. In the case of swaps, the risk of loss generally is related to a notional principal amount, even if the parties have not made any initial investment. Similarly, a Trust's portfolio also will be leveraged if it exercises its right to delay payment on a redemption and can result in losses if the value of the Trust's assets changes between the time a redemption request is received or deemed to be received by a Trust (which in some cases is the business day prior to actual receipt by the Trust) and the time at which the Trust liquidates assets to meet redemption requests. In the case of redemptions representing a significant portion of a Trust's portfolio, the leverage effects described above can be significant and could expose a Trust and non-redeeming shareholders to material losses. Some derivatives have the potential for unlimited loss, regardless of the size of the initial investment. In addition, a Trust may manage some of its derivative positions by offsetting derivative positions against one another or against other assets. To the extent offsetting positions do not behave in relation to one another as expected, the Trust may perform as if it were leveraged. GMO may trade at a high degree of leverage (with commensurate high risk).

Money borrowed for leveraging will be subject to interest costs. A Trust also may be required to maintain minimum average balances in connection with such borrowing or to pay a commitment or other fee to maintain a line of credit; either of these requirements would increase the costs of borrowing over the stated interest rate. Furthermore, the amount of borrowings that a Trust may have outstanding at any time could be large in relation to its capital. Thus, in addition to changes in the value of securities purchased with borrowed funds, the amount of borrowings and the interest rates on those borrowings, which may fluctuate from time to time, may have a marked effect on the Trust's performance.

A Trust also may borrow money from banks or brokerage firms for temporary purposes to meet withdrawal requests or to cover other temporary cash overdrafts. The Trust will pay interest on such borrowed amounts. Federal Reserve Board regulations may limit the amount of borrowings for this purpose. When available, a Trust may borrow money on an unsecured basis.

The securities pledged to counterparties to secure a Trust's margin accounts could be subject to a "margin call", pursuant to which the Trust would be required to either deposit additional funds with the counterparty or suffer mandatory liquidation of the pledged securities. Given the importance of leverage to certain Trusts' investment strategies, and to the investment strategy of certain underlying funds, the unavailability of debt financing at favourable terms, whether from prime brokers, banks or others, may have a negative impact on such Trusts' returns. There is no assurance that a Trust or any underlying fund will continue to be able to secure sufficient debt financing for its current investment strategy, or that debt financing, if available, will be available at favourable terms.

In addition, a Trust's portfolio will be leveraged if it exercises its right to delay payment on a redemption, and losses will result if the value of the Trust's assets declines between the time a redemption request is deemed to be received by the Trust and the time the Trust liquidates assets to meet that request.

Commodities Risks. A Trust may gain exposure to commodity markets by investing in commodities or commodity-related instruments directly or indirectly. Commodity prices can be extremely volatile and may be directly or indirectly affected by many factors, including changes in overall market movements, real or perceived inflationary trends, commodity index volatility, changes in interest rates or currency exchange rates, population growth and changing demographics, and factors affecting a particular industry or commodity, such as drought, floods, or other weather conditions, livestock disease, trade embargoes, competition from substitute products, transportation bottlenecks or shortages, fluctuations in supply and demand, tariffs, and international regulatory, political, and economic developments (*e.g.*, regime changes and changes in economic activity levels). In addition, some commodities are subject to limited pricing flexibility because of supply and demand factors, and others are subject to broad price fluctuations as a result of the volatility of prices for certain raw materials and the instability of supplies of other materials.

Actions of and changes in governments, and political and economic instability, in commodity-producing and commodity-exporting countries may affect the production and marketing of commodities. In addition, commodity-related industries throughout the world are subject to greater political, environmental, and other governmental regulation than many other industries. Changes in government policies and the need for regulatory approvals may adversely affect the products and services of companies in the commodities industries. For example, the exploration, development, and distribution of coal, oil, and gas in the United States are subject to significant federal and state regulation, which may affect rates of return on coal, oil, and gas and the kinds of services that the federal and state governments may offer to companies in those industries. In addition, compliance with environmental and other safety regulations has caused many companies in commodity-related industries to incur production delays and significant costs. Government regulation also may impede the development of new technologies. The effect of future regulations affecting commodity-related industries cannot be predicted.

Exposure to commodities can cause the value of a Trust's assets to decline or fluctuate in a rapid and unpredictable manner. In addition, the value of commodity-related derivatives or indirect investments in commodities may fluctuate more than the commodity, commodities or commodity index to which they relate. Additionally, economic leverage will increase the volatility of these instruments as they may increase or decrease in value more quickly than the underlying commodity or other relevant economic variable.

Contingent Value Rights Risks. Risks associated with the use of CVRs are generally similar to risks associated with the use of options, such as the risk that the required trigger does not (or does) occur prior to a CVR's expiration, causing the CVR to expire with no value. CVRs also present illiquidity risk, as they may not be registered securities or may otherwise be non-transferable or difficult to transfer, as well as counterparty risk and credit risk. Further, because CVRs are valued based on the likelihood of the occurrence of a trigger, valuation often requires modelling and judgment, which increases the risk of mispricing or improper valuation.

Convertible Securities Risk. The value of a convertible security is a function of its "investment value" (determined by its yield in comparison with the yields of other securities of comparable maturity and quality that do not have a conversion privilege), and its "conversion value" (the security's worth at value if converted into the underlying common stock). The investment value of a convertible security is influenced by changes in interest rates, with investment value declining as interest rates increase and increasing as interest rates decline. The credit standing of the issuer and other factors also may have an effect on the convertible security's investment value. The conversion value of a convertible security is determined by the market price of the underlying common stock. If the conversion value is low

relative to the investment value, as in the case of "broken" or "busted" convertibles , the price of the convertible security is governed principally by its investment value. To the extent the market price of the underlying common stock approaches or exceeds the conversion price, the price of the convertible security will be increasingly influenced by its conversion value. A convertible security generally will sell at a premium over its conversion value by the extent to which investors place value on the right to acquire the underlying common stock while holding a fixed income investment. Generally, the amount of the premium decreases as the convertible security approaches maturity.

A convertible security may be subject to redemption or conversion under specified circumstances and/or at the option of the issuer at a price established in the convertible security's governing instrument. If a convertible security held by a Trust is called for redemption, the Trust will be required to permit the issuer to redeem the security, convert it into the underlying common stock, or sell it to a third party.

Counterparty Risk. Trusts that enter into contracts with counterparties, such as repurchase or reverse repurchase agreements or OTC derivatives contracts, or that lend their portfolio securities or allow a prime broker, if any, or an OTC derivative counterparty to retain possession of collateral, run the risk that the counterparty is unable or unwilling to make timely settlement payments or otherwise honor its obligations. Lack of a common clearing facility creates counterparty risk. If a counterparty fails to meet its contractual obligations, goes bankrupt, or otherwise experiences a business interruption, the Trust could miss investment opportunities or otherwise be forced to hold investments it would prefer to sell, resulting in losses for the Trust. If the counterparty defaults, a Trust will have contractual remedies against that counterparty, but there can be no assurance that the counterparty will be able to meet its contractual obligations or that the Trust will be able to enforce its rights. For example, because the contract for each OTC derivatives transaction is individually negotiated with a specific counterparty, a Trust is subject to the risk that a counterparty may interpret contractual terms (e.g., the definition of default) differently than the Trust. The cost and unpredictability of the legal proceedings required for the Trust to enforce its contractual rights may lead it to decide not to pursue its claims against the counterparty. Counterparty risk is higher for derivatives with longer maturities where events may intervene to prevent settlement. Counterparty risk is also higher when a Trust has concentrated its derivatives with a single or small group of counterparties as it sometimes does as a result of its use of swaps and other OTC derivatives. To the extent a Trust has significant exposure to a single counterparty, this risk will be particularly pronounced for the Trust. The Trust, therefore, assumes the risk that it may be unable to obtain payments GMO believes are owed under an OTC derivatives contract or that those payments may be delayed or made only after the Trust has incurred the costs of litigation. In addition, a Trust may suffer losses if a counterparty fails to comply with applicable laws, regulations or other requirements. Counterparty risk is pronounced during unusually adverse market conditions and is particularly acute in environments (like those of 2008) in which financial services firms are exposed to systemic risks of the type evidenced by the insolvency of Lehman Brothers and subsequent market disruptions.

The credit rating of a counterparty may be expected to be adversely affected by greater-than-average volatility in the markets, even if the counterparty's net market exposure is small relative to its capital.

Participants in OTC derivatives markets typically are not subject to the same level of credit evaluation and regulatory oversight as are members of exchange-based markets, and therefore, OTC derivatives generally expose a Trust to higher counterparty risk than exchange-traded derivatives. A Trust is subject to the risk that a counterparty will not settle a transaction in accordance with its terms because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem. A Trust also may be exposed to similar risks with respect to non-Australian brokers in jurisdictions where there are delayed settlement periods.

When a counterparty's obligations are not fully secured by collateral, then the Trust is essentially an unsecured creditor of the counterparty. If a counterparty defaults, the Trust will have contractual remedies (whether or not the obligation is collateralized), but there is no assurance that a counterparty will be able to meet its obligations pursuant to such contracts or that, in the event of default, the Trust will succeed in enforcing contractual remedies. Counterparty risk still exists even if a counterparty's obligations are secured by collateral if the Trust's interest in collateral is not perfected or additional collateral is not posted promptly as required. GMO's view with respect to a particular counterparty is subject to change. The fact, however, that it becomes more negative (whether due to external events or otherwise) does not mean that a Trust's existing transactions with that counterparty will necessarily be terminated or modified. In addition, a Trust may enter into new transactions with a counterparty that GMO no longer views favorably (for example, re-establishing the transaction with a lower notional amount or entering into a countervailing trade with the same counterparty).

Counterparty risk also will be higher if a counterparty's obligations exceed the amount of the collateral held by the Trust (if any), the Trust is unable to exercise its interest in collateral upon default by the counterparty, or the termination value of the instrument varies significantly from marked-to-value of the instrument. To the extent a Trust

allows a prime broker, if any, or any over-the-counter derivative counterparty to retain possession of any collateral, the Trust may be treated as an unsecured creditor of such counterparty in the event of the counterparty's insolvency.

Counterparty risk may also be higher for a Trust that allows its counterparties to transfer collateral posted by the counterparty to affiliates of the counterparty, including the Trust's prime broker. Such arrangements may enable a Trust to incur higher leverage, because the Trust's margin requirements to such counterparty to secure such leverage may be lower since such requirements are determined across all lines of business between the Trust and such counterparty and its affiliates. However, in those circumstances, the Trust may find itself in the position of being treated as an unsecured creditor of its counterparty (and/or its affiliate) in the event of the counterparty's (and/or its affiliate's) insolvency notwithstanding the formalities of the collateral arrangements. Also, to the extent the Trust's assets are transferred to an entity governed by the laws of a different jurisdiction, the Trust might need to institute proceedings in that jurisdiction in order to seek the return of its assets.

To the extent that a Trust uses swap contracts, it is subject to the creditworthiness of the counterparties because some types of swap contracts have terms longer than six months (and in some cases, decades). The creditworthiness of a counterparty can be expected to be adversely affected by greater than average volatility in the markets, even if the counterparty's net market exposure is small relative to its capital.

The Trusts are not subject to any limit on their exposure to any one counterparty nor to a requirement that counterparties with whom they enter into contracts maintain a specific rating by a nationally recognized rating organization. A Trust may invest in derivatives and/or execute a significant portion of its securities transactions through a limited number of counterparties and events that affect the creditworthiness of any of those counterparties may have a pronounced effect on the Trust. A Trust is not restricted from dealing with any particular counterparty or from concentrating any or all transactions with one counterparty. The ability of a Trust to transact business with any one of a number of counterparties, the lack of any meaningful and independent evaluation of such counterparties' financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Trust.

The Trusts also are subject to counterparty risk because they execute their securities transactions through brokers and dealers. If a broker or dealer fails to meet its contractual obligations, goes bankrupt, or otherwise experiences a business interruption, the Trusts could miss investment opportunities or be unable to dispose of investments they would prefer to sell, resulting in losses for the Trusts.

Counterparty risk with respect to derivatives has been and will continue to be affected by rules and regulations relating to the derivatives market. As described under "Derivative Instruments Risks", some derivatives transactions are required to be centrally cleared, and a party to a cleared derivatives transaction is subject to the credit risk of the clearing house and the clearing member through which it holds its cleared position. Credit risk of market participants with respect to derivatives that are centrally cleared is concentrated in a few clearing houses, and it is not clear how an insolvency proceeding of a clearing house would be conducted and what impact an insolvency of a clearing house would have on the financial system. Also, a Trust might not be fully protected in the event of the bankruptcy of a Trust's clearing member because the Trust would be limited to recovering only a pro rata share of the funds held by the clearing member on behalf of customers for cleared derivatives. Although a clearing member is required to segregate assets from customers with respect to cleared derivative positions from the clearing member's proprietary assets, if a clearing member does not comply with the applicable regulations, or in the event of fraud or misappropriation of customer assets by a clearing member, a Trust could have only an unsecured credit or claim in an insolvency of the clearing member with respect to the assets held by the clearing member.

The risk of loss generally is related to a notional principal amount, even if the parties have not made any initial investment. Notional amounts of swap transactions are not subject to any limitations, and swap contracts may expose a Trust to unlimited risk of loss. Certain derivatives have the potential for unlimited loss, regardless of the size of the initial investment.

Also, in the event of a counterparty's (or its affiliate's) insolvency, the Trusts' ability to exercise remedies, such as the termination of transactions, netting of obligations and realization on collateral, could be stayed or eliminated under new special resolution regimes adopted in the United States, the European Union and various other jurisdictions. Such regimes provide government authorities broad authority to intervene when a financial institution is experiencing financial difficulty. In particular, in the European Union and the United Kingdom, governmental authorities could reduce, eliminate, or convert to equity the liabilities to the Trusts of a counterparty experiencing financial difficulties (sometimes referred to as a "bail in").

<u>Credit Market Illiquidity Risk</u>. Historically, credit markets have experienced periods of significant illiquidity. While this lack of liquidity may create opportunities for a Trust to acquire assets at prices that GMO believes are attractive, it creates a number of risks. There can be no assurance that the market will, in the future, become more liquid and it may continue to be volatile for the foreseeable future. It is possible that illiquidity in the market could cause prices to decline further, which may have the result of forcing a Trust to sell assets to reduce leverage, satisfy requirements under its borrowing arrangements or to meet margin calls, all of which could, in turn, create further downward price pressure. If there is a substantial decline in the value of a Trust's portfolio of investments, investments may need to be liquidated quickly.

<u>Currency Risks</u>. Currency risk is the risk that fluctuations in exchange rates will adversely affect the value of a Trust's investments and includes the risk that the currencies in which the Trust's investments are traded, in which the Trust receives income, and/or in which the Trust has taken a position, will decline in value. Currency risk also includes the risk that the currency to which the Trust has obtained exposure through hedging declines in value relative to the currency being hedged, in which event, the Trust is likely to realize a loss on both the hedging instrument and the currency being hedged.

Currency exchange rates may fluctuate significantly over short periods of time. They generally are determined by the forces of supply and demand in the currency exchange markets, trade balances, the relative merits of investments in different countries, actual or perceived changes in interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation, and other complex factors. Currency exchange rates also can be affected unpredictably as a result of intervention (or the failure to intervene) by the U.S. or other governments, central banks, or supranational agencies such as the International Monetary Trust, or by currency or exchange controls or political and economic developments in the United States or elsewhere. Currencies in which a Trust's assets are denominated, or in which a Trust has taken a long position, may be devalued against other currencies, resulting in a loss to the Trust. Similarly, currencies in which a Trust has taken a short position may increase in value relative to other currencies, resulting in a loss to the Trust.

Some currencies are illiquid (*e.g*., some emerging market currencies), and a Trust may not be able to convert these currencies into its base currency or may only be able to do so at an unfavourable exchange rate. Exchange rates for many currencies are particularly affected by exchange control regulations.

Many of the Trusts use derivatives to take currency positions that are under or over-weighted (in some cases significantly) relative to the currency exposure of their portfolios and their benchmarks. If the exchange rates of the currencies involved do not move as expected, a Trust could lose money on both its holdings of a particular currency and the derivative.

A forward foreign currency contract can reduce a Trust's exposure to changes in the value of the currency it will deliver and can increase its exposure to changes in the value of the currency it will receive for the duration of the contract. The effect on the value of a Trust is similar to the effect of selling securities denominated in one currency and purchasing securities denominated in another currency. Contracts to sell a particular foreign currency would limit any potential gain that might be realized by a Trust if the value of the hedged currency increases. In addition, it is not always possible to hedge fully or perfectly against currency fluctuations affecting the value of securities denominated in currencies other than the Trust's base currency, because the value of such securities is also likely to fluctuate because of independent factors not related to currency fluctuations. If a forward global currency contract is used for hedging, an imperfect correlation between movements in the price of the forward global currency contract and the price of the currency or other investment being hedged creates risk.

<u>Depositary Receipts Risks</u>. Because the value of a Depositary Receipt is dependent upon the market price of an underlying security, Depositary Receipts are subject to most of the risks associated with investing in non-Australian securities directly. In addition, a depositary or issuer may unwind its Depositary Receipt program, or the relevant exchange may require Depositary Receipts to be delisted, which could require a Trust to sell its Depositary Receipts (potentially at disadvantageous prices) or to convert them into shares of the underlying non-Australian security (which could adversely affect their value or liquidity). Depositary Receipts also may be subject to illiquidity risk.

<u>Derivative Instruments Risks</u>. A Trust may engage in a variety of derivative transactions. Derivatives are financial contracts whose value depends on, or is derived from, the value of underlying assets, such as securities, commodities or currencies, reference rates, such as interest rates, currency exchange rates, inflation rates, or indices. Derivatives may include, but are not limited to, futures, currency contracts, swap contracts, options on securities and indices, options on futures contracts, options on swap contracts, forward contracts, contracts for differences, interest rate caps, floors and collars, repurchase or reverse repurchase agreements and other exchange-traded over-the-counter contracts. A Trust may use derivatives for many purposes, including as a substitute for direct investment, as a way

to adjust its exposure to various securities, markets and currencies without actually having to sell existing investments and/or make new investments, and as a means to hedge other investments and to manage liquidity and excess cash. Each Trust may take advantage of instruments and any security or synthetic or derivative instruments which are not presently contemplated for use by the Trust or which are not currently available, but which may be developed, to the extent such opportunities are both consistent with the Trust's investment objective and legally permissible for the Trust. Each Trust may become a party to various other customized derivative instruments entitling the counterparty to certain payments on the gain or loss on the value of an underlying or referenced instrument.

The use of derivatives involves the risk that their value may not change as expected relative to changes in the value of the assets, pool of assets, rates, currencies or indices they are designed to track. In addition, all derivative instruments involve risks that are in addition to, and potentially higher than, the risks of investing directly in securities, including:

Counterparty Risks. This is the risk that a loss may be sustained by a Trust as a result of the failure of the other party to a derivative (usually referred to as a "counterparty") to comply with the terms of the derivative contract. An OTC derivatives contract typically can be closed, or a position transferred, only with the consent of the other party to the contract. If the counterparty defaults, the Trust will have contractual remedies but may be unable to enforce them. A Trust also may invest in derivatives that (i) do not require the counterparty to post collateral, (ii) require collateral but do not provide for perfection of the Trust's security interest, (iii) require significant upfront deposits unrelated to the derivatives' fundamental fair (or intrinsic) value, or (iv) do not require that collateral be regularly marked-to-market. When a counterparty's obligations are not fully secured by collateral, a Trust runs a higher risk of not being able to recover what it is owed if the counterparty defaults.

