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**March 30, 2012**

**This brochure provides information about the qualifications and business practices of GMO Australasia LLC (“GMOA”). If you have any questions about the contents of this brochure, please contact GMOA at (617) 330-7500. An investment adviser’s registration with the SEC does not imply a certain level of skill or training. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

**Additional information about GMOA is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## **Item 2. Summary of Material Changes**

There have been no material changes to GMO Australasia LLC's brochure since its last annual update in March 2011.

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#### **Item 4. Advisory Business**

- A. GMO Australasia LLC (“GMOA”) was founded in 1995 and furnishes discretionary investment advisory services predominantly to institutional investors. GMOA is a Delaware limited liability company and wholly owned subsidiary of Grantham, Mayo, Van Otterloo & Co. LLC (“GMO”), which is located at 40 Rowes Wharf, Boston, MA 02110. GMO is a Massachusetts limited liability company that is controlled by active employee-members (“Members”). GMOA is controlled by GMO, which is its managing member. GMOA has no employees but has access to the personnel and resources of GMO (referred to as “GMOA personnel” in this brochure).

GMOA’s headquarters are located at 40 Rowes Wharf, Boston, MA 02110. The offices of GMOA’s affiliates are located in Amsterdam, Boston, San Francisco, London, Singapore, Sydney and Zurich. Please see Item 10, “*Other Financial Industry Activities and Affiliations*” for a more detailed discussion about GMOA’s affiliates.

- B. GMOA primarily offers global equity investment strategies. GMOA provides investment sub-advisory services to the GMO Global Equity Trust (the “Trust”). The Trust is an Australian registered managed investment scheme operated by GMO Australia Limited (“GMO Australia”), an adviser regulated by the Australian Securities and Investments Commission and a wholly owned subsidiary of GMOA. Please see Item 8, “*Methods of Analysis, Investment Strategies and Risk of Loss*” below for more information regarding GMOA’s investment strategies.
- C. GMOA has agreed with the Trust to manage the Trust’s assets against a particular benchmark and pursuant to investment guidelines agreed upon with the Trust. Please see Item 16, “*Investment Discretion*,” which discusses these and other restrictions relating to GMOA’s discretionary authority.
- D. GMOA does not participate in wrap-fee programs.
- E. As of December 31, 2011, GMOA managed on a discretionary basis US\$476,121,248. This figure does not include assets managed by GMOA’s affiliates. GMOA does not manage any customer assets on a non-discretionary basis.

#### **Item 5. Fees and Compensation**

- A. GMOA’s fees are generally asset-based and are calculated at an annual rate as a percentage of the value of the assets in the account. The Trust pays advisory fees to GMO Australia and GMOA and bears expenses as described in the information memorandum for the Trust, as supplemented from time to time. The advisory fee for the Trust is 0.66% per annum. Generally, the GMO Global Equity Trust pays approximately 0.20% per annum to GMOA and pays the remainder of the advisory fee to GMO Australia.

With respect to the fees charged by the Trust, GMO Australia has discretion to waive or reduce the advisory fee for any period for some or all investors. GMO Australia also has discretion to admit investors or accept additional subscriptions from existing investors subject to such other fee arrangements as it deems appropriate and generally without notice to or consent from other investors. Note that this summary of fees is as of December 31, 2011 and may not reflect subsequent changes.

- B. For the Trust, fees are accrued daily and are generally paid monthly in arrears. The amount of GMOA's asset-based fee is prorated if GMOA provides advisory services for periods of less than a full payment cycle (*e.g.*, at the beginning or end of GMOA's engagement to provide advisory services). GMOA requires that management fees be paid within the calendar year in which they were billed, and with respect to fees billed on December 31 of each year, by December 31 of the following year.
- C. Investors in the Trust will incur brokerage costs, third-party execution costs (if any) and other transaction costs associated with GMOA's management of the Trust's portfolio securities. Please see Item 12, "*Brokerage Practices*" for a description of GMOA's brokerage practices.

GMO Australia will generally pay the routine expenses of the Trust. GMO Australia has discretion to classify expenses as routine or otherwise, but generally interprets routine expenses as those expenses associated with the normal annual cycle of operation of the Trust. Routine expenses may include those expenses that are associated with safe keeping of assets, custodial charges for the settlement of transactions, administration of the Trust's accounts, statutory reporting, unit holder reporting, unit registry services, audit services, the printing and posting of reports and notices to unit holders, and the routine legal and taxation advice for the Trust.

