

QUARTERLY INVESTMENT REVIEW

Alternative Allocation Strategy

Performance returns (USD)

ANNUALIZED RETURNS (QUARTER-END)	Quarter-End	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
Alternative Allocation Strategy (net)	-2.02	-2.66	-2.66	2.19	0.14	-	0.71
Alternative Allocation Strategy (gross)	-1.79	-1.73	-1.73	3.16	1.10	-	1.67
FTSE 3-Mo. T-Bill	1.23	5.45	5.45	4.05	2.54	-	2.49
Value Add	-3.25	-8.11	-8.11	-1.87	-2.40	-	-1.78

MAJOR PERFORMANCE DRIVERS

The Alternative Allocation portfolio underperformed in the fourth quarter. The largest driver of negative returns for the period was the widening of the Value/Growth spread in U.S. equities and commodities. Within U.S. equities, Value lost to Growth by over 7.5%. This was felt as Equity Dislocation was down 4.2% for the quarter, accounting for 160 bps of negative contribution. Positive alpha from Financials and Consumer Staples was not able to offset losses in Technology, Autos, and Industrials.

Our Global Macro positions accounted for an additional 70 bps of negative contribution. This was attributable primarily to the commodities book, particularly the short cocoa position, which was also a major source of pain last Spring. After a correction at the beginning of quarter, prices hit new highs shortly before Christmas. We maintain that this price movement has not been driven by a supply-demand imbalance but rather by short-term speculators in the market. We continue to hold a modest short position, understanding that prices can continue to move against us in the short term, despite trading more than double our estimate of fair value. Elsewhere within Global Macro, carry and sentiment produced modest gains in equities, rates, and currency though not enough to offset losses in the commodity book.

Event-Driven was up 3.7% for the quarter, adding 100 bps of contribution. Two deals that ultimately broke, U.S. Steel and Albertsons, were two of the largest contributors thanks to harvesting volatility throughout the quarter. Put selling was up 2.1% on the quarter while returns on collateral across the portfolio added another 76 bps.

Heading into the New Year, key drivers of portfolio returns will continue to be the Value/Growth spread in equities. Within Global Macro, the portfolio is long U.S. and New Zealand rates against Swiss and European rates. In currency space, we are long NOK versus CHF. As referenced in the year-end letter, we will be adding a couple new strategies to the portfolio, adding diversification to Value's influence. Market Neutral will add momentum and a broad set of quantitative signals. A long/short Quality position will add quality and some defensiveness to the portfolio. Enhancements to our put selling strategy will provide carry. Later in the first quarter we will be incorporating more trend following into the portfolio as well.

Portfolio weights for the period for the securities mentioned were as follows: Cocoa futures (-1.7%), U.S. Steel (0.0%), Albertsons (2.7%)

Composite Inception Date: 31-May-19

Risks: Risks associated with investing in the Strategy may include: (1) Management and Operational Risk: The risk that GMO's investment techniques will fail to produce desired results, including annualized returns and annualized volatility. (2) Leveraging Risk: The use derivatives and securities lending creates leverage. Leverage increases the Funds losses when the value of its investments (including derivatives) declines. (3) Derivatives and Short Sales Risk: The use of derivatives involves the risk that their value may not change as expected relative to changes in the value of the underlying assets, pools of assets, rates, currencies or indices. Derivatives also present other risks, including market risk, illiquidity risk, currency risk, credit risk, and counterparty risk. For a more complete discussion of these risks and others, please consult the Fund's offering documents. This is not a complete list of risks associated with investing in the Strategy. Please contact GMO for more information. **Performance Returns:** Performance for the year of inception is less than a full calendar year. Returns shown for periods greater than one year are on an annualized basis. To obtain performance information to the most recent month-end, visit www.gmo.com. **Performance data quoted represents past performance and is not predictive of future performance.** Net returns are presented after the deduction of a model advisory fee and incentive fee if applicable. These returns include transaction costs, commissions and withholding taxes on foreign income and capital gains and include the reinvestment of dividends and other income, as applicable. Fees paid by accounts within the composite may be higher or lower than the model fees used. Gross returns are presented gross of management fees and any incentive fees if applicable. These returns include transaction costs, commissions, withholding taxes on foreign income and capital gains and include the reinvestment of dividends and other income, as applicable. If management and incentive fees were deducted performance would be lower. For example, if, before fees, the strategy were to achieve a 10% annual rate of return above its hurdle rate each year for ten years, and an annual advisory fee of 1% and incentive fee of 20% of net returns above the hurdle rate were charged during that period, the resulting average annual net return (after the deduction of management and incentive fees) would be approximately 7.20%. **GMO LLC claims compliance with the Global Investment Performance Standards (GIPS®).** A Global Investment Performance Standards (GIPS®) Composite Report is available on GMO.com by clicking the GIPS® Composite Report link in the documents section of the strategy page. GIPS® is a registered trademark owned by CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein. Actual fees are disclosed in Part 2 of GMO's Form ADV and are also available in each strategy's Composite Report. The portfolio is not managed relative to a benchmark. References to an index are for informational purposes only.

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PRODUCT OVERVIEW

The GMO Alternative Allocation Strategy seeks to generate positive total return by investing in a diversified portfolio of underlying alternative strategies, all run by GMO teams. Underlying strategies will include but are not be limited to: merger arbitrage/event-driven, global macro, fixed income absolute return, asset allocation long/short, long/short and market neutral equities, high yield, and systematic put writing strategies.

IMPORTANT INFORMATION

Comparator Index(es): The FTSE 3-Month Treasury Bill Index is an independently maintained and widely published index comprised of short-term U.S. Treasury bills.

The above information is based on a representative account in the Strategy selected because it has the fewest restrictions and best represents the implementation of the Strategy.

ABOUT GMO

Founded in 1977, GMO is a global asset manager committed to delivering superior performance and advice to our clients. We are privately owned, which allows us to singularly focus on our sole business – achieving outstanding long-term client investment outcomes. Offering multi-asset, equity, fixed income, and alternative strategies, we invest with a long-term, valuation-based philosophical approach.

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*GMO's West Coast Hub is comprised of members of Investment, Global Client Relations, and other teams located in and around the Greater San Francisco area

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