Among other trading agreements, certain Trusts are party to International Swaps and Derivatives Association, Inc. Master Agreements ("ISDA Agreements") or other similar types of agreements with select counterparties that generally govern OTC derivative transactions entered into by such Trusts. The ISDA Agreements typically include representations and warranties as well as contractual terms related to events of default and termination events, and may include collateral posting terms and netting provisions that apply in the event of a default and/or a termination event. Termination events may include the decline in the net assets of a Trust below a certain level over a specified period of time and entitle a counterparty to elect to terminate early with respect to some or all the transactions under the ISDA Agreement with that counterparty. Such an election by one or more of the counterparties could have a material adverse impact on a Trust's operations. On the other hand, the bankruptcy or insolvency of the counterparty may allow a Trust to elect to terminate early with respect to some or all the transactions under the ISDA Agreement with that counterparty, and the relevant ISDA Agreement may permit the non-defaulting party to calculate a single net payment to close out applicable transactions. However, there is no guarantee that the terms of an ISDA Agreement will be enforceable, including, for example, when bankruptcy or insolvency laws impose restrictions on or prohibitions against the right of offset obligations. Additionally, the netting and close out provisions of an ISDA Agreement may not extend to the obligations of the counterparty's affiliates or across varying types of transactions.

Documentation Risks. Many derivative instruments are also subject to documentation risk, which is the risk that ambiguities, inconsistencies or errors in the documentation relating to a derivative transaction will lead to a dispute with the counterparty or unintended investment results. Because the contract for each OTC derivative transaction is individually negotiated, the counterparty may interpret contractual terms (*e.g.*, the definition of default) differently than a Trust, and if it does, GMO may decide not to pursue the Trust's claims against the counterparty to avoid the cost and unpredictability of legal proceedings. A Trust, therefore, runs the risk of being unable to obtain payments GMO believes are owed to the Trust under derivative instruments or of those payments being delayed or made only after the Trust has incurred litigation costs.

Illiquidity Risks. If a derivative transaction is particularly large or if the relevant market is illiquid (as is the case with many OTC derivatives), it may not be possible to initiate a transaction or liquidate a position at an advantageous price. Less liquid derivative instruments also may fall more in price than other securities during market falls. During periods of market disruptions, a Trust may have a greater need for cash to provide collateral for large swings in the mark-to-market obligations arising under the derivative instruments used by the Trust.

Leverage Risks. Because many derivatives have a leverage component (*i.e.*, a notional value in excess of the assets needed to establish or maintain the derivative position), adverse changes in the value or level of the underlying asset, rate or index can result in a loss substantially greater than the amount invested in the

derivative itself. In the case of swaps, the risk of loss generally is related to a notional principal amount, even if the parties have not made any initial investment. Notional amounts of swap transactions are not subject to any limitations, and swap contracts may expose the Trust to unlimited risk of loss. Certain derivatives have the potential for unlimited loss, regardless of the size of the initial investment.

Derivatives Regulation. In addition, the U.S. government has enacted legislation that provides for regulation of the derivatives market, including clearing, margin, reporting, and registration requirements, which could restrict the Trust's ability to engage in derivatives transactions or increase the cost or uncertainty involved in such transactions. The European Union (and some other countries) have implemented and are in the process of implementing similar requirements, which will affect a Trust when it enters into a derivatives transaction with a counterparty organized in that country or otherwise subject to that country's derivatives regulations. Because these requirements are evolving, their impact on the Trusts remains unclear.

Transactions in some types of swaps (including interest rate swaps and credit default swaps on North American and European indices) are required to be centrally cleared. In a transaction involving those swaps ("cleared derivatives"), a Trust's counterparty is a clearing house rather than a bank or broker. Since each Trust is not a member of a clearing house and only members of a clearing house ("clearing members") can participate directly in the clearing house, the Trust holds cleared derivatives through accounts at a clearing member. In cleared derivative positions, the Trust makes payments (including margin payments) to and receives payments from a clearing house through accounts at clearing members. Clearing members guarantee performance of their clients' obligations to the clearing house.

In some ways, cleared derivative arrangements are less favourable to funds than bilateral arrangements, for example, by requiring that funds provide more margin for their cleared derivative positions. Also, as a general matter, in contrast to a bilateral derivative position, following a period of notice to a Trust, a clearing member at any time can require termination of an existing cleared derivative position or an increase in the margin required at the outset of a transaction. Clearing houses also have broad rights to increase the margin required for existing positions or to terminate those positions at any time. Any increase in margin requirements or termination of existing cleared derivative positions by the clearing member or the clearing house could interfere with the ability of a Trust to pursue its investment strategy and any increase in margin held by a clearing member could expose the Trust to higher credit risk to its clearing member. Also, a Trust is subject to risk if it enters into a derivatives transaction that is required to be cleared (or that GMO expects to be cleared), and no clearing member is willing or able to clear the transaction on the Trust's behalf. In those cases, the position might have to be terminated, and the Trust could lose some or all of the benefit of the position, including loss of an increase in the value of the position and loss of hedging protection. In addition, the documentation governing the relationship between a Trust and clearing members is generally is less favourable to the Trust than the documentation for typical bilateral derivatives. For example, documentation relating to cleared derivatives generally includes a one-way indemnity by the Trust in favour of the clearing member for losses the clearing member incurs as the Trust's clearing member. Also, that documentation typically does not provide the Trust any remedies if the clearing member defaults or becomes insolvent. While futures contracts involve similar risks, the risks are likely to be more pronounced for cleared derivatives due to their more limited liquidity and market history.

Some types of cleared derivatives are required to be executed on an exchange or on a swap execution facility. A swap execution facility is a trading platform where multiple market participants can execute derivatives by accepting bids and offers made by multiple other participants in the platform. While this execution requirement is designed to increase transparency and liquidity in the cleared derivatives market, trading on a swap execution facility can create additional costs and risks for the Trust. For example, swap execution facilities typically charge fees, and if the Trust executes derivatives on a swap execution facility through a broker intermediary, the intermediary may impose fees as well. Also, a Trust may be required to indemnify a swap execution facility, or a broker intermediary who executes cleared derivatives on a swap execution facility on the Trust's behalf, against any losses or costs that may be incurred as a result of the Trust's transactions on the swap execution facility.

If a Trust wishes to execute a package of transactions that includes a swap that is required to be executed on a swap execution facility as well as other transactions (for example, a package that includes both a security swap and an interest rate swap that hedges interest rate exposure with respect to that security), the Trust may be unable to execute all components of the package on the swap execution facility. In that case, the Trust would need to trade some components of the package on the swap execution facility and other components in another manner, which could subject the Trust to the risk that some components would be

executed successfully and others would not, or that the components would be executed at different times, leaving the Trust with an unhedged position for a period of time.

The U.S. government, the European Union, the United Kingdom, and certain other jurisdictions have adopted mandatory minimum margin requirements for bilateral derivatives. These rules impose minimum variation margin requirements and in some cases, minimum initial margin requirements that could increase the amount of margin a Tust needs to post in connection with its derivatives transactions and, therefore, make derivatives transactions more expensive. The rules also impose regulatory requirements on the timing for transferring margin and the types of collateral the parties are permitted to exchange.
These and other rules and regulations could, among other things, further restrict a Trust's ability to engage in, or increase the cost to the Trust of, derivatives transactions, for example, by making some types of derivatives no longer available to the Trust or otherwise limiting liquidity. The implementation of the clearing requirement has increased the cost of derivatives transactions for each Trust, since each Trust has to pay fees to its clearing members and is typically required to post more margin for cleared derivatives than it historically posted for bilateral derivatives. The cost of derivatives transactions is expected to increase further as clearing members raise their fees to cover the cost of additional capital requirements and other regulatory changes applicable to the clearing members. These rules and regulations are evolving, and therefore, their full impact on a Trust and the financial system are not yet known. While these rules and regulations and central clearing of some derivatives transactions are designed to reduce systemic risk (*i.e.*, the risk that the interdependence of large derivatives dealers could cause them to suffer liquidity, solvency or other challenges simultaneously), there is no assurance that they will achieve that result, and in the meantime, as noted above, central clearing and related requirements expose the Trusts to different kinds of costs and risks.

Other Risks. Other risks in investing in derivatives include the risk of mispricing or improper valuation of derivatives. Many derivatives, in particular over-the-counter derivatives, are complex and their valuation often requires modelling and judgment, which increases the risk of mispricing or improper valuation and exposes a Trust to the risk that the pricing models used do not produce valuations that are consistent with the values a Trust realizes when it closes or sells an over-the-counter derivative. Valuation risk is more pronounced when a Trust enters into OTC derivatives with specialized terms because the value of those derivatives in some cases is determined in part by reference to similar derivatives with more standardized terms. As a result, there is a risk that inaccurate valuations will result in higher than necessary cash payment requirements to counterparties, over and/or under-collateralization, and/or errors in calculation of a Trust's net asset value.

Low exercise price options ("LEPOs") and participatory notes ("P-Notes") entail many of the same risks as other over-the-counter derivatives. These include the risk that the counterparty or issuer of the LEPO or P-Note may not be able to fulfill its obligations, that the holder and counterparty or issuer may disagree as to the meaning or application of contractual terms, or that the instrument may not perform as expected. Additionally, while LEPOs or P-Notes may be listed on an exchange, a liquid market may not exist or the counterparty or issuer of a LEPO or P-Note may not be willing to repurchase such instrument when a Trust wishes to sell it.

Special tax rules apply to a Trust's use of derivatives which could increase the taxes payable by investors subject to taxation, including, for the avoidance of doubt, withholding taxes. In addition, the tax treatment of the Trust's use of derivatives will sometimes be unclear.

<u>Equities Risks.</u> The net asset value of a Trust's portfolio can be expected to change in light of factors affecting the equity markets. A decline in the value of an equity may be attributable to factors affecting the issuer, such as a failure to keep up with technological advances, poor performance by the issuer's management or reduced demand for its goods or services, or to factors affecting a particular industry, such as decline in demand, labour or raw material shortages or increased production costs. A decline also may be attributable to general market conditions not specifically related to an issuer or industry, such as existing or anticipated adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates, rising inflation (expectations for rising inflation), or adverse investor sentiment generally. Equities generally have significant price volatility, and their market prices can decline in a rapid or unpredictable manner. Equities which are characterized as relatively cyclical, such as investments in companies in the consumer discretionary, financials, energy, real estate, materials and industrials sectors, often are especially sensitive to economic cycles, which means they typically underperform non-cyclical equities during economic downturns. Cyclical equities' performance can be significantly affected by, among other factors, cyclical revenue generation, consumer confidence and changing consumer preferences, and the

performance of domestic and international economies. If a Trust purchases an equity for less than its fundamental fair (or intrinsic) value as assessed by the Investment Adviser, the Fund runs the risk that the market price of the equity will not appreciate or decline due to the Investment Adviser's incorrect assessment. The market prices of equities trading at high multiples of current earnings often are more sensitive to changes in future_earnings expectations than the market prices of equities trading at lower multiples. Equities may be even more susceptible to such events than other types of investments a Trust may make, given their subordinate position in the issuer's capital structure. As such, equities generally have significant price volatility, and their market prices can decline in a rapid or unpredictable manner.

A Trust may invest in companies that are in the process of exiting, or that have recently exited, the bankruptcy process. Investments in post-reorganization securities typically entail a higher degree of risk than investments in securities that have not recently undergone a reorganization or restructuring. Moreover, post-reorganization securities can be subject to heavy selling or downward pricing pressure after the completion of a bankruptcy reorganization or restructuring. If a Trust's evaluation of the anticipated outcome of an investment should prove inaccurate, the Trust could experience a loss.

Income Trusts Risks. Investments in income trusts (including royalty trusts) are subject to operating risk based on the income trust's underlying assets and their respective businesses. Such risks may include lack of or limited operating histories. Income trusts are particularly subject to interest rate risk and increases in interest rates offered by competing investments may diminish the value of trust units. Changes in the interest rate also may affect the value of future distributions from the income trust's underlying assets or the value of the underlying assets themselves. Interest rate risk is also present within the income trusts themselves because they often hold very long-term capital assets, and much of the excess distributable income is derived from a maturity (or duration) mismatch between the life of the asset and the life of the financing associated with it. In an increasing interest rate environment, the income trust's distributions to its unitholders may decrease. Income trusts also may be subject to additional risk, including, without limitation, limited access to debt markets.

Income trusts do not guarantee minimum distributions or returns of capital to unitholders. The amount of distributions paid on a trust's units will vary from time to time based on production levels, commodity prices, royalty rates and certain expenses, deductions and costs, as well as on the distribution payout ratio policy adopted. The reduction or elimination of distributions to unitholders may decrease the value of trust units. Income trusts generally pay out to unitholders the majority of the cash flow that they receive from the production and sale of underlying assets. As a result of distributing the bulk of their cash flow to unitholders, the ability of a trust to finance internal growth is limited. Therefore, income trusts typically grow through acquisition of additional assets, funded through the issuance of additional equity or, where the trust is able, additional debt. Because an income trust may make distributions to unitholders in excess of its net income, unitholder equity may decline over time.

Fixed Income Risks. Fixed income investments are subject to interest rate, credit and market risk, among other risks.

Interest Rate Risk – Fixed Income Investments. Interest rate risk relates to changes in a security's value as a result of changes in interest rates. The market price of a Trust's underlying investments in fixed income investments (including bonds, notes, and asset-backed securities) will typically decrease as interest rates rise because prospective interest payments on new bonds will exceed current payments on existing bonds; the opposite is true when interest rates fall, because current investments have locked in a higher interest rate. The extent to which the market price of a fixed income investment changes with changes in interest rates is referred to as interest rate duration, which can be measured mathematically or empirically. A longer-maturity security generally has a larger interest rate duration, as its fixed rate is locked in for a longer period of time. The prices of long-term debt obligations generally fluctuate more than prices of short-term debt obligations as interest rates change. Floating or adjustable-rate securities, however, generally have short interest rate durations, since their interest rates are not fixed but rather float up and down as interest rates change. Because interest rates vary, the future income of a Trust that invests in floating or adjustable-rate securities cannot be predicted with certainty. Conversely, inverse floating rate securities have durations that move in the opposite direction from short-term interest rates, and thus tend to underperform fixed rate bonds when interest rates rise but outperform them when interest rates decline.

In addition, the market price of inflation-indexed bonds (including TIPS) normally changes when real interest rates change. Their value typically declines during periods of rising real interest rates (*i.e.*, nominal interest rate minus inflation) and increases during periods of declining real interest rates. Therefore, if the rate of inflation rises at a faster rate than nominal interest rates, real interest rates (*i.e.*, nominal interest rate minus inflation) might decline, leading to an increase in value of inflation-indexed bonds. In contrast, if nominal interest rates increase at a faster rate than inflation, real interest rates might rise, leading to a decrease in

value of inflation-indexed bonds. In some interest rate environments, such as when real interest rates are rising faster than nominal interest rates, the market price of inflation-indexed bonds may decline more than the market price of non-inflation-indexed (or nominal) fixed income bonds with similar maturities. Moreover, if the index measuring inflation falls, the principal value of inflation-indexed bond investments will be adjusted downward, and consequently, the interest they pay (calculated with respect to a smaller principal amount) will be reduced.

Although inflation-indexed bonds protect their holders from long-term inflationary trends, short-term increases in inflation may result in a decline in value. In addition, inflation-indexed bonds do not protect holders from increases in interest rates due to reasons other than inflation (such as changes in currency exchange rates).

The periodic adjustment of inflation indexed bonds is generally tied to a consumer price index which is calculated by a government agency. Such indices measure changes in the cost of living, made up by components such as housing, food, transportation, and energy. No assurance can be given that these measures of inflation will accurately measure the real rate of inflation in the prices of goods and services.

The United Kingdom's Financial Conduct Authority (the "FCA"), which regulates LIBOR, and ICE Benchmark Administration, the administrator of LIBOR, have announced that a majority of U.S. dollar LIBOR settings will no longer be published after June 30, 2023. Actions by regulators have resulted in the establishment of alternative reference rates to LIBOR in most major currencies. Various financial industry groups have begun planning for transition away from LIBOR, but there are obstacles to converting certain securities and transactions to new reference rates. Markets are developing but questions around liquidity in these rates and how to appropriately adjust these rates to mitigate any economic value transfer at the time of transaction remain a significant concern.

It is difficult to predict the full impact of the transition away from LIBOR. The transition process may involve, among other things, increased volatility and illiquidity in markets for instruments whose terms currently include LIBOR, particularly insofar as the documentation governing such instruments does not include "fall back" provisions addressing the transition from LIBOR. It could also lead to a reduction in the value of some LIBOR-based investments and reduce the effectiveness of related transactions, such as hedges. There also remains uncertainty and risk regarding the willingness and ability of issuers to include enhanced provisions in new and existing contracts or instruments. Any such effects of the transition away from LIBOR, as well as other unforeseen effects, could result in losses to the Trust.

Credit Risk – Fixed Income Investments. Credit risk relates to the ability or willingness of an issuer or guarantor of a fixed income investment (including a sovereign or quasi-sovereign debt issuer) or the obligor of an obligation underlying an asset-backed security to satisfy its obligation to pay principal and interest, or otherwise to honour its obligations in a timely manner. The market price of a fixed income investment normally will decline as a result (and/or in anticipation) of an issuer's, guarantor's, or obligor's failure to meet its payment obligations or a downgrading of the credit rating of the investment. Changes in actual or perceived creditworthiness may occur quickly. This risk is particularly acute when financial services firms are exposed to systemic risks (as they were in 2008) of the type evidenced by the insolvency of Lehman Brothers and subsequent market disruptions.

All fixed income investments are subject to credit risk. Financial strength and solvency of an issuer are the primary factors influencing credit risk. The risk varies depending upon whether the issuer is a corporation, government, or government entity, whether the particular fixed income investment has a priority over other obligations of the issuer in payment of principal and interest and whether it has any collateral backing or credit enhancement. Credit risk may change over the term of a fixed income investment. Government securities are subject to varying degrees of credit risk depending upon whether the securities are supported by the full faith and credit of the relevant government. Securities that are not guaranteed or insured by the government are subject to more credit risk than government securities that are supported by the full faith and credit of the government (e.g. Australian government bonds).

Investments in sovereign or quasi-sovereign debt involve the risk that the governmental entities responsible for repayment will be unable or unwilling to pay interest and repay principal when due. A governmental entity's ability and willingness to repay interest and repay principal in a timely manner can be expected to be affected by a variety of factors, including its cash flow, the size of its reserves, its access to foreign exchange, the relative size of its debt service burden to its economy as a whole, and geopolitical considerations (such as those evidenced in 2022 in Russia). Investments in quasi-sovereign issuers are subject to the additional

risk that the issuer will default independently of its sovereign. Sovereign debt risk is often is higher for fixed income investments issued or guaranteed by emerging countries, including as a result of financial or political instability.

In many cases, the credit risk and market price of a fixed income investment are reflected in its credit ratings, and a Trust holding a rated investment is subject to the risk that the investment's rating could be downgraded, resulting in a decrease in the market price of the fixed income investment.

Securities issued by the Australian government historically have presented minimal credit risk. However, a credit rating downgrade could decrease, and a default in the payment of principal or interest on Australian government securities would decrease the market price of a Trust's investments and increase the volatility of a Trust's portfolio.

A Trust also is exposed to credit risk on a reference security to the extent it writes protection under credit default swaps. The obligations of issuers also may be subject to bankruptcy, insolvency, and other laws affecting the rights and remedies of creditors.

The extent to which the market price of a fixed income investment changes in response to a credit event depends on many factors and can be difficult to predict. For example, even though the effective duration of a long-term floating rate security is very short, an adverse credit event or change in the perceived credit worthiness of its issuer could cause its market price to decline much more than its effective duration would suggest.

Credit risk is particularly pronounced for below investment grade investments. The sovereign debt of many non-Australian governments, including their subdivisions and instrumentalities, is below investment grade. In the event of default of sovereign debt, the Trust may be unable to pursue legal action against the issuer.