Non-routine expenses of the Trust are generally paid or reimbursed by the Trust and will therefore be an additional cost to investors in the Trust. These may include, without limitation, any government duties and charges, all financial institutions duties and bank account debit taxes, other taxes, brokerage and related transactions charges arising from the receipt, collection, acquisition, investment, disposal or distribution of money or other property of the Trust (including receipt of application money), and any litigation costs incurred in relation to the Trust.

The Trust also charges entry and/or exit transaction cost allowances, which are paid by the investor to the Trust (and not to GMO Australia or GMOA) upon purchases into or redemptions from the Trust.

- D. Clients do not pay GMOA's fees in advance.
- E. Neither GMOA nor any of its supervised persons accepts compensation for the sale of securities or other investment products.

## **Item 6. Performance Based Fees and Side-by-Side Management**

GMOA is not paid any performance-based fees. Please see Item 5, “*Fees and Compensation*” above for more information about GMOA’s fees.

Affiliates of GMOA, including GMO, may be paid an asset based fee or a combination of an asset based fee and performance fee. To the extent GMO charges a performance fee, the client must be eligible and the performance fee must generally comply with the requirements of Section 205 and Rule 205-3 under the Investment Advisers Act of 1940, as amended (“Advisers Act”). In situations where GMO has entered into a performance fee arrangement, it may have an economic incentive to make riskier investments and/or pursue riskier strategies than it might otherwise. In addition, because many of GMOA’s personnel manage both GMO accounts with an asset-based fee on the one hand and accounts with a performance fee component on the other, they face potential conflicts of interest in that they may have an incentive to favor accounts for which GMO receives a performance fee. GMOA and GMO may also have conflicts related to engaging in short sales of, or taking a short position in, an investment owned or being purchased by other clients managed by GMOA or GMO or vice versa. *See Item 11, “Code of Ethics, Participation in Client Transactions and Personal Trading; Conflicts Related to Advisory Activities.”* GMOA and GMO may also have an incentive to favor accounts in which they and/or their members, employees, personnel and affiliates may own a substantial interest. To manage these conflicts, GMO and GMOA maintain firm-wide trade allocation standards, and each of the GMO trading desks has implemented specific allocation procedures designed to allocate investment opportunities fairly and equitably over time. Information regarding these procedures is provided under Item 12, “*Brokerage Practices.*”

To manage further the potential conflicts associated with side-by-side management of accounts or funds with performance fees and those that have solely asset-based fees, no GMOA personnel (which includes GMO Members and employees) has been granted any specific participation in the performance of any account managed by GMO or GMOA nor is any personnel compensated in any way that is explicitly linked to the performance of any portfolio.

## **Item 7. Types of Clients**

As described in Item 5, “*Fees and Compensation*,” GMOA provides investment sub-advisory services to the Trust. The Trust is an Australian registered managed investment scheme operated by GMO Australia, an adviser regulated by the Australian Securities and Investments Commission and a wholly owned subsidiary of GMOA.

Investors invested in the Trust may include, but are not limited to, endowments, foundations, employee benefit plans, governmental and supranational entities, taxable corporations, investment companies, pooled vehicles, trusts, others institutions and individuals. The minimum account size for investors in the Trust is generally AUD\$500,000 but this may be waived for investors at GMO Australia’s discretion.

## **Item 8. Methods of Analysis, Investment Strategies and Risk of Loss**

- A. GMOA uses an active investment management method, which means that stocks are bought and sold according to GMOA’s evaluation of companies’ published financial information, securities’ prices, equity and bond markets, and the overall economy.

GMOA primarily offers global equity investment strategies. Please refer to the heading below for a general description of the investment strategy of the Trust as of the date of this brochure. This description is qualified in its entirety by the information contained in the information memorandum for the Trust.

Investing in securities involves risk of loss that clients should be prepared to bear.

### *Global Equity*

The GMOA Global Equity Strategy seeks to achieve its investment objective, high total return, by investing in equities or groups of equities that GMOA believes will provide higher returns than the MSCI World Index (ex Australia).

