

QUARTERLY INVESTMENT REVIEW

Global Allocation Absolute Return Strategy

Performance returns (USD)

ANNUALIZED RETURNS (QUARTER-END)	Quarter-End	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
Global Allocation Absolute Return Strategy (net)	3.62	6.82	13.29	5.53	4.13	3.23	6.74
Global Allocation Absolute Return Strategy (gross)	3.88	7.63	14.43	6.59	5.18	4.27	7.80
CPI Index	0.52	1.89	2.34	4.70	4.18	2.85	2.50
Value Add	+3.10	+4.94	+10.95	+0.82	-0.05	+0.38	+4.24

MAJOR PERFORMANCE DRIVERS

- Top-down asset allocation was positive, as equities and fixed income had a strong quarter.
- Security selection was negative, as the performance of the alternative strategies allocation hampered returns.

Long-only equities represented 55.3% of the portfolio on average through the quarter, with 5.1% in Emerging Markets and 5.0% in Emerging Markets ex-China, both with a distinct Value bias, 6.4% in Japan Fundamental Value, 5.3% in developed ex-U.S. Small Value, 6.2% in Developed ex-U.S., 4.7% in Resource Equity, 3.8% in Quality Cyclical, 6.2% in U.S. Opportunistic Value, 9.3% in International Opportunistic Value, and 3.2% in Japan Small Value.

The equity portfolio returned 7.7% for the quarter, ahead of the MSCI ACWI return of 6.6%. Top-down regional exposures had a positive impact for the quarter as the U.S. lagged Developed ex-U.S.; it was also a good quarter for Emerging Markets, although this was driven largely by a spectacular 23.5% return in China, while the rest of Emerging Markets did not fare so well. Security selection was essentially flat for the quarter as good results in Japan offset some underperformance in U.S. Value and Emerging Markets. Our Emerging Markets portfolio returned 6.6%, behind the MSCI Emerging Market index return of 8.7%, while the Emerging Markets ex-China portfolio also posted 6.6%. The Japan Fundamental Value portfolio posted 11.3%, ahead of the TOPIX return of 6.8%, while the Japan Small Value exposure posted 11.5%, and the Developed ex-USA Small Cap portfolio delivered 8.2%. The Developed ex-USA exposure posted 8.3%, which beat the MSCI World ex-USA index by 50 bps but lagged the MSCI World ex-USA Value index by 140 bps. Quality Cyclical returned 5.2%, 140 bps behind its benchmark, while Resource Equity posted 2.6%. The U.S. Opportunistic Value exposure returned 6.5%, 320 bps behind the MSCI USA Value index return of 9.7%, and International Opportunistic Value posted 10.0%, ahead of the MSCI World ex-USA Value return of 9.7%.

Alternative strategies averaged 17.5% through the quarter and is now solely invested in the Equity Dislocation strategy. Alternative strategies returned -0.6% for the quarter, as Equity Dislocation returned -3.8%, an unfortunate result given that MSCI ACWI Value beat MSCI ACWI Growth, although the strategy remains well ahead of the naive approach for the year-to-date and longer time periods, while the collateral made a healthy contribution.

Composite Inception Date: 31-Jul-01

Risks: Risks associated with investing in the Strategy may include the risk that one or more of the underlying portfolios will not perform as expected and that the Strategy will indirectly be exposed to all of the risks of an investment in the underlying portfolios. Other risks associated with investing in the Strategy may include: (1) Market Risk - Equities: The market price of equities may decline due to factors affecting the issuer, its industries, or the economy and equity markets generally. Declines in stock market prices generally are likely to reduce the net asset value of the Fund's shares. (2) Market Risk - Fixed Income Investments: The market price of a fixed income investment can decline due to a number of market-related factors, including rising interest rates and widening credit spreads or decreased liquidity stemming from the market's uncertainty about the value of a fixed income investment (or class of fixed income investments). (3) Non-U.S. Investment Risk: The market prices of many non-U.S. securities (particularly of companies tied economically to emerging countries) fluctuate more than those of U.S. securities. Many non-U.S. markets (particularly emerging markets) are less stable, smaller, less liquid, and less regulated than U.S. markets, and the cost of trading in those markets often is higher than it is in U.S. markets. 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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MAJOR PERFORMANCE DRIVERS CONT.

Fixed income represented 11.8% of the portfolio on average through the quarter, including 4.2% in asset-backed securities, 2.1% in Emerging Country Debt, and 5.5% in U.S. Treasuries. Our fixed income strategies returned 3.9% for the quarter, behind the Bloomberg U.S. Aggregate return of 5.2%. Emerging Country Debt, as measured by the J.P. Morgan EMBIG-D index, had a 6.2% return, and the portfolio beat that modestly with a 6.6% return. The asset-backed securities posted 3.2%, trailing the Bloomberg U.S. Securitized index return of 5.4%. It was also a solid quarter for traditional duration and the U.S. Treasury exposure rose 3.7%.

Multi-Strategy and cash/cash equivalents represented 15.4% and 0.0%, respectively, on average through the quarter. Our exposure detracted from returns as Multi-Strategy posted -2.2%. Within Multi-Strategy, Systematic Global Macro, hurt by commodity positioning, and Equity Dislocation were the biggest detractors, while Event-Driven made a meaningful positive contribution.

QUARTERLY INVESTMENT REVIEW

PRODUCT OVERVIEW

The Strategy seeks to generate positive total return, not relative return, by allocating dynamically across asset classes, free from the constraints of traditional benchmarks. The Strategy invests in a GMO-managed mutual fund, which in turn invests in actively managed equity, fixed income, alternative, and cash strategies, and a GMO-managed hedge fund-of-funds, which seeks positive total return with low volatility relative to equity markets and low correlation over a full market cycle to traditional market indices.

IMPORTANT INFORMATION

Comparator Index(es): The CPI (Consumer Price Index) for All Urban Consumers US All Items is published monthly by the U.S. government as an indicator of changes in price levels (or inflation) paid by urban consumers for a representative basket of goods and services. CPI Index returns are typically reported on the 15th of the month. The CPI data reported may not include the most recent month-end which could impact the data that GMO has provided.

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.

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