Market Risk – Fixed Income Investments. Even in the absence of a credit downgrade or default, the price of fixed income investments held by a Trust may decline significantly due to market-related factors, including rising interest rates and widening credit spreads, rising inflation, or decreased liquidity stemming from the market's uncertainty about the value of a fixed income investment (or a class of fixed income investments). In addition, the market price of fixed income investments with complex structures, such as asset-backed securities and sovereign and quasi-sovereign fixed income instruments can decline due to uncertainty about their credit quality and the reliability of their payment streams. Some fixed income investments also are subject to unscheduled prepayment, and a Trust may be unable to invest prepayments at as high a yield as was provided by the fixed income investment. When interest rates rise, the obligations underlying asset-backed securities may be repaid more slowly than anticipated, and the market price of those securities may decrease. As inflation increases, the present value of the Trust's fixed income investment typically will decline. Investors' expectation of future inflation can also adversely affect the current value of portfolio investments, resulting in lower asset values and potential losses. Market risk for fixed income investments is amplified by illiquidity risk. Fixed income investments denominated in foreign currencies also are subject to currency risk.

Government-issued fixed income investments also expose their holders to market risk because their values typically change as interest rates fluctuate. For example, the value of government securities may fall during times of rising interest rates. Yields on government securities tend to be lower than those of corporate securities of comparable maturities.

If a Trust invests in "zero coupon" fixed income investments, it may be required to recognize income on these investments to its investors as the income accrues, even though the Trust is not receiving the income in cash on a current basis. Thus, a Trust may have to sell other investments to obtain cash to satisfy investor withdrawals (including at a time when it may not be advantageous to do so). The value of zero coupon investments is often more volatile than that of non-zero coupon fixed income investments of comparable quality and maturity.

In response to government intervention, economic or market developments, or other factors, markets for fixed income investments may experience periods of high volatility, reduced liquidity or both. During those periods, a Trust could have unusually high withdrawals, requiring it to generate cash by selling fixed income investments when it would otherwise not do so, including at unfavourable prices. The risks associated with rising interest rates are generally higher during periods when interest rates are at or near their historic lows. A substantial increase in interest rates could have a material adverse effect on fixed income investments and

on the performance of the Trusts. Actions by central banks or regulators (such as intervention in foreign currency markets or imposition of currency controls) also could have a material adverse effect on the Trusts.

Focused Investment Risk. A Trust with investments that are focused in a limited number of asset classes, sectors, industries, issuers, currencies, countries, or regions that are subject to the same or similar risk factors and Trusts with investments whose market prices are closely correlated are subject to higher overall risk than a Trust with investments that are more diversified or whose market prices are not as closely correlated.

A Trust that invests in the securities of a small number of issuers has higher exposure to adverse developments affecting those issuers and to a decline in the market price of those issuers' securities than a Trust investing in the securities of a larger number of issuers. Securities, sectors or companies that share common characteristics are often subject to similar business risks and regulatory burdens, and often react similarly to specific economic, market, political or other developments.

Similarly, Trusts having a significant portion of their assets in investments tied economically to a particular geographic region, country, or market (e.g., emerging markets), or to sectors within a region, country, or market (e.g., Russian oil) have more exposure to regional and country economic risks than do funds making investments that are more geographically diverse. The political and economic prospects of one country or group of countries within the same geographic region may affect other countries in that region, and a recession, debt crisis or decline in the value of the currency of one country can spread to other countries. Furthermore, companies in a particular geographic region or country are vulnerable to events affecting other companies in that region, country or type of market because they often share common characteristics, are exposed to similar business risks and regulatory burdens, and react similarly to specific economic, market, political, or other developments.

To the extent a Trust invests in the securities of relatively few issuers, it is particularly exposed to adverse developments affecting those issuers, and a decline in the market price of a particular security held by the Trust is likely to affect the Trust's performance more than if the Trust invested in the securities of a larger number of issuers.

Unless otherwise stated in a Trust's Information Memorandum, there are no limitations on the amount a Trust may invest in the securities of any one asset class, country, region, sector, industry, currency or company. Accordingly, the Trust's securities may be more susceptible to any single economic, market, political or regulatory occurrence than the securities of a diversified investment Trust.

Forward Contracts Risks. Forward contracts involve a number of the same characteristics and risks as futures contracts but there also are several differences. Forward contracts are not market traded, and are not necessarily marked to market on a daily basis. They settle only at the pre-determined settlement date. This can result in deviations between forward prices and futures prices, especially in circumstances where interest rates and futures prices are positively correlated. Second, in the absence of exchange trading and involvement of clearing houses, there are no standardized terms for forward contracts. Accordingly, the parties are free to establish such settlement times and underlying amounts of a security or currency as desirable, which may vary from the standardized provisions available through any futures contract. Finally, forward contracts, as two party obligations for which there is no secondary market, involve counterparty credit risk not present with futures.

Futures Risks. Investment in futures contracts involves risk. A purchase or sale of futures contracts may result in losses in excess of the amount invested in the futures contract. If a futures contract is used for hedging by a Trust, it runs the risk that movements in the price of the futures contract may not correlate perfectly with changes in the security, currency, or other investment being hedged. Correlation is higher when the investment being hedged underlies the futures contract. Correlation is lower when the investment being hedged is different than the security, currency, or other investment underlying the futures contract, such as when a futures contract on an index of securities or commodities is used to hedge a single security or commodity, a futures contract on one security (e.g., U.S. Treasury bonds) or commodity (e.g., gold) is used to hedge a different security (e.g., a mortgage-backed security) or commodity (e.g., copper), or when a futures contract in one currency is used to hedge a security denominated in another currency. In the case of Index Futures and futures on commodity indices, changes in the price of those futures contracts may not correlate perfectly with price movements in the relevant index due to market distortions.

In the event of an imperfect correlation between a futures position and the portfolio position (or anticipated position) intended to be hedged, a Trust may realize a loss on the futures contract at the same time the Trust is realizing a loss on the portfolio position intended to be hedged. To compensate for imperfect correlations, a Trust may purchase or sell futures contracts in a greater amount than the hedged investments if the volatility of the price of the hedged investments is historically greater than the volatility of the futures contracts. Conversely, a Trust may purchase or sell

fewer futures contracts if the volatility of the price of the hedged investments is historically less than that of the futures contract. The successful use of transactions in futures contracts and options for hedging also depends on the direction and extent of exchange rate, interest rate, and asset price movements within a given time frame. For example, to the extent equity prices remain stable during the period in which a futures contract or option is held by a Trust investing in equity securities (or such prices move in a direction opposite to that anticipated), the Trust may realize a loss on the futures transaction, which is not fully or partially offset by an increase in the value of its portfolio securities. As a result, the Trust's total return for such period may be less than if it had not engaged in the hedging transaction.

All participants in the futures markets are subject to margin deposit and maintenance requirements. Instead of meeting margin calls, investors may close futures contracts through offsetting transactions, which could distort normal correlations. The margin deposit requirements in the futures markets are less onerous than margin requirements in the securities market, allowing for more speculators who may cause temporary price distortions. Furthermore, the low initial margin deposits normally required in futures trading permit an extremely high degree of leverage. Accordingly, a relatively small price movement in a futures contract can result in immediate and substantial losses. Trading hours for non-U.S. stock index futures may not correspond perfectly to the trading hours of the exchange to which a particular non-U.S. stock index future relates. As a result, the lack of continuous arbitrage may cause a disparity between the price of a non-U.S. stock index future and the value of the relevant index.

A Trust may purchase futures contracts (or options on them) as an anticipatory hedge against a possible increase in the price of a currency in which securities the Trust anticipates purchasing are denominated. If the Trust does not then invest in those securities, the Trust may realize a loss on the futures contract that is not offset by a reduction in the price of the securities purchased.

The Trusts' ability to engage in the futures and options on futures strategies described above depends on the liquidity of those instruments. Trading interest in various types of futures and options on futures cannot be predicted. Therefore, no assurance can be given that a Trust will be able to utilize these instruments at all or that their use will be effective. In addition, a liquid market may not exist at a time when a Trust seeks to close out a futures or option on a futures contract position, and that Trust would remain obligated to meet margin requirements until the position is closed. The liquidity of a secondary market in a futures contract may be adversely affected by "daily price fluctuation limits" established by commodity exchanges to limit the amount of fluctuation in a futures contract price during a single trading day. Once the daily limit has been reached, no trades of the contract may be entered at a price beyond the limit, thus preventing the liquidation of open futures positions. In the past, prices have exceeded the daily limit on several consecutive trading days. Short (and long) positions in Index Futures or futures on commodities indices may be closed only by purchasing (or selling) a futures contract on the exchange on which the Index Futures or commodity futures, as applicable, are traded.

As discussed above, if a Trust purchases or sells a futures contract, it is only required to deposit initial and variation margin as required by relevant CFTC regulations and the rules of the contract market. The Trust's net asset value will generally fluctuate with the value of the security or other instrument underlying a futures contract as if it were already in the Trust's portfolio. Futures transactions can have the effect of investment leverage. Furthermore, if a Trust combines short and long positions, in addition to possible declines in the values of its investment securities, the Trust will incur losses if the index underlying the long futures position underperforms the index underlying the short futures position.

In addition, if a futures broker of a Trust becomes bankrupt or insolvent, or otherwise defaults on its obligations to the Trust, the Trust may not receive all amounts owing to it in respect of its trading, despite the futures clearing house fully discharging all of its obligations. In the event of the bankruptcy of a futures broker, a Trust could be limited to recovering only a pro rata share of all available funds segregated on behalf of the futures broker's combined customer accounts. Also, in contrast to the treatment of margin provided for cleared derivatives, the futures broker does not typically notify the futures clearing house of the amount of margin provided by the futures broker to the futures clearing house that is attributable to each customer. Therefore, a Trust is subject to the risk that its margin will be used by the futures clearing house to satisfy the obligations of another customer of its futures broker. In addition, in the event of the bankruptcy or insolvency of a clearing house, a Trust might experience a loss of funds deposited through its futures broker as margin with the clearing house, a loss of unrealized profits on its open positions, and the loss of funds owed to it as realized profits on closed positions. Such a bankruptcy or insolvency might also cause a substantial delay before a Trust could obtain the return of funds owed to it by a futures broker who was a member of such clearing house. Furthermore, if a futures broker does not comply with the applicable regulations or its agreement with a Trust, or in the event of fraud or misappropriation of customer assets by a futures broker, a Trust could have only an unsecured creditor claim in an insolvency of the futures broker with respect to margin held by the futures broker.

Physical Delivery Risk in Commodity Futures Transactions. A Trust may trade in physical commodities and/or invest in certain futures contracts on commodities that are not required to be cash settled. In such cases, a Trust may take physical delivery of commodities. Such commodities may be subject to the risk of theft, spoilage, destruction and similar risks. In addition, storage, insurance, and other costs associated with holding commodities will affect the value of such contracts. In the event that a Trust holds physical commodities and one or more of the foregoing risks materialize, and in light of the costs associated with holding commodities, the Trusts may suffer losses.

Reinvestment Risk in Commodity Futures Transactions. In the commodity futures markets, producers of an underlying commodity may sell futures contracts to lock in the price of the commodity at delivery. To induce speculators to purchase the other side (the long side) of the contract, the commodity producer generally must sell the contract at a lower price than the expected futures spot price. Conversely, if most purchasers of the underlying commodity purchase futures contracts to hedge against a rise in commodity prices, then speculators will only sell the contract at a higher price than the expected future spot price of the commodity. The changing nature of the hedgers and speculators in the commodity markets will influence whether futures prices are above or below the expected futures spot price. As a result, when a Trust reinvests the proceeds from a maturing contract, it may purchase a new futures contract at a higher or lower price than the expected futures spot prices of the maturing contract or choose to pursue other investments.

Additional Economic Factors in Commodity Futures Transactions. The value of the commodities underlying commodity futures contracts may be subject to additional economic and noneconomic factors, such as drought, floods or other weather conditions, livestock disease, trade embargoes, competition from substitute products, transportation bottlenecks or shortages, fluctuations in supply and demand, tariffs, and international economic, political, and regulatory developments.

Illiquidity Risk. Illiquidity risk is the risk that low trading volume, lack of a market maker, large position size or legal or contractual restrictions (including daily price fluctuation limits or "circuit breakers", or an affiliation with the issuer of a security) limit, delay or prevent a Trust from selling particular assets or closing derivative positions at desirable prices. A Trust may invest in assets that have limited or no liquidity, including assets and derivatives which it may not be able to readily sell or dispose of, including securities whose disposition is restricted by securities laws. Illiquid securities include securities of private issuers, securities traded in unregulated or shallow markets, securities issued by entities deemed to be affiliates of a Trust, and securities that are purchased in private placements and are subject to legal or contractual restrictions on resale. Further, a Trust's interest in underlying funds, if any, may only be redeemed on specific dates (for example, monthly or quarterly) and may be subject to substantial restrictions on transfer. Also, the underlying funds typically have the right to suspend withdrawals during the occurrence of certain events, such as market disruption. As a result, the Trust may not be able to dispose of its interests in one or more underlying funds when GMO believes it would be advantageous for the Trust to do so. In addition, a Trust is exposed to illiquidity risk when it has an obligation to purchase particular securities (for example, as a result of entering into reverse repurchase agreements, writing a put, or closing a short position).

The more less-liquid securities the Trust holds, the more likely it is to honor a withdrawal request in kind and/or to suspend or limit withdrawals.

These limitations on liquidity of a Trust's investments could prevent a successful sale thereof, result in delay of any sale, or reduce the amount of proceeds that might otherwise be realized. Because illiquid securities may be difficult to value, the prices realized on their sale may be less than the price at which they were valued when held by a Trust. In addition, a Trust's holdings in securities for which the relevant market is or becomes less liquid are more susceptible to value declines.

Illiquidity risk also tends to be higher in times of financial stress. For example, inflation-protected securities issued by the U.S. treasury ("TIPS") have undergone periods of greatly reduced liquidity during disruptions in fixed income markets, such as occurred in 2008. Less liquid securities are often more susceptible than other securities to price declines when market prices decline generally. A Trust may buy securities or other instruments that are less liquid than those of its benchmark.

In addition to the risks that exist with respect to privately-placed securities, bank loans and other instruments due to the nature of such securities (*e.g.*, risks associated with common stock), privately-placed securities, bank loans and other instruments are often illiquid. Illiquid investments include most investments the disposition of which is subject to substantial legal or contractual restrictions and are generally viewed as investments that cannot be disposed of within a certain period of time at approximately the amount which GMO has valued the investments. GMO may

experience significant delays in disposing of illiquid investments and may not be able to sell them for the price the Trust paid or the price at which such investments have been valued by the Trust's administrator or valuation manager, as applicable. Transactions in illiquid investments may entail registration expenses and other transaction costs that are higher than those for transactions in liquid investments.

At times, the inability to sell illiquid investments can make it more difficult to determine their fair value for purposes of computing a Trust's net asset value. The judgment of GMO normally plays a greater role in valuing these securities than in valuing publicly traded securities.

Indexed Investments Risks. While investments that track the performance of an index may increase the number, and thus the diversity, of the underlying assets to which a Trust is exposed, such investments are subject to many of the same risks of investing in the underlying assets that comprise the index, as well as certain additional risks that are not typically associated with investments in such underlying assets. An investment that is designed to track the performance of an index may not replicate and maintain exactly the same composition and relative weightings of the assets in the index. Additionally, the liquidity of the market for such investments may be subject to the same conditions affecting liquidity in the underlying assets and markets and could be relatively less liquid in certain circumstances.

The performance of indexed securities depends on the performance of the security, security index, inflation index, currency, or other instrument to which they are indexed. Interest rate changes in the United States and elsewhere also may influence performance. Indexed securities also are subject to the credit risks of the issuer of the security, and their market prices are adversely affected by declines in the issuer's creditworthiness.

IPOs and Other Limited Opportunities Risks. A Trust may purchase securities of companies that are offered pursuant to an initial public offering ("IPO") or other similar limited opportunities. Although companies can be any age or size at the time of their IPO, they are often smaller and have a limited operating history, which involves a greater potential for the value of their securities to be impaired following the IPO. The price of a company's securities may be highly unstable at the time of its IPO and for a period thereafter due to factors such as market psychology prevailing at the time of the IPO, the absence of a prior public market, the small number of shares available, and limited availability of investor information. Securities purchased in IPOs have the tendency to fluctuate in value shortly after the IPO relative to the price at which they were purchased. These fluctuations could impact the Trust's return. Investors in IPOs can be adversely affected by substantial dilution in the value of their shares, by sales of additional shares, and by concentration of control in existing management and principal shareholders. In addition, all of the factors that affect the performance of an economy or equity markets may have a greater impact on the shares of IPO companies. IPO securities tend to expose a Trust to greater risk due, in part, to public perception and the lack of publicly available information and trading history.

Lack of Correlation Risks; Hedging Risks. There can be no assurance that the short positions a Trust holds will act as an effective hedge against its long positions. Any decrease in negative correlation or increase in positive correlation between the positions GMO anticipated would be offsetting (such as short and long positions in securities or currencies held by the Trust) could result in significant losses for the Trust.

To the extent GMO employs a hedging strategy for a Trust, the success of any such hedging strategy will depend, in part, upon GMO's ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the investments being hedged.

Legal and Regulatory Risks Relating to Investment Strategy. Legal, tax and regulatory changes could occur during the term of a Trust that may adversely affect the Trust. New (or revised) laws or regulations or interpretations of existing laws may be issued by Australian or foreign regulators that could adversely affect a Trust. A Trust also may be adversely affected by changes in the enforcement or interpretation of existing statutes and rules by these governmental regulatory authorities. For example, there has been an increase in regulatory scrutiny of the alternative investment industry. It is impossible to predict what, if any, changes in regulations may occur, but any regulation that restricts the ability of a Trust to trade in securities could have a material adverse impact on a Trust's performance.

In addition, the securities and futures markets are subject to comprehensive statutes, regulations, and margin requirements. Regulators and exchanges are authorized to take extraordinary actions in the event of market emergencies. The regulation of securitization and derivatives transactions and funds that engage in such transactions is an evolving area of law and is subject to modification by government and judicial action.

In addition, the various governments have enacted legislation that provides for regulation of the derivatives market, including clearing, margin, reporting, and registration requirements. U.S. regulators have been tasked with

developing the rules and regulations enacting the provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd Frank Act"). The European Union is (and some other countries are) implementing similar requirements that will affect a Trust when it enters into derivatives transactions with a counterparty organized in that country or otherwise subject to that country's derivatives regulations. Because these requirements are evolving, their impact on the Trusts remains unclear.

The Australian, U.S. and other governments and the European Union have adopted mandatory minimum margin requirements for bilateral derivatives. Such requirements could increase the amount of margin required to be provided by a Trust in connection with its derivatives transactions and therefore, make derivatives transactions more expensive.

These and other rules and regulations could, among other things, restrict a Trust's ability to engage in derivatives transactions in the manner that it has historically and increase the costs of such derivatives transactions, which could have an adverse impact on a Trust's performance and ability to execute its investment strategy.

Certain futures exchanges have established (and continue to evaluate and revise) limits ("position limits") on the maximum net long or net short positions which any person or group of persons acting in concert, may hold or control in particular contracts. In addition, starting on January 1, 2023, CFTC position limits will apply to swaps that are economically equivalent to futures contracts that are subject to CFTC speculative limits. All positions owned or controlled by the same person or entity, even if in different accounts, must be aggregated for purposes of complying with position limits. Thus, even if a Trust does not intend to exceed applicable position limits, it is possible that different clients managed by GMO and its affiliates may be aggregated for this purpose. Therefore, the trading decisions of GMO may have to be modified and that positions held by a Trust may have to be liquidated in order to avoid exceeding such limits. The modification of investment decisions or the elimination of open positions, if it occurs, may adversely affect the profitability of the Trust. A violation of position limits could also lead to regulatory action materially adviser to a Trust's investment strategy.