- B. The risks of investing in a particular strategy depend on the types of investments in its portfolio and the investment techniques GMOA employs on its behalf. The following section provides a summary of the material risks associated with the Global Equity strategy. This summary is not intended to include every potential risk. The Global Equity strategy could be subject to additional risks because the types of investments it makes and market conditions may change over time. This summary of the principal risks is qualified in its entirety by the information contained in the Trust’s information memorandum.
- *Management and Operational Risk* – The strategy relies on GMOA’s ability to achieve its investment objective. GMOA uses proprietary investment techniques in making investment decisions for the strategy, but that does not assure that GMOA will achieve the desired results and a strategy may incur significant losses. GMOA may, for example, fail to use derivatives effectively, choosing to

hedge or not to hedge positions at disadvantageous times. GMOA's portfolio managers may use quantitative analyses and/or models. Any imperfections or limitations in such analyses and/or models could affect the ability of the portfolio managers to implement strategies. By necessity, these tools make simplifying assumptions that limit their efficacy. Models that appear to explain prior market data can fail to predict future market events. Further, the data used in models may be inaccurate and/or it may not include the most recent information about a company or a security. There also can be no assurance that all of GMOA's personnel will continue to be associated with GMOA for any length of time. The loss of the services of one or more of GMOA's personnel could have an adverse impact on a strategy's ability to achieve its investment objective. A strategy also is subject to the risk of loss and impairment of operations from operational risk as a result of GMOA's and other service providers' provision of investment management, administrative, accounting, tax, legal, and other services to the strategy.

- *Market Risk- Equity Securities* – The market value of equity investments may decline due to factors affecting the issuing companies, their industries, or the economy and equity markets generally. Because the strategy normally does not take temporary defensive positions, declines in stock market prices generally are likely to reduce the market value of the strategy's investments.

The strategy may purchase equity investments at prices below what GMOA believes to be their fundamental value. The strategy runs the risk that the prices of these investments will not increase to what GMOA believes to be their fundamental value or that GMOA has overestimated their fundamental value.

The strategy may purchase “growth” securities. Because growth securities typically trade at higher multiples of current earnings than other securities, their market values are often more sensitive than other securities to changes in future earnings expectations.

- *Liquidity Risk* – Low trading volume, lack of a market maker, a large position or legal restrictions may limit or prevent the strategy from selling particular securities or closing derivative positions at desirable prices. Holding less liquid securities increases the likelihood that the strategy will honor a redemption request in-kind.
- *Smaller Company Risk* – The securities of small- and mid-cap companies 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.
- *Derivatives Risk* – The use of derivatives involves the risk that their value may not correlate with the value of the relevant underlying assets, rates or indices. Derivatives also present other strategy risks, including market risk, liquidity risk,

currency risk, and credit and counterparty risk. The risk to the strategy of using derivatives is particularly pronounced if the strategy often uses currency forwards and other derivatives for hedging purposes. Because the contract for each OTC derivative is individually negotiated, the counterparty may interpret contractual terms (e.g., the definition of default) differently than the Trust and if that occurs, the Trust may decide not to pursue its claims against the counterparty rather than incur the cost and unpredictability of legal proceedings. The Trust, therefore, may be unable to obtain payments GMOA believes are owed to it under OTC derivatives contracts or those payments may be delayed or made only after the Trust has incurred the costs of litigation.

Short positions may not act as an effective hedge against long positions. The success of any hedging strategy will depend in part on GMOA's ability to assess correctly the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the investments being hedged.

A purchase or sale of a futures contract may result in losses in excess of the amount invested in the futures contract. If the strategy uses futures for hedging, in the event of an imperfect correlation between a futures position and the portfolio position intended to be hedged, the strategy may realize a loss on the futures contract at the same time it is realizing a loss on the portfolio position intended to be hedged. In addition, futures exchanges may establish daily limits on the amount that the price of a futures contract can vary from the previous day's settlement price, thereby effectively preventing liquidation of unfavorable futures positions.

- *Credit Market Illiquidity Risk* – Illiquidity in the credit markets could cause the price of investments held by the strategy to decline, which may have the result of forcing the strategy to sell assets to meet margin calls, which could, in turn, create further downward price pressure.
- *Foreign Investment Risk* – The market prices of many foreign securities may fluctuate more than those of U.S. securities. Foreign markets often 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 in U.S. markets. In addition, the strategy may be subject to foreign taxes on capital gains or other income payable on foreign securities, on transactions in those securities or otherwise on the repatriation of proceeds generated from those securities. Also, there are risks associated with any license that the strategy needs to maintain to invest in some foreign markets. In some foreign markets, prevailing custody and trade settlement practices (e.g., the requirement to pay for securities prior to receipt) may expose the strategy to credit and other risks with respect to participating brokers, custodians, clearing banks or other clearing agents, escrow agents and issuers. