

QUARTERLY INVESTMENT REVIEW

U.S. Small Cap Value Strategy

Performance returns (USD)

ANNUALIZED RETURNS (QUARTER-END)	Quarter-End	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
U.S. Small Cap Value Strategy (net)	9.83	11.92	27.58	8.52	12.16	-	11.43
U.S. Small Cap Value Strategy (gross)	9.96	12.31	28.17	9.02	12.67	-	11.95
S&P 600 Value +	11.30	6.05	22.85	4.23	10.15	-	9.65
Value Add	-1.47	+5.87	+4.73	+4.29	+2.01	-	+1.78

MAJOR PERFORMANCE DRIVERS

Global equity markets enjoyed an excellent third quarter as Joe Biden dropped out of the presidential race, but Kamala Harris picked up the baton in a relatively seamless way. The Fed finally obliged with a 50 bp rate reduction in September, though it was accompanied by a warning that it would continue to be cautious in its approach. Markets seem unconcerned by the escalating situation in the Middle East even as it seems to be hurtling toward all-out conflict in the region.

Within small caps, the S&P Small Cap 600 Value index outperformed the S&P Small Cap 600 index by 1.2% in the third quarter. Although naïve value was a winner for the quarter, this did not translate to the cheapest stocks that we identify but was rather driven by "shallow" Value. The Alerts model also detracted from performance as companies that did not score well outperformed the broader market.

Sector allocation was broadly responsible for the underperformance, driven largely by being underweight to both Communication Services, which performed spectacularly well (up some 55%), and Real Estate, which was the second-best performing sector. Security selection was flat as challenging performance in Information Technology and Communication Services was offset by several small gains.

Composite Inception Date: 31-Jul-19

Risks: 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) Management and Operational Risk: The risk that GMO's investment techniques will fail to produce desired results, including annualized returns and annualized volatility. (3) Smaller Company Risk: Smaller companies may have limited product lines, markets, or financial resources, lack the competitive strength of larger companies, have less experienced managers or depend on a few key employees. The securities of companies with smaller market capitalizations often are 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. 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.**

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PRODUCT OVERVIEW

The GMO U.S. Small Cap Value Strategy seeks to generate total return in excess of its benchmark, the S&P Small Cap 600 Value Index, by investing primarily in equities of U.S. companies that are included in the S&P 600 Index or whose market capitalization at the time of investment is less than that of companies in the bottom decile of market capitalization of the MSCI U.S. IMI Index.

The Strategy's investment approach is grounded in the Systematic Equity team's belief that, in the short term, equity markets exhibit exploitable inefficiencies as a result of irrational investor actions, the imperfect flow of information, and the participation of non-economic actors, while in the long-term returns are ultimately driven by economic reality. The Strategy aims to take advantage of these inefficiencies by utilizing a multi-factor valuation model in conjunction with other methods, such as cross-asset signals and corporate alerts, to identify undervalued equity securities.

IMPORTANT INFORMATION

Benchmark(s): The S&P 600 Value+ Index is an internally maintained benchmark computed by GMO, comprised of (i) Russell 2000 Value through 3/31/2020, and (ii) S&P SmallCap 600 Value thereafter. The index is internally blended by GMO. S&P does not guarantee the accuracy, adequacy, completeness or availability of any data or information and is not responsible for any errors or omissions from the use of such data or information. Reproduction of the data or information in any form is prohibited except with the prior written permission of S&P or its third party licensors. Russell Investment Group is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Russell® is a trademark is a trademark of Russell Investment Group.

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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