Some regulators have in the past adopted interim rules requiring reporting of all short positions above a certain de minimis threshold and may adopt rules requiring monthly public disclosure in the future. In addition, other non-Australian jurisdictions where a Trust may trade have adopted reporting requirements. If a Trust's short positions or its strategy become generally known, it could have a significant effect on GMO's ability to implement its investment strategy. In particular, it would make it more likely that other investors could cause a "short squeeze" in the securities held short by a Trust forcing the Trust to cover its positions at a loss. Such reporting requirements may limit GMO's ability to access management and other personnel at certain companies where GMO seeks to take a short position. In addition, if other investors engage in copycat behavior by taking positions in the same issuers as a Trust, the cost of borrowing securities to sell short could increase drastically and the availability of such securities to the Trust could decrease drastically. Such events could make the Trust unable to execute its investment strategy. Short sales are also subject to certain SEC regulations. If the SEC were to adopt additional restrictions regarding short sales, they could restrict a Trust's ability to engage in short sales in certain circumstances, and the Trust may be unable to execute its investment strategy as a result.

Regulatory authorities in the various jurisdictions may adopt (and in certain cases, have adopted) bans on short sales of certain securities in response to market events. Bans on short selling may make it impossible for a Trust to execute certain investment strategies and may have a material adverse effect on the Trust's ability to generate returns.

Rules implementing the credit risk retention requirements of the Dodd-Frank Act for asset-backed securities require the sponsor of certain securitization vehicles to retain, and to refrain from transferring, selling, conveying to a third party, or hedging 5% of the credit risk in assets transferred, sold, or conveyed through the issuance of such vehicle, subject to certain exceptions. These requirements may increase the costs to originators, securitizers, and in certain cases, collateral managers of securitization vehicles in which a Trust may invest, which costs could be passed along to such Trust as an investor in such transactions.

In May 2020, the United States Congress began consideration of the Holding Foreign Companies Accountable Act ("HFCA") in an effort to increase oversight and accountability of foreign issuers that are listed on U.S. exchanges. If the HFCA or similar legislation is enacted, it is expected to require foreign issuers to disclose whether they are owned or controlled by a foreign government and would require foreign issuers to comply with audits from the PCAOB. If a foreign issuer is unable to comply with the requirements of the HFCA, the foreign issuer would be prohibited from being traded on a U.S. exchange. Although the potential impact of the HFCA on a Trust is unknown, there can be no assurance made that the passage of the HFCA would not have a material adverse effect a Trust's portfolio. For example, a Trust may hold positions in a foreign issuer that is at risk of being delisted and may be required to liquidate such positions ahead of a potential delisting.

Investors should also be aware that some EU-regulated institutions (banks, certain investment firms, managers of alternative investment funds, UCITs funds, insurance and re-insurance undertakings, and occupational pension schemes) are restricted from investing in certain securitizations (including U.S.-related securitizations), unless, in summary: (i) the institution is able to demonstrate that it has undertaken certain due diligence in respect of various matters, including its investment position, the underlying assets, and the original lender or the originator of the underlying assets; and (ii) the originator, sponsor, or original lender retains, on an ongoing basis, a net economic interest of not less than five percent of specified credit risk tranches or asset exposures related to the securitization and discloses this risk retention to investors; and (iii) the originator, sponsor or special purpose entity complies with certain transparency requirements. Although the requirements do not apply to any of the Trusts directly, the costs of compliance, in the case of any securitization within the EU risk retention rules in which a Trust has invested or is seeking to invest, could be indirectly borne by the Trust and the other investors in the securitization.

Management and Operational Risks. Investment decisions will be made for the Trusts by GMO or an affiliate of GMO. A Trust is subject to management risk because it relies on GMO (or its affiliates) to achieve its investment objective. A Trust runs the risk that the GMO's investment techniques will fail to produce desired results (including, to the extent applicable, annualized volatility and/or annualized returns) and cause the Trust to incur significant losses. GMO may also fail to use derivatives effectively, choosing to hedge or not to hedge positions at disadvantageous times. A Trust's success will also be dependent on GMO's ability to correctly identify long positions that will outperform the Trust's short positions, if any, and to effectively reduce the Trust's market exposure through long and/or short positions. For any Trust pursuing an options volatility strategy, such Trust's success will depend on GMO's ability to correctly predict the rates of return and risks of the options that it sells or buys.

GMO uses quantitative models as part of its investment process and in making investment decisions for the Trusts (or the underlying GMO funds in which a Trust invests). Those Trusts (or the underlying GMO funds in which a Trust invests) run the risk that GMO's models will not accurately predict future market movements or characteristics. In addition, GMO's models are based on assumptions that can limit their effectiveness, and they rely on data that is subject to limitations (*e.g.*, inaccuracies, staleness) that could adversely affect their predictive value, and the Trusts for which those models are used run the risk that GMO's assessment of an investment (including a security's fundamental fair (or intrinsic) value) is wrong.

The usefulness of GMO's models may be diminished by the faulty translation of mathematical models into computer code, by reliance on proprietary and third-party technology that includes errors, omissions, bugs or viruses, and by the inputting of limited or imperfect data for processing by the model. These risks are more likely to occur when GMO is making changes to its models. Any of these risks could adversely affect performance of such strategies and/or underlying GMO funds and the performance of any Trust that invests in such strategies and/or GMO underlying funds.

There also can be no assurance that GMO's key personnel will continue to be employed by GMO. The loss of their services could have an adverse effect on GMOs ability to achieve a Trust's investment objective.

A Trust also is subject to operational risks resulting from other services provided by GMO and other service providers including pricing, administrative, accounting, tax, legal, custody, transfer agency and other operational services. Examples of such operational risk include the possibility of loss and/or impaired operations caused by inadequate procedures, systems and controls, human error and system failures by the GMO or a service provider. For example, trading delays or errors could prevent a Trust from benefiting from potential investment gains or avoiding losses. In addition, a service provider may be unable to provide a net asset value for a Trust on a timely basis. GMO is not contractually liable to any Trust for losses associated with operational risk absent its fraud, gross negligence or willful misconduct. Other Trust service providers also have contractual limitations on their liability to the Trusts for losses resulting from their errors.

The Trusts and their service providers (including GMO) are susceptible to cyber-attacks and to technological malfunctions that have effects similar to those of a cyber-attack. Cyber-attacks include, among others, stealing or corrupting data maintained online or digitally, preventing legitimate users from accessing information or services on a website, releasing confidential information without authorization, and causing operational disruption. Successful cyber-attacks against, or security breakdowns of, a Trust, GMO, a sub-adviser, or a custodian, transfer agent, or other service provider may adversely affect the Trust or its Investors. For instance, cyber-attacks may interfere with the processing of Investor transactions, affect a Trust's ability to calculate its net asset value, cause the release or misappropriation of private investor information or confidential Trust information, impede trading, cause reputational damage, and subject a Trust to regulatory fines, penalties or financial losses, reimbursement or other compensation costs, and additional compliance costs. While GMO has established business continuity plans and systems designed

to prevent, detect and respond to cyber-attacks, such plans and systems are subject to inherent limitations. Similar types of cyber security risks also are present for issuers of securities in which a Trust invests, which could result in material adverse consequences for such issuers, and a decline in the market price of those securities. Furthermore, as a result of cyber-attacks, technological disruptions, malfunctions, or failures, an exchange or market may close or issue trading halts on specific securities or the entire market, which may result in the Trusts being unable, among other things, to buy or sell securities or accurately price their investments. The Trusts cannot directly control cyber security plans and systems of their service providers, the Trusts' counterparties, issuers of securities in which the Trusts invest, or securities markets and exchanges and such service providers, counterparties or issuers may have limited, if any, indemnification obligations to the investment manager of the Trusts, each of which could be negatively affected as a result.

Market Disruption and Geopolitical Risks. A Trust is subject to the risk that geopolitical and other events (*e.g.*, wars, pandemics and terrorism) will disrupt securities markets and adversely affect particular economies and markets as well as global economies and markets, thereby decreasing the value of a Trust's investments. Sudden or significant changes in the supply or prices of commodities or other economic inputs (e.g., the marked decline in oil prices in late 2014, and early 2020 and substantial increase in 2022) may have material and unexpected effects on both global securities markets and individual countries, regions, sectors, companies, or industries, which could significantly reduce the value of a Trust's investments. Terrorism in the United States and around the world has increased geopolitical risk. The terrorist attacks on September 11, 2001 resulted in the closure of some U.S. securities markets for four days, and similar attacks are possible in the future. Securities markets may be susceptible to market manipulation or other fraudulent trading practices, which could disrupt their orderly functioning or reduce the prices of investments traded on them, including investments held by a Trust. Fraud and other deceptive practices committed by a company whose securities are held by a Trust undermine GMO's due diligence efforts and when discovered, will likely cause a steep decline in the market price of those securities and thus negatively affect the value of a Trust's investments. In addition, when discovered, financial fraud may contribute to overall market volatility, which can adversely affect a Trust's investment program.

A default by the U.S. government (as has been threatened over the years) or a shutdown of U.S. government services (including in response to political events) could adversely affect the U.S. economy, reduce the value of many Trust investments, and disrupt the operation of the U.S. or other securities markets. Climate change regulation (such as decarbonization legislation or other mandatory controls to reduce emissions of greenhouse gases) could significantly affect many of the companies in which the Funds invest by, among other things, increasing those companies' operating costs and capital expenditures. Uncertainty over credit worthiness of the sovereign debt of several European Union countries, as well as the continued existence of the European Union itself has disrupted and may continue to disrupt markets in the United States and around the world. For example, on January 31, 2020, the United Kingdom formally withdrew from the European Union (commonly known as "Brexit"), subject to a transition period. Significant uncertainty remains in the market regarding the ramifications of Brexit, and the range and potential implications of possible political, regulatory, economic and market outcomes are difficult to predict. Moreover, other countries may seek to withdraw from the European Union and/or abandon the euro, the common currency of the European Union. The ultimate effects of these and other social-political or geopolitical issues are not known but could profoundly affect particular economies and markets as well as global economies and markets, which may include companies or assets held or considered for prospective investment by GMO.

War, terrorism, economic uncertainty and related geopolitical events, such as sanctions, tariffs, the imposition of exchange controls or other cross-border trade barriers, have led, and in the future may lead, to higher short-term market volatility and have had, and in the future may have, adverse long-term effects on U.S. and world economies and markets generally. For example, Russia's invasion of Ukraine beginning in late February, and subsequent related events, have had, and could continue to have, severe adverse effects on regional and global economic markets for securities and commodities. Following Russia's actions, various governments, including the United States, issued broad-ranging economic sanctions against Russia, including, among other sanctions, a prohibition on doing business with certain Russian companies, large financial institutions, officials and oligarchs; the removal by certain countries and the European Union of selected Russian banks from the Society for Worldwide Interbank Financial Telecommunications (commonly referred to as "SWIFT"), the electronic banking network that connects banks globally; and restrictive measure to prevent the Russian Central Bank from undermining the impact of sanctions. Those events, including sanctions and the potential for future sanctions, including any affecting Russia's energy sector, and other actions, and Russia's retaliatory responses to these sanctions and actions, have adversely affected the Russian economy and may result in the future decline of the value and liquidity of Russian securities, a continued weakening of the ruble and continued exchange closures, and may have other adverse consequences on the Russian economy that affect the value of Russian investments and impair the ability of a Trust to buy, sell, receive or deliver those securities. In particular, where a Trust holds securities of a Russian issuer that is subject to blocking sanctions imposed by the U.S. Department of the Treasury's Office of Foreign Assets Control, those securities will be frozen

and consequently unable to be sold or transferred. Moreover, those events have, and could have, an adverse effect on global markets performance and liquidity, thereby negatively affecting the value of a Trust's investments beyond any direct exposure to Russian issuers.

Natural and environmental disasters (such as the earthquake and tsunami in Japan in early 2011) epidemics or pandemics (such as the outbreak of COVID-19 in late 2019 (described below), and systemic market dislocations (such as the kind surrounding the insolvency of Lehman Brothers in 2008) can be highly disruptive to economies and markets, adversely affecting individual companies and industries, securities markets, interest rates, credit ratings, inflation, investor sentiment and affect the value of a Trust's investments. During such market disruptions, a Trust's exposure to the risks described elsewhere in this SAI likely will increase.

An exchange or market may close early, close late or issue trading halts on specific securities, or the ability to buy or sell certain securities may be restricted, which may result in a Trust being unable to buy or sell certain securities. In these circumstances, the Trust may be unable to rebalance its portfolio, may be required to fair value its investments and/or may incur substantial trading losses.

The global outbreak of COVID-19 and subsequent efforts to contain its spread have resulted in, among other things, extreme volatility and reduced liquidity in financial markets; exchange trading suspensions and closures; higher default rates; travel restrictions and disruptions; significant disruptions to business operations and supply chains; lower consumer demand for goods and services; significant job losses and increasing unemployment; event and service cancellations and restrictions; significant challenges in healthcare service preparation and delivery; prolonged quarantines; as well as general concern and uncertainty. COVID-19 vaccine distribution in Australia has resulted in more flexible quarantine guidelines, increased consumer demand and a resurgence of travel. Despite the positive trends, the uncertainty surrounding COVID-19 continues to linger, as vaccination rates and vaccine availability abroad, specifically in developing and emerging market countries, continue to lag. In addition, new COVID-19 variants have led to increased hospitalizations and deaths. The impact of the this pandemic and any other epidemic or pandemic that may arise in the future could adversely affect the global economy, the economies of individual countries, and the financial performance of individual issuers, sectors, industries, asset classes, and markets in significant and unforeseen ways. Extraordinary actions taken by governments and central banks to support local and global economies and the financial markets in response to the COVID-19 pandemic may not succeed or have the intended effect, and in some cases, have resulted in a large expansion of government deficits and debt, the long-term consequences of which are not known. This crisis or other public health crises may also exacerbate other pre-existing political, social, economic, market and financial risks. The effects of the outbreak in developing or emerging market countries may be greater due to less established health care systems. The duration of the COVID-19 pandemic and its effects cannot be determined with certainty. The effects of the COVID-19 pandemic or any other future epidemic or pandemic could impair the Trusts' ability to maintain operational standards (such as with respect to satisfying redemption requests), disrupt the operations of the Trusts' service providers, adversely affect the value and liquidity of the Trusts' investments, and negatively impact the Trusts' performance and your investment in a Trust.

Market disruptions, including sudden government interventions, can also prevent a Trust from implementing its investment program (including with respect to a Trust's ability to enter and exit investments) and achieving its investment objective. For example, a market disruption may adversely affect the ordinary functioning of the securities markets and may cause a Trust's derivatives counterparties to discontinue offering derivatives on some underlying commodities, securities, reference rates, or indices or to offer them on a more limited basis. To the extent a Trust has focused its investments in the stock of a particular region, adverse geopolitical and other events in that region could have a disproportionate impact on the Trust.

Continuing market uncertainty may have a significant impact on a Trust. Among other things, the level of investment opportunities may decline from GMO's current expectations. As a result, fewer investment opportunities may be available for a Trust, although if credit markets continue to be constrained, a Trust may have the opportunity to take larger positions in potential transactions. One possible consequence of fewer investment opportunities is that a Trust may take a longer than anticipated period to invest capital, as a result of which, at least for some period of time, any such Trust may be relatively concentrated in a limited number of investments. Consequently, during any such period, the returns realized by Investors in any such Trust may be substantially adversely affected by the unfavorable performance of a small number of these investments. In addition, a slowdown in the global economy and increases in the prices of oil and gas, raw materials and agricultural commodities may affect inflation rates and currency exchange rates, which may in turn have a negative impact on a Trust.

Options Risks. The market price of an option is affected by many factors, including changes in the market prices or dividend rates of underlying securities (or in the case of indices, the securities in those indices); the time remaining

before expiration; changes in interest rates or exchange rates; and changes in the actual or perceived volatility of the relevant index and underlying securities. The market price of an option also may be adversely affected if the market for the option becomes less liquid. In addition, since an American-style option allows the holder to exercise the option any time before the option's expiration, the writer of an American-style option has no control over when it will be required to fulfill its obligations as a writer of the option. (The writer of a European-style option is not subject to this risk since the holder may only exercise the option on its expiration date).

The Trusts' ability to use options as part of their investment programs depends on the liquidity of the options market. In addition, that market may not exist when a Trust seeks to close out an option position. If a Trust were unable to close out an option that it had purchased on a security, it would have to exercise the option in order to realize any profit or the option may expire worthless. As the writer of a call option on a portfolio security, during the option's life, the Trust foregoes the opportunity to profit from increases in the value of the security underlying the call option above the sum of the premium and the strike price of the call, but retains the risk of loss (net of premiums received) should the price of the underlying security decline. Similarly, as the writer of a call option on a securities index, a Trust foregoes the opportunity to profit from increases in the index over the strike price of the option, though it retains the risk of loss (net of premiums received) should the price of the Trust's portfolio securities decline. If a Trust writes a call option and does not hold the underlying security or instrument, the amount of the Trust's potential loss is theoretically unlimited.

An exchange-traded option may be closed out by means of an offsetting transaction only on a national securities exchange, which provides a secondary market for an option of the same series. If a liquid secondary market for an exchange-traded option does not exist, a Trust might not be able to effect an offsetting closing transaction for a particular option. Reasons for the absence of a liquid secondary market on a national securities exchange include the following: (i) insufficient trading interest in some options; (ii) restrictions by an exchange on opening or closing transactions, or both; (iii) trading halts, suspensions, or other restrictions on particular classes or series of options or underlying securities; (iv) unusual or unforeseen interruptions in normal operations on an exchange; (v) inability to handle current trading volume; or (vi) discontinuance of options trading (or trading in a particular class or series of options), (although outstanding options on an exchange that were issued by the Options Clearing Corporation should continue to be exercisable in accordance with their terms). In addition, the hours of trading for options on an exchange may not conform to the hours during which the securities held by a Trust are traded. To the extent that the options markets close before the markets for the underlying securities, significant price and rate movements can take place in the markets for underlying securities that are not immediately reflected in the options markets.

National securities exchanges generally have established limits on the maximum number of options an investor or group of investors acting in concert may write. A Trust, GMO, and other funds advised by GMO may constitute such a group. When applicable, these limits can restrict a Trust's ability to purchase or write options on a particular security.

Unlike an exchange-traded option, which is standardized with respect to the underlying instrument, expiration date, contract size, and strike price, the terms of an over-the-counter option (i.e. an option not traded on an exchange) generally are established through negotiation with the other party to the option contract. While a Trust has higher flexibility to tailor an OTC option, OTC options generally expose the Trust to higher credit risk than exchange-traded options, which are guaranteed by the clearing members of the exchanges where they are traded. Purchasing and selling put and call options are highly specialized activities and entail higher risks than simply purchasing and selling publicly-traded securities. The use of warrants and rights entails many of the same risks associated with the use of options.

<u>Pooled Investment Vehicles Risks</u>. Investments by a Trust in pooled investment vehicles may involve additional and/or a layering of fees, expenses, charges and other costs (including, without limitation, purchase premiums and redemption fees, if any). In addition, investment decisions of such investment vehicles are made by their investment advisers independently of each other. As a result, at any particular time one investment vehicle may be purchasing securities of an issuer whose securities are being sold by another investment vehicle, resulting in a Trust that holds each underlying fund incurring indirectly the costs associated with the two transactions without changing its exposure to those securities. In addition, there is no assurance that the investments or investment strategies employed by any underlying fund will be successful. The Trust also is indirectly exposed to all of the risks of an investment in the pooled investment vehicle.

Investments in ETFs involve the risk that an ETF's performance will not track the performance of the index (if any) it is designed to track. An investment by a Trust in an ETF could result in higher operating expenses and poorer performance than if the Trust were to invest directly in the securities underlying the ETF. Unlike the index, an ETF has administrative expenses and transaction costs in trading securities. In addition, the timing and magnitude of cash inflows and outflows from and to investors buying and redeeming shares in the ETF could create cash balances that

cause the ETF's performance to deviate from the index (which remains "fully invested" at all times). Performance of an ETF and the index it is designed to track also may diverge because the composition of the index and the securities held by the ETF may occasionally differ.

Portfolio Turnover Risks. No Trust has placed any limit on the rate of portfolio turnover and portfolio securities may be sold without regard to the time they have been held when, in GMO's opinion, investment considerations warrant such action (which may include taking and reversing a position within the same day). Based on GMO's assessment of market conditions, GMO may trade a Trust's investments more frequently at some times than at others, resulting in a higher portfolio turnover rate. A high rate of portfolio turnover involves correspondingly greater expenses (such as brokerage commissions and transaction costs, which will be borne by the Trust) than a lower rate, may act to adversely affect the Trust's performance, or create a loss for investors. In addition a high rate of portfolio turnover may result in increased tax costs for investors depending on the tax provisions applicable to such investors. Generally, the after-tax impact of portfolio turnover is not considered when making investment decisions for a Trust.

Potential for Insufficient Investment Opportunities. GMO may not be able to identify and obtain a sufficient number of investment opportunities for a Trust. In particular, each Trust will compete with a broad spectrum of investors for portfolio investments. Increased competition for, or a diminishment in the available supply of, portfolio investments could result in lower returns on such portfolio investments. Also, if a Trust is not fully invested because there are not enough investment opportunities that the Investment Adviser believes are attractive (and the Trust does not return the excess cash to Investors) the Trust could have lower investment returns.

Preferred Securities Risks. Investment in preferred stocks involves certain risks. Preferred stocks often allow for redemption in the event of certain tax or legal changes or at the issuer's call. In the event of redemption, the Trust may not be able to reinvest the proceeds at comparable rates of return. Preferred stocks are subordinated to other securities in an issuer's capital structure in terms of priority for corporate income and liquidation payments, and therefore will be subject to higher credit risk than those other securities. Preferred stocks may trade less frequently and in a more limited volume and may be subject to more abrupt or erratic price movements than many other securities, such as common stocks or corporate and government fixed income investments. Depending on the features of the particular security, holders of preferred stock may bear the risks disclosed herein regarding equities or fixed income investments.

Private Investments in Public Companies Risks. There are numerous risks associated with public investments in private equity ("PIPE") transactions. The issuer may be unable to register for public resale the shares held by a Trust in a timely manner or at all, in which case the shares maybe saleable only in a privately negotiated transaction at a price less than that paid by the Trust, assuming a suitable buyer can be found. Disposing of the securities may involve time-consuming negotiation and legal expenses, and selling them promptly at an acceptable price may be difficult or impossible. Even if the shares are registered for public resale, the market for the issuer's securities may nevertheless be "thin" or illiquid, making the sale of securities at desired prices or in desired quantities difficult or impossible.

While private placements may offer attractive opportunities not otherwise available in the open market, the securities purchased are usually "restricted securities" or are "not readily marketable". Restricted securities cannot be sold without being registered under the U.S. Securities Act, unless they are sold pursuant to an exemption from registration (such as Rules 144 or 144A). Securities that are not readily marketable are subject to other legal or contractual restrictions on resale.

Real Estate Risks. As a Trust may invest in real-estate related investments (including REITs), the net asset value of the Trust's portfolio can be expected to change in light of factors affecting the real estate industry, including the supply of real property in certain markets, overbuilding, changes in zoning laws, casualty or condemnation losses, delays in completion of construction, changes in operating costs and property taxes, levels of occupancy, adequacy of rent to cover operating expenses, possible environmental liabilities, regulatory limitations on rent, fluctuations in rental income, increased competition and other risks related to local and regional economic conditions.

The value of real-estate related investments also may be affected by changes in interest rates, macroeconomic developments, and social and economic trends. For instance, during periods of declining interest rates, some mortgage REITs may hold mortgages that the mortgagors elect to prepay, which prepayment may reduce the yield on securities issued by those REITs. Some REITs have relatively small market capitalizations, which can tend to increase the volatility of the market price of their securities.

Equity REITs may be affected by any changes in the value of the underlying property owned by the trusts, while mortgage REITs may be affected by the quality of any credit extended. REITs are also subject to the risk of fluctuations in income from underlying real estate assets, poor performance by the REIT's manager and GMO's

inability to effectively manage cash flows generated by the REIT's assets, prepayments and defaults by borrowers, self-liquidation and adverse changes in the tax laws.

By investing in REITs indirectly through the Trust, investors will bear not only their proportionate share of the expenses of the Trust, but also, indirectly, similar expenses of REITs. In addition, REITs depend generally on their ability to generate cash flow to make distributions to investors. Investments in REITs are subject to risks associated with the direct ownership of real estate.

Repurchase Agreements, Reverse Repurchase Agreements and Similar Transactions Risks. Repurchase agreements afford a Trust the opportunity to earn a return on temporarily available cash without market risk, although the Trust bears the risk of a seller's failure to meet its obligation to pay the repurchase price when it is required to do so. Such a default may subject the Trust to expenses, delays and risks of loss including: (i) possible declines in the value of the underlying security while the Trust seeks to enforce its rights thereto; (ii) possible reduced levels of income and lack of access to income during this period; and (iii) the inability to enforce its rights and the expenses involved in attempted enforcement.

If the buyer in a reverse repurchase agreement files for bankruptcy or becomes insolvent, a Trust's use of proceeds from the sale of its securities may be restricted while the other party or its trustee or receiver determines whether to honour the Trust's right to repurchase the securities. Furthermore, in that situation the Trust may be unable to recover the securities it sold in connection with a reverse repurchase agreement and as a result would realize a loss equal to the difference between the value of the securities and the payment it received for them. This loss would be greater to the extent the buyer paid less than the value of the securities the Trust sold to it (*e.g.*, a buyer may only be willing to pay $95 for a bond with a value of $100). A Trust's use of reverse repurchase agreements also subjects the Trust to interest costs based on the difference between the sale and repurchase price of a security involved in such a transaction. Additionally, repurchase agreements and reverse repurchase agreements entail the same risks as OTC derivatives. These include the risk that the counterparty to the agreement may not be able to fulfill its obligations, as discussed above, that the parties may disagree as to the meaning or application of contractual terms, or that the instrument may not perform as expected.

Restricted Securities Risks. A Trust's portfolio investments may include "restricted securities", which are securities that cannot be sold without being registered under the U.S. Securities Act, unless they are sold pursuant to an exemption from registration (including section 4(a)(2) of, or Rule 144A under, the U.S. Securities Act). Restricted securities are generally only sold to institutional investors in private sales from the issuer or from an affiliate of the issuer. These securities may be less liquid than securities registered for sale to the general public. The liquidity of a restricted security may be affected by a number of factors, including: (i) the credit quality of the issuer; (ii) the frequency of trades and quotes for the security; (iii) the number of dealers willing to purchase or sell the security and the number of other potential purchasers; (iv) dealer undertakings to make a market in the security; and (v) the nature of the security and the nature of marketplace trades. Also, restricted securities may be difficult to value because market quotations may not be readily available.

A Trust may have to bear the expense of registering restricted securities for resale and the risk of substantial delay in effecting registration. A Trust may be unable to sell restricted securities and other illiquid investments at the most opportune times or without significantly impacting the value of the investment. If it sells its securities in a registered offering, the Trust may be deemed to be an "underwriter" for purposes of Section 11 of the U.S. Securities Act. In such event, the Trust may be liable to purchasers of the securities under Section 11 if the registration statement prepared by the issuer, or the prospectus forming a part of it, is materially inaccurate or misleading, although the Trust may have a due diligence defence. While the Trust may be indemnified against such liabilities, the issuer may not have the financial resources to satisfy its indemnification obligations. Furthermore, it is the position of the U.S. Securities and Exchange Commission ("SEC") staff that indemnification for violations of the U.S. Securities Act is against public policy and therefore unenforceable.

Risks of Concentrated Investor Holdings. To the extent a large portion of the interests of a Trust are held (directly or indirectly) by a single Investor (*e.g.*, institutional investors, asset allocation funds, or other funds or accounts managed by GMO or an affiliate of GMO) or a group of Investors with a common investment strategy, a Trust is subject to the risk that these Investors will purchase, withdraw, reallocate or rebalance their investments in large amounts and/or on a frequent basis, resulting in substantial withdrawals from, or investments into, the Trust. This risk is particularly pronounced when one Investor, which may or may not be affiliated with a Trust, owns a substantial portion of the Trust. Certain asset allocation funds or accounts managed by GMO own substantial portions of certain Trusts, in certain cases through a feeder fund and/or other structures. If GMO on behalf of such Investor and/or another large Investor elects to withdraw a substantial amount of its investment in a Trust, it could have an adverse impact on the Trust's performance. These transactions may adversely affect the Trust's performance to the extent that the Trust is

forced to sell portfolio securities at disadvantageous prices to raise the cash needed to satisfy the withdrawal request. Withdrawals of interests also may increase transaction costs or, by necessitating a sale of portfolio securities, have adverse tax consequences for investors, depending on the tax provisions applicable to such investors. Further, from time to time a Trust may trade in anticipation of a purchase or withdrawal order that is not ultimately received or differs in size from the actual order, leading to temporary underexposure or overexposure to the Trust's intended investment program.

In addition, a Trust could indirectly be subject to this risk if any underlying funds in which the Trust invests have investors owning significant percentages of the respective underlying fund.

Risks of Financial Fraud. Instances of fraud and other deceptive practices committed by senior management of certain companies in which a Trust invests may undermine GMO's due diligence efforts with respect to such companies, and if such fraud is discovered, negatively affect the valuation of the Trust's investments. In addition, when discovered, financial fraud may contribute to overall market volatility which can negatively impact a Trust's investment program.

Financial fraud also may impact the rates or indices underlying a Trust's investments. For example, during recent credit crises certain banks may have colluded to understate borrowing costs reported for LIBOR in an effort to mislead others about their financial position and/or to increase profits on LIBOR-linked investment portfolios. As a consequence of this fraud, reported LIBOR rates may not have accurately reflected short-term borrowing rates. Such market manipulations may adversely impact the value of a Trust's investments and/or the Trust's ability to achieve its performance target.

Risks of Investment in GMO Funds. Certain Trusts expect to invest some or all of their assets in other funds for which GMO, or an affiliate of GMO serves as general partner or investment adviser. Although the advisory fee will be calculated including the net profits and losses on investments in any underlying funds, GMO typically will not charge such fund an advisory fee at the level of any underlying funds in their capacities as investment adviser or general partner of such fund; however, the Trust may bear a pro rata share of certain operating costs of the underlying funds. Therefore, a reallocation of the Trust's investments to one or more underlying funds will increase the Trust's total expenses. GMO and GMO Australia have agreed to waive the majority of the operating expenses of underlying funds as described in the relevant prospectus. In addition, in connection with an investment in or a withdrawal from such an underlying fund, the Trust may bear the cost of purchase premiums and/or withdrawal charges imposed by such underlying fund. However, any such purchase premium or withdrawal charge is waived to the extent a Trust imposes equivalent charges on the transactions of its unit holders.

If a Trust invests in one or more underlying funds, it will be subject to the risks to which the underlying funds are subject. Adverse events could impact one or more of the underlying funds at the same time. There is no assurance that the investments or investment strategies employed by such underlying funds will be successful. Underperformance by the underlying funds could cause a Trust to underperform, even though GMO's asset allocation strategies with respect to the Trust were appropriate given market conditions. GMO has the discretion to invest in underlying funds however it deems most appropriate (*e.g.*, in the master or a particular feeder, if applicable).

A Trust's allocations to one or more underlying funds, from time to time, may be impacted by its unit holder's withdrawal requests, for example where the Trust's liquidity terms do not align with those of the underlying funds or where GMO elects to shift the Trust's allocations more gradually so as to minimize withdrawal charges at the level of the underlying fund. If a Trust takes any such steps it may affect the Trust's overall portfolio composition until any such withdrawal request is satisfied. Such deviations in allocations could adversely impact the Trust's ability to achieve its investment objective.

Risks of Non-Australian Investments. Investment in non-Australian issuers or securities traded outside Australia may involve special risks due to non-Australian economic, political and legal developments, including favourable or unfavourable changes in currency exchange rates, exchange control regulations (including currency blockage), expropriation, nationalization or confiscatory taxation of assets, government involvement in the economy or in the affairs of specific companies or industries (including in wholly or partially state-owned enterprises), imposition of withholding or other taxes, adverse changes in investment capital or exchange control regulations (which include suspension of the ability to transfer currency from a country), political changes, diplomatic developments, including the imposition of economic sanctions, and possible difficulty in obtaining and enforcing judgments against non-Australian entities. In the event of a nationalization, expropriation or other confiscation, a Trust could lose its entire investment in a security.

A Trust may be subject to non-Australian taxation, including potentially on a retroactive basis, on (i) capital gains it realizes or dividends, interest, or other amounts it realizes or accrues in respect of non-Australian investments; (ii) transactions in those investments; and (iii) repatriation of proceeds generated from the sale or other disposition of those investments. A Trust may seek a refund of taxes paid, but its efforts may not be successful, in which case the a Trust will have incurred additional expenses for no benefit. In addition, a Trust's pursuit of a tax refund may subject it to administrative and judicial proceedings in the country where it is seeking the refund. A Trust's decision to seek a refund is in its sole discretion, and, particularly in light of the cost involved, GMO may decide not to seek a refund, even if a Trust is entitled to one. The outcome of GMO's efforts to obtain a refund for a Trust is inherently unpredictable. In some cases, the amount of refund could be material to the Trust's net asset value. Accordingly, a refund is not typically reflected in a Trust's net asset value until it is received or until GMO is confident that the refund will be received. Generally, absent a determination by the investment manager of the Trust that a refund is collectible and free from significant contingencies, a refund is not reflected in a Trust's net asset value until it is received.

A Trust may be required to accrue certain non-Australian taxes, interest or penalties in respect of its investments that it may or may not ultimately pay. The amounts of such accruals will be determined by GMO, in its sole discretion. Such tax accruals will reduce the balance of a Trust's net asset value at the time accrued, even though, in some cases, a Trust ultimately will not pay the related tax liabilities. Conversely, a Trust's net asset value will be increased by any tax accruals that are ultimately reversed. In addition, the tax laws of some non-Australian jurisdictions in which a Trust may invest are unclear and interpretations of such laws can change over time, including on a retroactive basis in which case a Trust could potentially incur non-Australian taxes on a retroactive basis. Similarly, provisions in or official interpretations of the tax treaties with such non-Australian jurisdictions may change over time, which changes could impact a Trust's eligibility for treaty benefits, if any.

Issuers of non-Australian securities are subject to different, sometimes less comprehensive, accounting, custody, reporting, and disclosure requirements than Australian issuers. The securities of some foreign governments, companies, and securities markets are less liquid, and at times more volatile, than comparable Australian securities and securities markets. Non-Australian brokerage commissions and related fees may also be higher than in Australia. Trusts that invest in non-Australian securities also may be affected by different custody and/or settlement practices or delayed settlements in some non-Australian markets. In some non-Australian securities markets, custody arrangements for securities provide significantly less protection than custody arrangements for securities in Australian securities markets, and prevailing custody and trade settlement practices (*e.g.*, the requirement to pay for securities prior to receipt) may expose a Trust to credit and other risks it does not have in Australia.

The laws of some non-Australian countries may limit a Trust's ability to invest in securities of certain issuers located in those countries. Non-Australian countries may have reporting requirements with respect to the ownership of securities, and those reporting requirements may be subject to interpretation or change without prior notice to investors. While the Trusts make reasonable efforts to stay informed of foreign reporting requirements relating to the Trusts' non-Australian portfolio securities (e.g., through the Trusts' brokerage contacts, external service providers, the Trusts' custodial network, and, to the extent deemed appropriate by the Trusts under the circumstances, local counsel in the relevant foreign country), no assurance can be given that a Trust will satisfy applicable reporting requirements at all times.

A Trust needs a license to invest directly in securities traded in many non-Australian securities markets, and there are risks associated with any license that a Trust seeks to maintain. These licenses are often subject to limitations, including maximum investment amounts. Once a license is obtained, a Trust's ability to continue to invest directly is subject to the risk that the license will be terminated or suspended. If a license to invest in a particular market is terminated or suspended, to obtain exposure to that market the Trust will be required to purchase Depositary Receipts, shares of other funds that are licensed to invest directly, or derivative instruments. In some circumstances, the receipt of a non-Australian license by one of GMO's clients may prevent other clients, including a Trust, from obtaining a similar license, and thus limits the Trust's investment opportunities. In addition, the activities of another of GMO's clients could cause the suspension or revocation of a Trust's license and thereby limit its investment opportunities.

Special Risks of Investing in Emerging Countries. Trusts that invest a significant portion of their assets in securities of issuers tied economically to emerging countries (or investments related to emerging markets) are subject to higher non-Australian investment risk than Trusts investing primarily in more developed non-Australian countries (or markets). Investment in issuers or securities in emerging countries may involve special risks due to economic, political and legal developments, including favourable or unfavourable changes in currency exchange rates, exchange control regulations (including currency blockage), expropriation, nationalisation or confiscatory taxation of assets, imposition of withholding or other taxes, adverse changes in investment capital or exchange control regulations (which include suspension of the

ability to transfer currency from a country), quota controls and dealing restrictions, political changes, diplomatic developments, including the imposition of economic sanctions, and possible difficulty in obtaining and enforcing judgments against entities in the market in question. In the event of a nationalisation, expropriation or other confiscation, a Trust could lose its entire investment in a security.

The securities markets of emerging countries are generally smaller, less developed, less liquid, and more volatile than the securities markets of Australia and other developed countries. In addition, the securities markets of emerging countries are typically subject to a lower level of monitoring and disclosure and regulatory standards vary from country to country and in many respects are less stringent. Government enforcement of existing securities regulations is limited, and any such enforcement may be arbitrary and the results may be difficult to predict. Laws, orders, rules, regulations and other legislation currently regulating investment may be altered, in whole or in part, and a court or other authority of an emerging country may interpret any relevant or existing legislation in such a way that the investment contemplated is rendered illegal, null or void, retroactively or otherwise or in such a way that the investment of the Trust is adversely affected. Legislation regarding companies in emerging countries, specifically those laws in respect of the fiduciary responsibility of administrators and disclosure may be in a state of evolution and may be of a considerably less stringent nature than corresponding laws in more developed countries. In addition, securities markets of emerging countries may be subject to potential market closures due to market, economic, political, regulatory, geopolitical, environmental, public health, or other conditions.

The reporting, accounting, custody and auditing standards to which emerging country issuers are subject differ, in some cases significantly, from Australian standards. In addition, reporting requirements of emerging countries with respect to the ownership of securities are more likely to be subject to interpretation or changes without prior notice to investors than more developed countries.

Many emerging countries have experienced substantial, and in some periods extremely high, rates of inflation for many years. Inflation and rapid fluctuations in inflation rates have had and may continue to have negative effects on such countries' economies and securities markets.

Economies of emerging countries generally are heavily dependent on international trade and accordingly, have been and may continue to be affected adversely by trade barriers, exchange controls, managed adjustments in relative currency values, and other protectionist measures imposed or negotiated by the countries with which they trade. Economies of emerging countries also have been and may continue to be adversely affected by economic conditions in the countries with which they trade. The economies of emerging countries may depend predominantly on only a few industries or revenues from particular commodities and often are more volatile than the economies of developed countries. In many cases, governments of emerging countries continue to exercise significant control over their economies, and government actions relative to the economy, as well as economic developments generally, may affect the capacity of creditors in those countries to make payments on their debt obligations, regardless of their financial condition.

Custodial services are often more expensive and other investment-related costs higher in emerging countries than in developed countries, which could reduce a Trust's income from investments in securities or debt instruments of emerging country issuers.

Brokerage commissions, transfer taxes, custodial costs and other fees can differ from jurisdiction to jurisdiction. In some markets, custody arrangements for securities provide significantly fewer protections than custody arrangements for securities in other markets, and prevailing custody and trade settlement practices (e.g., the requirement to pay for securities prior to receipt) may expose the Trust to credit and other risks with respect to participating brokers, custodians, clearing banks or other clearing agents, escrow agents and issuers. As the Trust may invest in markets where custodial and/or settlement systems are not fully developed, the assets of the Trust which are traded in such markets and which have been entrusted to sub-custodians may be exposed to increased risk. The Trusts' custodian has a sub-custodian network in certain emerging countries. GMO will not invest in securities issued or corporations located in emerging countries until the custodian is satisfied that it has sub-custodian arrangements in place in respect of such countries. There is no guarantee that any arrangements made, or agreement entered into, between the custodian and any sub-custodian will be upheld by a court of any emerging country or that any judgment obtained by the custodian or the Trust against any such sub-custodian in a court of any competent jurisdiction will be enforced by a court of any emerging country.

Emerging countries are more likely than developed countries to experience political uncertainty and instability, including the risk and consequences of war, terrorism, nationalization, difficulties in obtaining and

enforcing legal judgments, limitations on the removal of funds or other assets, or diplomatic developments that affect Australian investments in these countries. Political uncertainty and instability within an emerging country could result in the imposition of sanctions against officials and institutions of that country. No assurance can be given that adverse political changes and any subsequent consequences (including sanctions) will not cause a Trust to suffer a loss of any or all of its investments (or in the case of fixed income investments, interest) in emerging countries.

Special Risks of Investing in Asian Securities. In addition to the risks of non-Australian investments and emerging countries investments described above, investments in Asia are subject to other risks. The economies of Asian countries are at varying levels of development. Markets of countries whose economies are in the early stages of development typically exhibit a high concentration of market capitalization and have less trading volume, lower liquidity, and more volatility than more developed markets. Some Asian countries depend heavily on foreign trade and can be adversely affected by trade barriers, exchange controls, and other measures imposed or negotiated by the countries with which they trade. The economies of some Asian countries are not diversified and are based on only a few commodities or industries. Financial imbalances among various economic sectors, fuelled by rising asset prices, strong credit growth, and relatively easy financing conditions in certain economies in Asia also may negatively impact those economies.

Investments in Asia also are susceptible to social, political, legal, and operational risks. Some countries have authoritarian or relatively unstable governments. Certain Asian countries have experienced violence, terrorism, armed conflict, epidemics, or pandemics, geopolitical conflicts (such as trade disputes) and social instability, which have negatively impacted their economies. Some governments in the region provide less supervision and regulation of their financial markets and in some countries less financial information is available than is typical of more developed markets. Some governments in the region exercise considerable influence on their respective economies and as a result, companies in the region may be subject to government interference and nationalization. Some Asian countries restrict direct foreign investment in securities markets, and investments in securities traded on those markets may be made, if at all, only indirectly (*e.g.*, through Depositary Receipts, derivatives, etc.).

Some Asian countries require foreign investors to be registered with local authorities prior to investing in the securities markets and impose limitations on the amount of investments that may be made by foreign investors and the repatriation of the proceeds from investments.

Asian countries periodically experience increases in market volatility and declines in foreign currency exchange rates. Currency fluctuations affect the value of securities because the prices of these securities are generally denominated or quoted in currencies other than the Australian dollar. Fluctuations in currency exchange rates can also affect a country's or company's ability to service its debt. The governments of certain Asian countries also maintain their currencies at artificial levels in relation to the U.S. dollar rather than at levels determined by the market, which may have an adverse impact on foreign investors.

Investment in particular Asian countries is subject to unique risks, yet the political and economic prospects of one country or group of countries can affect other countries in the region. For example, the economies of some Asian countries are directly affected by Japanese capital investment in the region and by Japanese consumer demands. In addition, a recession, debt crisis, or decline in currency valuation in one Asian country may spread to other Asian countries. The economies of Asian countries are also vulnerable to effects of natural disasters occurring within the region, including droughts, floods, tsunamis, and earthquakes. Disaster recovery in Asia can be poorly coordinated, and the economic impact of natural disasters is significant at both the country and company levels.

A Trust may, directly or indirectly (through, for example, participation notes or other types of equity-linked notes), purchase shares in mainland China-based companies that trade on Chinese stock exchanges such as the Shanghai Stock Exchange and the Shenzhen Stock Exchange ("China A-Shares") or debt securities traded on the China Interbank Bond Market ("CIBM Bonds" and with "China A-Shares, "China Connect Securities"), through a variety of mutual market access programs (collectively, "China Connect") that enable foreign investment in PRC exchange-traded securities via investments made in Hong Kong or other locations that may in the future have China Connect programs with the PRC. Examples of China Connect programs include the Shanghai and Shenzhen-Hong Kong Stock Connect (collectively, "Stock Connect") and the China Bond Connect (the "Bond Connect"). Trades do not cross between the Shanghai and Shenzhen stock exchanges and a separate broker is assigned for each exchange. If a Trust rebalances across both exchanges, the Trust must trade out of stocks listed on one exchange with a broker and trade into stocks on the other exchange with a separate broker. As a result, the Trust may incur additional fees.

There are significant risks inherent in investing in China Connect Securities through China Connect. The China Connect programs are relatively new. There can be no assurance that China Connect programs will not be discontinued without advance notice or that future developments will not restrict or adversely affect a Trust's investments or returns through China Connect. The less developed state of PRC's investment and banking systems with respect to foreign investment subjects the settlement, clearing, and registration of China Connect Securities transactions to heightened risks. China Connect program restrictions could also limit the ability of a Trust to sell its China Connect Securities in a timely manner, or to sell them at all. For instance, China Connect programs involving Hong Kong can only operate when both PRC and Hong Kong markets are open for trading and when banking services are available in both markets on the corresponding settlement days. As such, if Hong Kong markets are closed but China Connect Securities are trading in the PRC, or where China Connect programs are closed for extended periods of time because of subsequent Hong Kong and PRC holidays (or for other reasons), a Trust may not be able to dispose of its China Connect Securities when it wants to in a timely manner, which could adversely affect the Trust's performance. Additionally, certain China Connect programs are subject to daily quota limitations on purchases of certain China Connect Securities (such as China A-Shares). Once the daily quota is reached, orders to purchase additional China A-Shares through Stock Connect will be rejected. Investment quotas are subject to change, and although the current quotas do not place limits on sales of China A-Shares or other China Connect Securities through China Connect programs, there can be no guarantee that capital controls would not be implemented that could adversely affect a Trust's ability to remove money out of China and use it for other purposes, including to meet redemptions.

China Connect Securities purchased through a China Connect program are held through a nominee structure by a Hong Kong-based depository as nominee (the "Nominee") on behalf of investors. Thus, a Trust's investments will be registered on the books of the PRC clearinghouse in the name of a Hong Kong clearinghouse, and on the books of a Hong Kong clearinghouse in the name of the Trust's Hong Kong sub-custodian, and may not be clearly designated as belonging to the Trust. The precise nature and rights of a Trust as the beneficial owner of China Connect Securities through the Nominee is not well defined under PRC law and it is not yet clear how such rights will recognized or enforced under PRC law. If PRC law does not fully recognize a Trust as the beneficial owner of its China Connect Securities, this may limit GMO's ability to effectively manage a Trust. The use of the nominee system also exposes a Trust to the credit risk of the depository intermediaries, and to greater risk of expropriation. Different fees, costs, and taxes are imposed on foreign investors acquiring China Connect Securities acquired through China Connect programs, and these fees, costs, and taxes may be higher than comparable fees, costs, and taxes imposed on owners of other securities providing similar investment exposure. Furthermore, the securities regimes and legal systems of the PRC and Hong Kong differ significantly from each other and issues may arise based on these differences. Loss of Hong Kong independence or legal distinctiveness, for example, related to the Hong Kong protests that started in 2019, could undermine significant benefits of the China Connect programs. Political, regulatory and diplomatic events, such as the U.S.-China "trade war" that intensified in 2018, could have an adverse effect on the Chinese or Hong Kong economies and on investments made through China Connect programs, and thus could adversely impact the Trusts investing through China Connect programs.

CIBM Bonds may also be purchased through the CIBM Direct Access Program, which is also relatively new. The CIBM Direct Access Program, established by the People's Bank of China, allows eligible foreign institutional investors to conduct trading in the CIBM, subject to other rules and regulations as promulgated by Chinese authorities. Eligible foreign institutional investors who wish to invest directly in the CIBM through the CIBM Direct Access Program may do so through a settlement agent located in China, who would be responsible for making the relevant filings and account opening with the relevant authorities. A Trust is therefore subject to the risk of default or errors on the part of such agent. Many of the same risks that apply to investments in the PRC through China Connect programs also apply to investments through the CIBM Direct Access Program. Many of the same risks that apply to investments in the PRC through China Connect programs also apply to investments through the CIBM Direct Access Program.

Many Chinese companies have used complex organizational structures to address Chinese restrictions on foreign investment whereby foreign persons, through another entity domiciled outside of China (a "non-Chinese affiliate"), have limited contractual rights, including economic benefits, with respect to the Chinese company. Chinese regulators have permitted such arrangements to proliferate even though such arrangements are not formally recognized under Chinese law. If Chinese regulators' tacit acceptance of these arrangements ceases, the value of such holdings would be negatively impacted. Moreover, since such arrangements are not recognized under Chinese law, remedies available to an investor through a non-Chinese affiliate would be limited. Furthermore, many Chinese companies have circumvented Chinese

restrictions on foreign investments by using variable interest entities ("VIEs"), which enable foreign persons to contractually impose some control, albeit less than direct equity ownership, on such Chinese companies while accessing their economic benefits without formal ownership. While Chinese law does not formally recognize VIEs, Chinese regulators have permitted such arrangements to proliferate. Tacit acceptance of VIEs by Chinese regulators may cease in the future. Moreover, VIEs are not formally recognized under Chinese law, which may cause Chinese courts to not enforce the contracts related thereto, thus limiting the remedies and rights of investors, such as a Trust, who is invested in such company via a VIE. Future regulatory action may prohibit the ability of a VIE to receive the economic benefits of a Chinese company with which it has a contractual arrangement, which would cause the market value of such holding to lose substantial value.

Significant portions of the Chinese securities markets may become rapidly illiquid, as Chinese issuers have the ability to suspend the trading of their equity securities, and have shown a willingness to exercise that option in response to market volatility, pandemics, adverse economic, market or political events, and other events.

Unexpected political, regulatory and diplomatic events within the United States and elsewhere, such as the U.S.-China "trade war" that intensified in 2018 and 2019, may affect investor and consumer confidence and may adversely impact financial markets and the broader economy, perhaps suddenly and to a significant degree. The current political climate and the renewal or escalation of a trade war between China and the United States may have an adverse effect on both the U.S. and Chinese economies, including as the result of one country's imposition of tariffs on the other country's products. . Events such as these and their impact on the Trusts are difficult to predict and it is unclear whether further tariffs may be imposed or other escalating actions may be taken in the future.

Special Risks of Investing in Russian Securities. Certain of the Trusts may invest directly in the securities of Russian issuers. Certain other Trusts may have indirect exposure to Russian securities through their investment in one or more of the underlying funds with direct investments in Russia. Investment in those securities presents many of the same risks as investing in the securities of emerging country issuers, as described in the preceding sections.

The social, political, legal, and operational risks of investing in Russian issuers, and of having assets held in custody within Russia, however, may be particularly pronounced relative to investments in more developed countries.

Russia's system of share registration and custody creates certain risks of loss (including the risk of total loss) that are not normally associated with investments in other securities markets. The fairly recent formation of the Russian securities markets and the underdeveloped state of Russia's banking system subjects settlement, clearing, and registration of securities transactions to significant risks. Prior to 2013, there was no central registration system for equity share registration in Russia and registration was carried out by either the issuers themselves or by registrars located throughout Russia. Such registrars were not necessarily subject to effective state supervision, nor were they licensed with any governmental entity, thereby increasing the risk that a Trust could lose ownership of its securities through fraud, negligence, or even mere oversight. With the implementation of the National Settlement Depository ("NSD") in Russia as a recognized central securities depository, title to most Russian equities is now based on the records of the NSD and not the registrars. Although the implementation of the NSD is generally expected to decrease the risk of loss in connection with recording and transferring title to securities, issues resulting in loss still may occur. In addition, issuers and registrars are still prominent in the validation and approval of documentation requirements for corporate action processing in Russia. Because the documentation requirements and approval criteria vary between registrars and/or issuers, there remain unclear and inconsistent market standards in the Russian market with respect to the completion and submission of corporate action elections. To the extent that a Trust suffers a loss relating to title or corporate actions relating to its portfolio securities, it may be difficult for the Trust to enforce its rights or otherwise remedy the loss.

Russia's invasion of Ukraine beginning in late February 2022, and subsequent related events, have had, and could continue to have, severe adverse effects on regional and global economic markets for securities and commodities. Following Russia's actions, various governments, including the United States, issued broad-ranging economic sanctions against Russia, including, among other sanctions, a prohibition on doing business with certain Russian companies, large financial institutions, officials and oligarchs; the removal by certain countries and the European Union of selected Russian banks from the Society for Worldwide Interbank Financial Telecommunications (commonly referred to as "SWIFT"), the electronic banking network

that connects banks globally; and restrictive measure to prevent the Russian Central Bank from undermining the impact of sanctions. Those events, including sanctions and the potential for future sanctions, including any affecting Russia's energy sector, and other actions, and Russia's retaliatory responses to these sanctions and actions, have adversely affected the Russian economy and may result in the further decline of the value and liquidity of Russian securities, a continued weakening of the ruble and continued exchange closures, and may have other adverse consequences on the Russian economy that affect the value of Russian investments and impair the ability of a Trust to buy, sell, receive or deliver those securities. In particular, where a Trust holds securities of a Russian issuer that is subject to blocking sanctions imposed by the U.S. Department of the Treasury's Office of Foreign Assets Control, those securities will be frozen and consequently unable to be sold or transferred. Moreover, those events have, and could have, an adverse effect on global markets performance and liquidity, thereby negatively affecting the value of a Trust's investments beyond any direct exposure to Russian issuers. Retaliatory action by the Russian government could involve the seizure of U.S. and/or European residents' assets, and any such actions are likely to impair the value and liquidity of such assets. Any or all of these potential results could have an adverse/recessionary effect on Russia's economy. All of these factors could have a negative effect on the performance of Trusts that have significant exposure to Russia.

Securities Lending Risks.

A Trust may make secured loans of its portfolio securities amounting to not more than one-third of its total assets. For these purposes, total assets include the collateral received from such loans. Securities loans will be made to borrowers that GMO believes to be of relatively high credit standing pursuant to agreements requiring that the loans be collateralized by cash, securities, letters of credit or such other collateral as may be permitted under a Trust's securities lending program with a value at least equal to 100% of the market value of the loaned securities (marked to market daily). If a loan is collateralized by U.S. government or other securities, the Trust receives a fee from the borrower. If a loan is collateralized by cash, the Trust typically invests the cash collateral for its own account in GMO U.S. Treasury Fund or one or more money market funds (in which case the Trust will bear its pro rata share of GMO U.S. Treasury Fund's or such money market fund's fees and expenses), or directly in interest-bearing, short-term securities, and typically pays a fee to the borrower. GMO may retain lending agents on behalf of several of the Trusts that would be compensated based on a percentage of the Trust's return on its securities lending. State Street Bank and Trust Company currently serves as the Trusts' securities lending agent. The Trusts also may pay various fees in connection with securities loans, including shipping fees and custodian fees.

Securities loans must be fully collateralized at all times, but involve some credit/counterparty risk to the Trusts if the borrower or the party (if any) guaranteeing the loan should default on its obligation and the Trusts are delayed in or prevented from recovering or applying the collateral.

As with other extensions of credit, a Trust that lends its portfolio securities bears the risk of delay in the recovery of loaned securities, including possible impairment of the Trust's ability to vote the securities, the inability to invest proceeds from the sales of such securities and of loss of rights in the collateral should the borrower fail financially. A Trust bears the risk of total loss with respect to the investment of collateral. Any income or gains and losses from investing and reinvesting any cash collateral delivered by a borrower pursuant to a loan generally are at the Trust's risk, and to the extent any such losses reduce the amount of cash below the amount required to be returned to the borrower upon the termination of any loan, the Trust may be required by the securities lending agent to pay or cause to be paid to such borrower an amount equal to such shortfall in cash, possibly requiring it to liquidate other portfolio securities to satisfy its obligations.

New regulations require certain bank-regulated counterparties and certain of their affiliates to include in certain financial contracts, including many securities lending agreements, terms that delay or restrict the rights of counterparties, such as the Trusts, to terminate such agreements, foreclose upon collateral, exercise other default rights or restrict transfers of credit support in the event that the counterparty and/or its affiliates are subject to certain types of resolution or insolvency proceedings. It is possible that these new requirements, as well as potential additional government regulation and other developments in the market, could adversely affect a Trust's ability to terminate existing securities lending agreements or to realize amounts to be received under such agreements in the event the counterparty or its affiliate becomes subject to a resolution or insolvency proceeding.

Voting rights or rights to consent with respect to the loaned securities pass to the borrower. A Trust has the right to call loans at any time on reasonable notice to exercise voting rights associated with the security and will do so if both (i) GMO receives adequate notice of a proposal upon which shareholders are being asked to vote, and (ii) GMO believes that the benefits to the Trust of voting on that proposal outweigh the benefits to the Trust of having the security remain out on loan. However, as noted above, a Trust bears the risk of delay in the return of the security,

impairing the Trust's ability to vote on such matters. GMO may use third-party service providers to assist it in identifying and evaluating proposals, and to assist it in recalling loaned securities for proxy voting purposes.

Securities of Stressed, Distressed or Defaulted Issuers Risks. Although investments in securities, claims, and obligations of issuers that are experiencing significant financial or business difficulties (including companies involved in bankruptcy (including those that are in the process of exiting or that have recently existed the bankruptcy process) or other reorganization and liquidation proceedings) may result in significant returns, they involve a substantial degree of risk and may not show any return for a considerable period of time.

Investments in distressed or defaulted or other low quality debt securities may trade significantly below par, generally are considered speculative, and may involve substantial inherent risks that are generally significantly higher than the risks involved in investing in companies that are not experiencing, or expected to experience, financial stress and not normally associated with investments in higher quality securities, including adverse business, financial or economic conditions that lead to their issuers' payment defaults and insolvency proceedings. For example, investment in stressed or distressed loans are often less liquid than performing loans. In addition, the market may be less liquid for distressed or defaulted securities than for other types of securities. Reduced liquidity can affect the values of distressed or defaulted securities, make their valuation and sale more difficult, and result in higher volatility.

In particular, defaulted obligations might be repaid, if at all, only after lengthy workout or bankruptcy proceedings, during which the issuer does not make any interest or other payments and a Trust incurs additional expenses in seeking recovery. The amount of any recovery may be adversely affected by the relative priority of the Trust's investment in the issuer's capital structure. The ability to enforce obligations may be adversely affected by actions or omissions of predecessors in interest that give rise to counterclaims or defenses, including causes of action for equitable subordination or debt re-characterization. In addition, such investments, collateral securing such investments, and payments made in respect of such investments may be challenged as fraudulent conveyances or to be subject to avoidance as preferences under certain circumstances.

Investments in securities issued by issuers under financial stress inherently have more credit risk than do investments in similar securities and instruments of non-distressed issuers, and the degree of risk associated with any particular security may be difficult or impossible for GMO to determine within reasonable standards of predictability. Post-reorganization securities can be subject to heavy selling or downward pricing pressure after the completion of a bankruptcy reorganization or restructuring. If a Trust's evaluation of the anticipated outcome of an investment should prove inaccurate, the Trust could experience a loss. The level of analytical sophistication, both financial and legal, necessary for successful investment in securities issued by issuers under financial or business stress is unusually high.

If GMO's assessment of the eventual recovery value of a distressed or defaulted debt security proves incorrect, a Trust may lose a substantial portion or all of its investment or may be required to accept cash or instruments worth less than its original investment.

Investments in securities of stressed, distressed or defaulted issuers domiciled outside the United States involve additional risks. Bankruptcy law and creditor reorganization processes may differ substantially from those in the United States, resulting in greater uncertainty as to the rights of creditors, the enforceability of such rights, reorganization timing and the classification, seniority and treatment of claims. In certain developing countries, although bankruptcy laws have been enacted, the process for reorganization remains highly uncertain.

Service Provider Risks. A Trust's prime broker(s) and custodian(s), if any, will have custody of the Trust's securities, cash, distributions and rights accruing to the Trust's securities accounts. If a custodian holds cash on behalf of the Trust, the Trust may be an unsecured creditor in the event of the insolvency of the custodian. The Trust will be subject to credit risk with respect to a custodian.

A prime broker generally has the ability to loan, pledge and rehypothecate the securities in the Trust's account, as is typical market practice, and may have insufficient assets to meet all of its obligations to "customers" in the event of an insolvency of the prime broker. If the Trust is not treated as a "customer" it would be treated as a general unsecured creditor of an insolvent prime broker. To the extent that the Trust is deemed to be a "customer" of an insolvent prime broker, the Trust would typically not have an absolute right to recover those of its securities that are held by the prime broker, but would rather have only an unsecured claim against the prime broker and the right to participate pro rata with other customers of the prime broker in the customer property held by the prime broker. Even if the prime broker does have sufficient assets to meet all customer claims, there could be a delay before the Trust receives assets to satisfy its claims. Furthermore, until the Trust knows what securities it will receive, the Trust will have limited ability to manage the portfolio effectively. Also, a prime broker may under certain circumstances transfer assets in the

Trust's account to affiliates of such prime broker. The Trust would typically be a general unsecured creditor of such affiliate in the event of such affiliate's insolvency. In order to manage the risks associated with prime broker insolvency, the Trust may establish relationships with multiple prime brokers. However, there can be no assurance that the Trust will be able to establish or maintain such relationships. In addition, the Trust may not be able to identify possible solvency concerns with respect to the Trust's prime brokers or to transfer assets from one prime broker to another prime broker in a timely manner.

A prime broker may hold a Trust's securities through third parties such as clearing corporations, other brokers or banks. As a result, the Trust may be subject to credit risk with respect to such third parties as well as with respect to a prime broker.

In addition, certain of a Trust's assets may be held by entities other than its prime broker(s) and custodian(s). As a result, a Trust may be subject to credit risk with respect to such third parties as well as with respect to a custodian. For example, a Trust may provide certain of its assets as collateral to counterparties in connection with "over-the-counter" derivatives contracts such as swaps, forward contracts and certain options. If the Trust has over-collateralized derivative contracts, it is likely to be an unsecured creditor of any such counterparty in the event of its insolvency. Also, even if a Trust's custodian or such third parties do have sufficient assets to meet all claims, there could be a delay before the Trust receives assets to satisfy its claims.

A Trust may change the brokerage and custodial arrangements described in this SAI at any time without notice to its Investors. There are likely to be operational and other delays associated with changes in prime brokerage and custody arrangements even if a Trust decides to reduce the risks of having a particular broker or counterparty hold assets.

Short Investment Exposure Risks. A Trust will incur a loss as a result of a short sale if the price of the security, currency or other instrument increases between the date of the short sale and the date on which the Trust replaces the borrowed security, currency or other instrument. Conversely, the Trust will realize a gain if the price of the security, currency or other instrument declines between those dates. The amount of any gain will be decreased, and the amount of any loss increased, by the amount of the premium, dividends or interest the Trust may be required to pay in connection with a short sale. Short selling exposes a Trust to unlimited risk with respect to that security, currency or other instrument due to the lack of an upper limit on the price to which an investment can rise. Purchasing securities, currencies or other instruments to close out a short position can itself cause the price of the securities, currencies or other instruments to rise further, thereby exacerbating any losses. Under adverse market conditions, a Trust may have difficulty purchasing securities, currencies or other instruments to meet its short sale delivery obligations, and may have to sell portfolio securities, currencies or other instruments to raise the capital necessary to meet its short sale obligations at a time when it would be unfavourable to do so. If a request for return of borrowed securities, currencies and/or other instruments occurs at a time when other short sellers of the securities, currencies and/or other instruments are receiving similar requests, a "short squeeze" can occur, and the Trust may be compelled to replace borrowed securities, currencies and/or other instruments previously sold short with purchases on the open market at the most disadvantageous time, possibly at prices significantly in excess of the proceeds received in originally selling the securities, currencies and/or other instruments short. In addition, a Trust may have difficulty purchasing securities, currencies and/or other instruments to meet its delivery obligations in the case of less liquid securities, currencies and/or other instruments sold short by the Trust such as certain emerging market country securities or securities of companies with smaller market capitalizations. Short sales of securities, currencies or other instruments a Trust does not own and "short" derivative positions creates investment leverage, and the amount of the Trust's potential loss is theoretically unlimited. A Trust is subject to leveraging risk and other investment risks to the extent it sells short securities, currencies or other instruments it does not own or takes "short" derivative positions.

Smaller Company Risks. Companies with smaller market capitalizations or smaller total float adjusted market capitalizations tend to have limited product lines, markets, or financial resources, lack the competitive strength of larger companies, have inexperienced managers or depend on a smaller group of key employees than larger companies. In addition, their securities are often less widely held and trade less frequently and in lesser quantities, and their market prices often fluctuate more, than the securities of companies with larger market capitalizations. Market risk and illiquidity risk are particularly pronounced for securities of these companies.

Structured Notes Risks. Structured notes may entail a higher degree of market risk than other types of debt securities because the investor bears the risk of the reference asset, rate or index. Structured notes also may be more volatile, less liquid, and more difficult to price accurately than less complex securities or more traditional debt securities.

Sub-Investment Grade Debt Securities Risks. The lower rating of sub-investment grade debt reflects a greater possibility that adverse changes in the financial condition of the obligor or in general economic, regulatory or other

conditions (including, for example, a substantial period of rising interest rates or declining earnings) may impair the ability of the obligor to make payment of principal and interest. Many issuers of sub-investment grade debt are highly leveraged, and their relatively high debt-to-equity ratios create increased risks that their operations might not generate sufficient cash flow to service their debt obligations. Sub-investment grade securities may be unsecured and may be subordinate to other obligations of the issuer, including obligations to senior creditors, trade creditors and employees. In addition, many issuers of sub-investment grade debt may be (i) in poor financial condition, (ii) experiencing poor operating results, (iii) having substantial capital needs or negative net worth, or (iv) facing special competitive or product obsolescence problems, and may include companies involved in bankruptcy or other reorganizations or liquidation proceedings. Compared to higher quality fixed income investments, sub-investment grade debt securities offer the potential for higher investment returns but subject holders to higher credit and market risk. The ability of an issuer of sub-investment grade debt to meet principal and interest payments is considered speculative. A Trust's investments in sub-investment grade debt securities are more dependent on GMO's own credit analysis than its investments in higher quality bonds. Certain of these securities may not be publicly traded, and therefore it may be difficult to obtain information as to the true condition of the issuers. Overall declines in the below investment-grade bond and other markets may adversely affect such issuers by inhibiting their ability to refinance their debt at maturity. Sub-investment grade debt is often issued in connection with leveraged acquisitions or recapitalizations in which the issuers incur a substantially higher amount of indebtedness than the level at which they had previously operated. Sub-investment grade debt has historically experienced greater default rates than has been the case for investment-grade securities.

Sub-investment grade debt is often less liquid than higher rated securities. Reduced liquidity can affect the values of sub-investment grade debt, make their valuation and sale more difficult, and result in higher volatility. Because sub-investment grade debt securities are difficult to value, particularly during erratic markets, the prices realized on their sale may differ from the values at which they are carried by a Trust. In addition, as with other types of investments, the market for sub-investment grade debt securities has historically been subject to disruptions that have caused substantial volatility in the prices of such securities. The market for sub-investment grade debt may be more severely affected than other financial markets by economic recession or substantial interest rate increases, changing public perceptions, or legislation that limits the ability of certain categories of financial institutions to invest in sub-investment grade debt. Consolidation in the financial services industry has resulted in there being fewer market makers for sub-investment grade debt securities, which may result in the further risk of illiquidity and volatility with respect to sub-investment grade debt securities held by a Trust, and this trend may continue in the future. Furthermore, sub-investment grade debt securities held by a Trust may not be registered under applicable securities laws. In some jurisdictions, the Trust will not be able to sell such sub-investment grade debt securities except pursuant to an exemption from registration under the securities laws. This may further limit the Trust's ability to sell sub-investment grade debt securities or to obtain the desired price for such securities.

Variable Rate Securities Risks. Although the rate adjustment feature may act as a buffer to reduce sharp changes in the value of variable rate securities, changes in market interest rates or changes in the issuer's creditworthiness may still affect their value. Because the interest rate is reset only periodically, changes in the interest rates on variable rate securities may lag changes in prevailing market interest rates. Also, some variable rate securities (or in the case of securities backed by mortgage loans, the underlying mortgages) are subject to caps or floors that limit the maximum change in interest rate during a specified period or over the life of the security. Because of the rate adjustments, variable rate securities are less likely than non-variable rate securities of comparable quality and maturity to increase significantly in value when market interest rates fall.

OTHER GENERAL RISKS

Broad Authority of the Responsible Entity. The constitution of each Trust organized as an Australian registered investment scheme gives the Responsible Entity broad discretion over the conduct of the Trust's business. Such discretion will be exercised without the consent of the Trust's investors. The Responsible Entity will vote the interests or shares of the Trust in any underlying funds for all purposes under such underlying funds' Governing Documents. The Responsible Entity will consider what it determines to be the best interest of the Trust in determining how to vote. In addition, the Responsible Entity may offer additional Interests for sale (including with different terms or rights) to new and existing investors in a Trust without the consent of or notice to the existing investors in such Trust.

Dependence on the Administrator, the Prime Broker and/or the Custodian. A Trust is dependent upon the skill of those employed by and affiliated with its administrator and its prime broker, if any, for the proper administration of its affairs. A Trust also is dependent upon the skills of those employed by and affiliated with a custodian, if any, for the safekeeping of its assets.

Trust Valuation. The net asset value of a Trust and/or any underlying fund will be determined by such fund's administrator. A Trust's valuation manager, if any, and/or the valuation manager of an underlying fund, as the case may be, will consider the appropriateness of the valuation methods used, and will have responsibility for determining the value of assets that do not have readily available market prices or for which an existing valuation methodology is rendered unavailable or unreliable, when such assets have been identified as such to the valuation manager and/or the valuation manager of such underlying fund by such Trust's investment adviser, general partner or administrator. Third-party pricing information may at times not be available regarding certain of the Trust's or an underlying fund's investments. Valuations based on models will be affected by assumptions in the models and may not reflect the prices at which positions could, in fact, be covered or sold. The liquidation or realization, as applicable, values of a Trust's securities and other investments may differ significantly from the interim valuations of such investments derived from the valuation methods described herein. Such differences may be further affected by the time frame within which such liquidation occurs and/or the amount being liquidated. Valuations of securities and other investments may involve uncertainties and judgments, and if such valuations should prove to be incorrect, the net asset value of the Trust and/or an underlying Trust could be adversely affected. If a Trust has overvalued securities it holds, an investor may pay too much for its Interests. If a Trust underestimates the value of securities it holds, an investor may not receive the full value of its interest upon withdrawal. In addition, valuation of a Trust's and/or an underlying fund's securities and other investments will affect the amount of advisory fee, special allocation and designated investment allocation, if applicable, for such Trust, which involves an inherent conflict of interests. Absent bad faith or manifest error, valuation determinations will be conclusive and binding on all investors in a Trust.

Lack of Liquidity of Interests. Investors may withdraw their interest in a Trust only on the terms and conditions set forth in the Trust's constitution and Information Memorandum (which are subject to change). For example, investors may only withdraw their interests at certain times and subject to any applicable restrictions and transaction cost allowances. Interests are subject to restrictions on transferability and resale, and may not be transferred or resold except with the consent of the Responsible Entity. There is no public market for the interests and no such market is expected to develop in the future. In addition, withdrawals may be suspended under certain conditions. Moreover, to the extent permitted by applicable law, a Trust is permitted to satisfy withdrawal requests in any combination of cash and in-kind distributions. An investor receiving an in-kind distribution of Trust assets in satisfaction of a withdrawal request bears the risk that the value of such assets will fluctuate between the effective withdrawal date and the date of distribution. Assets distributed in-kind to an investor may be illiquid, difficult to value and/or subject to restrictions on distribution or transfer. Withdrawals paid with portfolio assets other than cash may require Investors to enter into new custodial arrangements if they do not have accounts available for holding securities and other assets directly.

Non-Transferability of the Interests. Interests in the Trust may be pledged, assigned, hypothecated, given away or otherwise transferred only with the consent of the Responsible Entity, which consent may be granted or withheld for any reason, in its sole discretion. No market exists or will exist for the interests, and the interests are redeemable only to the Trust.

In addition, a Trust's interests or shares in an underlying fund, if any, may not be pledged, assigned, hypothecated, given away or otherwise transferred without the consent of the management of such fund, which consent may be granted or withheld for any reason, in its sole discretion. No market exists or will exist for the interests or shares that the Trust purchases of any underlying funds, and such interests or shares are only redeemable to such underlying fund.

In addition, with respect to any "feeder fund", the Trust's interests in the applicable "master fund" may not be pledged, assigned, or otherwise transferred without the consent of the general partner or board of directors, as applicable of such "master fund" which consent may be granted or withheld for any reason, in its sole discretion. No market exists or will exist for the interests that the Trust purchases of the master fund, and such interests/shares are only redeemable to such master fund.

Tax Risks. An investment in a Trust may involve complex tax considerations that will differ for each investor depending upon each such investor's particular circumstances. Prospective investors are urged to consult their own tax advisers regarding the tax considerations relating to an investment in a Trust.

3. PORTFOLIO TRANSACTIONS

Decisions to buy and sell investments for each Trust and for each of its other investment advisory clients are made by the relevant GMO investment team with a view to achieving each client's investment objectives taking into consideration other account-specific factors such as, without limitation, cash flows into or out of the account, current holdings, the account's benchmark(s), if any, applicable regulatory limitations, liquidity, cash restrictions, availability

of cash for investment, the size of the investment opportunity, applicable transaction documentation requirements, market registration requirements, and/or time constraints limiting GMO's ability to confirm adequate transaction documentation or seek interpretation of investment guideline ambiguities. GMO generally is not under any obligation to share any investment, idea or strategy with all of its clients. Therefore, a particular investment may be bought or sold only for some clients of GMO even though it could have been bought or sold for other clients at the same time. Likewise, a particular investment may be bought for one or more clients when one or more other clients are selling the security or taking a short position in the security, including clients invested in the same investment strategy. Additionally, one of GMO's investment teams may share investment ideas with one or more other investment teams and/or may manage a portion of another investment team's client accounts.

In certain cases, GMO may identify investment opportunities that are suitable for the Trusts and one or more other GMO fund. In some cases, GMO receives greater compensation in respect of a GMO fund (including incentive-based compensation) than it receives in respect of a Trust. In addition, senior members or other portfolio managers may have a personal investment in a GMO fund that is greater than such person's investment in a similar Trust (or, in some cases, may have no investment in the similar Trust). GMO itself also makes investments in other GMO funds. To help manage these potential conflicts, GMO maintains various internal guidelines, procedures and processes. Included among these are trade allocation policies that establish a framework for allocating IPOs and other limited opportunities that take into account the needs and objectives of each Trust and the other GMO clients. Additional information regarding GMO's procedures to deal with conflicts of interest that arise as a result of the side-by-side management of accounts making performance-based profit allocations and accounts, such as the Trusts, only paying asset-based fees are described in GMO's Form ADV, a copy of which is available upon request.

Transactions involving the issuance of Trust units for securities or assets other than cash will be limited to a bona fide reorganisation or statutory merger and to other acquisitions of portfolio securities that meet all of the following conditions: (i) such securities meet the investment objectives and policies of the Trust; (ii) such securities are acquired for investment and not for resale; and (iii) such securities can be valued pursuant to the Trust's pricing policies.

In connection with its activities, GMO (and its associated persons) may seek and/or receive information that is not generally available to the public. GMO is not obligated to make such information available to its clients or unit holders of the Trusts or to use such information to effect transactions for its clients. If in receipt of such information, GMO may also be prohibited from purchasing or selling assets it may otherwise have wished to purchase or sell. Under applicable law, GMO may be prohibited from improperly disclosing or using such information, including for the benefit of a client, such as a Trust. GMO's procedures include a ban on trading on the basis of, or any other action to take advantage of, material non-public information, except in specific, limited circumstances described in GMO's Insider Trading Policy. These procedures may limit GMO, on behalf of a Trust, from being able to purchase or sell any securities of the issuer to whom the material non-public information pertains, rendering illiquid all such securities already in a client's or Trust's account until such time as the ban on trading is lifted or foreclosing an otherwise attractive investment.

Brokerage and Research Services. Orders for the purchase or sale of securities may be placed on a principal or agency basis with brokers, in GMO's discretion. In selecting brokers and dealers to effect portfolio transactions for each Trust, GMO seeks best execution and considers a number of factors described in more detail below. Best execution is not based solely on the explicit commission charged by the broker and consequently, a broker effecting a transaction may be paid a commission higher than that charged by another broker for the same transaction. Seeking best execution involves the weighing of qualitative as well as quantitative factors, and evaluations of best execution are, to a large extent, possible, if at all, only after multiple trades have been completed.

The determination of what may constitute best execution involves a number of considerations in varying degrees of emphasis, including, without limitation, the overall net economic result to a Trust; the efficiency with which the transaction is effected; access to order flow; the ability of the executing broker to effect the transaction where a large block is involved; reliability (i.e., lack of failed trades); availability of the broker to stand ready to execute possibly difficult transactions in the future; technological capabilities of the broker, including but not limited to execution technology; the broker's inventory of securities sought; reported broker flow; post-transaction reporting capabilities; the financial strength and stability of the broker; past bids and willingness to commit capital in the case of principal trades; and the relative weighting of opportunity costs (i.e., timeliness of execution) by different trading strategies. Most of the foregoing are subjective considerations made in advance of the trade and are not always borne out by the actual execution. Due to the similarities among brokers in technological execution capabilities and commissions paid, GMO often allocates electronic or algorithmic equity trades across multiple brokers. Additionally, regulations in certain markets, particularly emerging markets, require GMO to identify and trade with one or a limited number of brokers. GMO may place trades with brokers even if the relevant broker has not yet demonstrated an ability to effect best execution; however, trading with such a broker (as with any and all brokers) will typically be curtailed or

suspended in due course if GMO is not reasonably satisfied with the quality of trade executions, unless or until the broker has altered its execution capabilities in such a way that GMO can reasonably conclude that utilizing the broker for trade execution is consistent with GMO's obligation to seek best execution.

For spot currency trades, GMO generally executes trades through an independent electronic trading platform that nets buy and sell orders in the same currency and selects the counterparty providing the most competitive price for the resulting net trade. All of the buy and sell orders receive the price provided by the selected counterparty and each account trades independently with the counterparty. While the purpose of trading spot currency trades in this manner is to achieve a more favorable execution price for all clients, there can be no assurance that all clients will benefit or that they will benefit equally over time.

For legal, regulatory and/or operational purposes, orders for some accounts may not be netted for price discovery (as described above). As a result, such accounts may receive inferior prices than accounts that are netted for price discovery even though the trades may be executed at or close to the same time and/or by the same counterparty.

Generally, GMO determines the overall reasonableness of brokerage commissions paid upon consideration of the relative merits of a number of factors, which may include: (i) the net economic effect to the particular Trust; (ii) historical and current commission rates; (iii) the kind and quality of the execution services rendered; (iv) the size and nature of the transactions effected; and (v) in some cases, brokerage and research services received (see "Soft Dollar Practices"). These factors are considered mostly over multiple transactions covering extended periods of time in varying degrees of emphasis. In some instances, GMO may evaluate best execution on principal bids based on the total commissions charged (the bid for handling a trade as a principal trade) because the trades were filled at the price set at an agreed upon time (e.g., previous night's close). In those cases, any additional "impact" or cost is represented by the cents per share or basis points paid in addition to a typical commission rate. GMO may also direct trades to brokers based in part on the brokers' history of providing, and capability to continue providing, pricing information for securities purchased.

Because GMO may purchase information from brokers with whom it effects trades on behalf of the Trusts, the broker may believe it has a financial incentive to charge a favorable fee to GMO for such information in return for client brokerage. In addition, GMO may conduct business with institutions such as brokers or investment banks that invest or that have affiliates that invest, or whose clients (or affiliates' clints) invest, in pooled vehicles sponsored or advised by GMO, or may provide other consideration to such institutions or recognized agents. As a result, GMO has a potential conflict of interest in placing its brokerage transactions with those brokers.

In general, GMO seeks best execution in the execution of foreign exchange transactions by comparing rates across counterparties and selecting the counterparty that GMO believes can provide best execution. In certain jurisdictions where it is general market practice (e.g., restricted currencies) or under circumstances when GMO believes operational or trading efficiencies may be gained (e.g., income and dividend repatriation, trading in some emerging markets), GMO may arrange standing instructions with a Trust's custodian (who may in turn arrange instructions with a subcustodian) to execute the foreign exchange transaction, subject to the custodian's (or subcustodian's) terms and conditions. In the event that a Trust's custodian offers more than one program for standing instruction trades, GMO will select the program it believes is in the best interests of the Trust under the circumstances. GMO, subject to the restrictions noted above, may also determine to select a third party bank or Broker to execute trades in restricted currencies if GMO believes that the third party has the ability to provide best execution.

Each Trust reserves the right, in its sole discretion, to change the brokerage arrangements described herein without notice to its unit holders.

Soft Dollar Practices. Subject to GMO's obligation to seek best execution, GMO may use a portion of the commissions paid when executing client transactions to acquire external research and brokerage services ("soft dollar benefits") in a manner consistent with its regulatory obligations. Specifically, GMO may utilize client commissions (typically only for transactions in listed equities) to purchase eligible brokerage and research services where those services provide lawful and appropriate assistance in the investment decision-making process for GMO's discretionary client accounts, such as the Trusts, and where GMO in good faith believes the amount of the client commission is reasonable in relation to the value of the product or services provided by the broker.

In most cases, GMO makes payments for eligible research and brokerage services either via a portion of the commission paid to the executing broker or through client commission sharing arrangements ("CSAs"). Where a commission paid to a broker with which GMO has established a CSA includes both an execution component and a research component, the broker retains the execution portion and either credits or transmits the research portion to a CSA pool. GMO evaluates the research and brokerage services it receives from independent research providers and brokers, and GMO allocates a portion of the CSA pool to the research provider that reflects GMO's assessment

of the value of the research and/or brokerage service. In this manner, CSAs enable GMO to effect transactions, subject to best execution, and use a portion of the associated commissions to pay for research from providers with which GMO does not have a brokerage relationship or from brokers with which GMO trades on an execution-only basis. In the event of a broker's default or bankruptcy, CSA credits generated by trades with the broker may become unavailable.

Brokerage and research services acquired using soft dollars take various forms, including but not limited to personal interviews with analysts or a company's senior management; reports and/or data concerning issuers, industries, governmental policies, local markets and applicable local market regulations, securities, economic factors and trends; portfolio strategy; economic, market and financial data; accounting and legal analysis; pricing services in respect of securities; and other services relating to effecting securities transactions and functions incident thereto. Research may be provided through a range of media, including written reports, electronic systems, telephone calls or in-person meetings. Although GMO generally intends to use client commissions to pay only for products or services eligible under applicable regulatory 'safe harbours', GMO may use commission dollars to obtain products or services that are not used exclusively for investment decision-making purposes ("mixed-use products or services"). In those circumstances, GMO will make a good faith effort to evaluate the various benefits and uses to which GMO intends to put the mixed-use product or service, and will pay for that portion of the mixed-use product or service that does not qualify under the safe harbor.

Use of soft dollars, while common in the asset management industry, involves potential conflicts of interest. To the extent that services of value are received, GMO receives a benefit because it does not need to produce or pay for the research or brokerage services itself. Additionally, fees paid to GMO are not reduced in connection with GMO's use of soft dollars, even though GMO might otherwise be required to purchase some of these products and services for cash. As a result, GMO has an incentive to select a particular broker in order to obtain brokerage or research services and/or generate CSA credits to pay for such services, rather than to obtain the lowest price for execution. GMO does not enter into any agreement or understanding with any broker which would obligate GMO to direct a specific amount of brokerage transactions or commissions in return for such services, but certain brokers may state in advance or in a commission sharing agreement the amount of brokerage commissions they expect for certain services or that they may cease providing services if insufficient commissions are derived from the relationship with GMO.

Clients do not receive a direct monetary benefit from brokerage and research products and services; however, these products and services may be useful to GMO in providing investment advice to its clients, including the Trusts. Any research received is used to service all clients to which it is applicable, whether or not the client's commissions were used to obtain the research, and services received from a broker (or paid for by commissions paid to a broker) that executed transactions for a particular client account will not necessarily be used specifically in providing investment advice to that particular client account. To the extent that a client has placed restrictions on trading with certain brokers or otherwise, the client's account may not contribute (or may not contribute as much as other client accounts) to the CSA pool even though GMO may utilize brokerage and research services paid for out of the CSA pool in providing investment advice to the client's account. Similarly, some client accounts will generate more CSA credits than other client accounts for a variety of reasons, including but not limited to account size, trading frequency, and the investment strategy in which the account is managed. GMO, in its sole discretion, may agree to reimburse a client for some or all of the client's commissions attributable to brokerage or research services.

4. CONFLICTS OF INTEREST

GMO Australia maintains a Conflicts of Interest Policy. A copy of the policy is available free of charge by contacting GMO Australia.

Grantham, Mayo, Van Otterloo & Co. LLC's Form ADV is available at www.gmo.com. The Form ADV contains the most current disclosure regarding Grantham, Mayo, Van Otterloo & Co. LLC's conflicts of interest policies. In the event of a conflict between the Form ADV and this document, the Form ADV will govern.

Conflicts Related to Advisory Activities. GMO, a Trust's administrator, prime broker and custodian, if any, and their respective affiliates may act as general partner, investment adviser, agent and administrator, prime broker and custodian, respectively or carry out other functions as may be required in relation to, or be otherwise involved in or with, other companies and clients which have similar investment objectives and pursue similar strategies to those of the Trusts and with other businesses in general. GMO, a Trust's administrator, prime broker and custodian, if any, and their respective affiliates, also may conduct business with institutions which invest, or whose clients invest, in a

Trust, or may provide other consideration to such institutions or recognised agents. It is therefore possible that any of them has a potential conflict of interest with a Trust.

Certain investments identified by GMO may be appropriate for multiple clients. Investment decisions for these clients are made by GMO in its best judgment, but in its sole discretion, taking into account factors GMO believes are relevant. Such factors may include investment objectives, regulatory restrictions, current holdings, availability of cash for investment, pending contributions or withdrawals, the size of the investments generally, counterparty limitations (e.g., adjustments to a previously established derivative position with a particular counterparty) and limitations and restrictions on a client's account that are imposed by law or by the client (including but not limited to restrictions and limitations resulting from the client having a limited number of trading or other appropriate contractual arrangements in place with counterparties). GMO generally is not under any obligation to share any investment, idea or strategy with all of its clients. Decisions to buy and sell investments for each client advised by GMO are made by the relevant GMO investment team with a view to achieving each client's investment objectives taking into account the factors noted above. Therefore, a particular investment may be bought or sold for only one client or in different amounts and at different times for more than one but less than all clients, even though it could have been bought or sold for other clients at the same time. Likewise, a particular investment may be bought for one or more clients when one or more other clients are selling the investment. Such transactions may occur through the same broker, particularly in the case of derivatives (e.g., total return swaps) where the ability to utilize a different broker may be limited, and such transactions may be executed at the same or different prices.

Conflicts may also arise in cases when clients with different strategies invest in different parts of an issuer's capital structure or different classes of securities issued by such issuer, including circumstances in which one or more clients own private securities or obligations of an issuer and other clients may own public securities of the same issuer. Actions by investors in one part of the capital structure could disadvantage investors in another part of the capital structure. It is also possible that GMO may cause a client to engage in short sales of or take a short position in an investment owned or being purchased by other client accounts managed by GMO or vice versa. These positions and actions may adversely affect or benefit different clients at different times. In addition, purchases or sales of the same investment may be made for two or more clients on the same date. In some cases the investment manager may refrain from taking certain actions or making certain investments on behalf of clients in order to avoid or mitigate certain conflicts of interest or to prevent adverse regulatory or other effects on the investment manager, or may sell investments for certain clients (in each case potentially disadvantaging the clients on whose behalf the actions are not taken, investments not made, or investments sold). Foregone investment opportunities or actions may adversely affect the performance of a client's account if similarly attractive opportunities are not available or cannot be identified. There can be no assurance that a client will not receive less (or more) of a certain investment than it would otherwise receive if GMO did not have a conflict of interest among clients. In effecting transactions, it may not be possible, or consistent with the investment objectives of GMO's various clients, to purchase or sell securities at the same time or at the same prices. Also, GMO, in executing an investment strategy, may invest a client's account in securities issued by an issuer that is also a client or prospective client (e.g., a separately managed account client) of GMO or an affiliate of a client or prospective client of GMO. This investment may provide economic or other benefits to such issuer. While GMO does not consider these relationships in formulating investment decisions, GMO may have a conflict of interest because it may be more likely to be retained as an investment advisor to the issuer or its affiliate if GMO invests client assets in the issuer's securities.

GMO may have an economic incentive to make riskier investments, pursue riskier strategies, seek less downside risk when a Trust has outperformed its benchmark, and allocate superior investment ideas to those accounts capable of generating higher performance-related compensation than it might otherwise. GMO and their respective members and employees may invest in pooled vehicles advised by GMO or for which GMO serves as the general partner. At times (e.g., when a Trust commences operations), investments made by GMO and their respective members and employees may constitute a substantial percentage of a Trust's net assets.

Senior members of each team are generally members (partners) of GMO. The compensation of each senior member consisted of a fixed annual base salary and an additional, discretionary, bonus. Base salary is determined by taking into account current industry norms and market data to ensure that GMO pays a competitive base salary. The discretionary bonus is paid on the basis of a number of factors, including features designed to align the compensation of the senior members with the performance of the accounts they manage, such as a Trust, over various periods. Such features are intended to promote a closer alignment of interests between those accounts and the senior members managing those accounts. Individual senior members may, however, have some or all of the same economic incentives that GMO itself may have when GMO is eligible to earn a performance fee (see "Portfolio Transactions"). Specifically, even if GMO is not earning or eligible to earn a performance fee, individual senior members may have compensation-related incentives to make riskier investments, pursue riskier Trust strategies, seek less downside risk when a Trust has outperformed its benchmark and allocate superior investment ideas to GMO client accounts capable of generating higher performance-related compensation. Because each senior

member's compensation is based, in part, on his or her individual performance, GMO does not have a typical percentage split among base salary, bonus and other compensation.

GMO seeks to deal with the conflicts of interest described in the paragraphs above by following procedures with respect to the allocation of investment opportunities among its clients, including the allocation of limited opportunities. Information regarding these procedures is provided below under "Trade Allocation".

When GMO acts as the investment adviser to accounts, including certain of the Trusts, that have performance based fees, it gives rise to conflicts of interest for GMO.

Individual investment professionals may earn a discretionary bonus, which is paid on the basis of a number of factors, including features designed to align the compensation of the individual investment professionals with the performance of the accounts they manage, such as a Trust, over various periods. Such features are intended to promote a closer alignment of interests between those accounts and the investment professionals managing those accounts. Individual investment professionals may, however, have some or all of the same economic incentives that GMO itself may have when GMO is eligible to earn a performance fee (see above). Specifically, even if GMO is not earning or eligible to earn a performance fee, individual investment professionals may have compensation-related incentives to make riskier investments, pursue riskier Trust strategies, seek less downside risk when a Trust has outperformed its benchmark and allocate superior investment ideas to accounts, including one or more Trusts, capable of generating higher performance-related compensation. The procedures GMO follows to deal with the conflicts of interest that arise as a result of the side-by-side management of accounts making performance-based profit allocations and accounts only paying asset-based fees are described in Grantham, Mayo, Van Otterloo & Co. LLC's Form ADV.

To the extent permitted by applicable law, GMO's compliance policies and procedures and a Trust's organisation documents, GMO may engage in "cross trades" where, as investment manager to a Trust, GMO causes the Trust to purchase a security directly from (or sell a security directly to) another client account. Cross trades present a conflict of interest because GMO represents the interests of both the selling account and the buying account in the same transaction and may have a financial incentive to favour one client account over the other due to different fee arrangements or otherwise. This conflict of interest may be greater in cases where GMO or its members and/or employees own a substantial portion of a Trust that engages in a cross trade. In addition, to the extent permitted by law (including client consents), GMO may engage in principal transactions with client accounts.

GMO may need to forego certain business arrangements that would otherwise benefit a Trust in order to avoid conflicts of interest.

Conflicts of Interest Related to Information Known by or Provided to GMO. In connection with its activities GMO (and its associated persons) may seek and/or receive information that is not generally available to the public. GMO is not obligated to make such information available to its clients or to use such information to effect transactions for its clients. If in receipt of such information, GMO may also be prohibited from purchasing or selling assets it may otherwise have wished to purchase or sell. Under applicable law, GMO may be prohibited from improperly disclosing or using such information, including for the benefit of a client. GMO's procedures include a ban on trading on the basis of, or any other action to take advantage of, material non-public information, except in specific, limited circumstances described in GMO 's Insider Trading Policy. These procedures may limit GMO, on behalf of a Trust, from being able to purchase or sell any securities of the issuer to whom the material, non-public information pertains, rendering illiquid all such securities already in a client's account until such time as the ban on trading is lifted or foreclosing an otherwise attractive investment.

A Trust or GMO may make information about the Trust's portfolio positions (including short positions) and other information available to unrelated third parties. Some third parties may use that information to provide additional market analysis and research to GMO. GMO may use that market analysis and research to provide investment advice to clients other than the Trust whose portfolio positions were used for the analysis.

Trade Allocation. GMO has a Trading Desk whose personnel are located in Boston and Singapore. The Trading Desk provides trade execution services for all of the GMO investment teams, including any applicable associated persons ("Investment Teams"). While there is a centralized trading function, certain instruments (ee.g. fixed income securities) may be traded by the relevant investment teams.

Trades are generated by different investment theses. Each investment thesis is assigned a corresponding execution benchmark (*e.g.*, price at the time of order arrival, market closing price, volume weighted average price over some specified period), (each investment thesis and corresponding execution benchmark, is a "trading strategy" and collectively, "trading strategies"). Certain trading strategies place relatively greater emphasis on speed of execution and less emphasis on price, while others place greater emphasis on price (or impact on market price) and less emphasis on speed of execution. Trading strategies may be designed to be executed in a matter of an hour or less, several hours, over the course of a trading day, or over a multi-day period. Therefore, trades generated by one trading

strategy may be completed before those of another trading strategy, even where the strategies are initiated at the same time or the slower trading strategy is initiated first. As a result, the speed of order fulfillment, and corresponding execution price achieved for a subsequent order may be different from pre-existing orders with the execution pricing achieved on a particular order being either above or below the execution pricing achieved on pre-existing orders, which may take longer to fill. Additionally, for trading strategies implementing short-term investment strategies, those theses that utilise fundamental inputs on an opportunistic basis, and trades to manage short-term portfolio exposure may trade in advance of or may be completed more quickly than other trading strategies. Finally, varying investment theses that may invest in the same securities may involve trading strategies that trade at different times throughout the day or month. Because of the foregoing, certain strategies, which could include accounts with performance-based profit allocations, may trade in advance of other strategies or may be completed more quickly, and as a result, may achieve different execution on the same or similar investments.

Where practicable, prior to the open of the relevant market, GMO aggregates trades for accounts that are being traded to implement a similar trading strategy and for which trade instructions are provided with sufficient time to satisfy internal processes. GMO's Trading Desk generally allocates portfolio trades pro-rata among clients for which GMO is applying the same trading strategy on any given day, with the relevant clients receiving the same price for trades executed through the same broker on the same day. GMO may determine to exclude accounts with relatively small order sizes from a particular trade order if GMO believes that the trading costs (*e.g.*, ticket costs) would outweigh the benefits of trading. Additionally, due to regulatory restrictions, trades at execution-only prices will not typically be aggregated with trades generating CSA credits or soft dollars.

As noted above, trading strategies may utilise different brokers and will often receive different prices and potentially pay different commission rates. Likewise, two trading strategies may be simultaneously executing transactions involving the same instrument and those trades will not ordinarily be aggregated. In addition, market, regulatory and/or country restrictions (especially in the case of emerging markets) or other factors may or may not result in identical prices or commissions. Further, legal, market and position limitations may limit GMO's ability to transact in an instrument or certain investment strategies may be given a priority over other investment strategies, which could restrict (or eliminate) an investment strategy's or Trust's ability to achieve its desired exposure to such instruments. Additionally, at times, trades for one account may not be aggregated with the trades of other accounts within a particular strategy for various reasons including, but not limited to, regulatory restrictions, shareholder cash flows in the account, limitations on brokers that may be used to execute the transaction, or transactions in derivatives (e.g., total return swaps). Please also see the discussion below regarding IPOs and offerings of limited opportunities.

Trading orders that can only be partially filled are generally allocated on a pro-rata basis, allocated through use of a randomiser, or allocated on some other basis consistent with the goal of giving all clients equitable opportunities over time. Market limitations (especially in the case of emerging markets where the broker typically is required to have greater involvement in allocations) and other practicalities may require special treatment. If an order is filled at varying prices, client accounts participating in the same block trade are generally provided with an average price for trades placed through the same broker, or other steps are taken so that all similarly situated accounts receive fair consideration over time. In some cases, similar trades may simultaneously be executed in different trading strategies, with the same or a different broker to meet account-specific requirements, in which case the trades will be treated as distinct trades not subject to the discussion above regarding orders that are filled at varying prices. In those cases, these trades, which may include executions in underlying derivative transactions, might be effected at the same time or at different prices (or involve different commissions) even if they involve the same broker. In certain markets outside the U.S., an average price may not be obtainable due to specific market limitations such as restrictions on trades by grouped accounts.

Various traders within the Trading Desk are responsible for differing types of trades (*e.g.*, electronic vs. high touch trades) and these traders may be independently executing trades in the same security at the same time and at different prices. GMO's trade allocation procedures are designed to provide reasonable assurance that, over time, accounts pursuing the same trading strategy are not likely to be systematically advantaged or disadvantaged due to the order placement/execution process. These procedures may include blocking/aggregating orders or limiting the volume of subsequent orders. While there is a centralized trading function, certain instruments (e.g. fixed income securities) may be traded by the relevant Investment Team.

With IPOs and with certain other investment opportunities expected to be in very limited supply (collectively, "limited opportunities"), GMO's policies provide that the Investment Teams' orders be coordinated so that allocations will generally consider the needs of clients across all trading strategies. When it is not practicable to allocate an opportunity across all similarly-managed eligible accounts, GMO's Trading Desk will use various methods, such as randomisers and sequencing, to seek, to provide all accounts using the same trading strategy with equitable opportunities for allocation over time. There may also be situations where a limited opportunity is theoretically eligible for investment by multiple accounts, but GMO determines that the limited opportunity is an appropriate or advisable investment for only some of the accounts (including, perhaps, those from which GMO receives a performance-based

profit allocation, if applicable). Many of GMO's investment strategies focus on seasoned issuers, and consequently those strategies that generate most of the brokerage commissions may participate less frequently in limited opportunities even though they may generate significant brokerage commissions or good will that may make it possible for other strategies to receive greater allocations of limited opportunities.

Conflicting Interests of Investors. Each Trust is likely to have a diverse range of investors that may have conflicting interests that stem from differences in investment preferences, tax status and regulatory status. GMO will consider the objectives of the Trust as a whole when making decisions with respect to the selection, structuring and sale of portfolio investments. However, such decisions may be more beneficial for one investor than for another investor.

Other Activities. GMO, a Trust's administrator, prime broker, and custodian, if any, do not have any duty to account for profits derived from other activities and are under no duty, other than the duty as a fiduciary, to engage in such activities in a manner which does not affect the Trust's investments. In addition, they are required to devote to Trust affairs only as much time as they deem necessary.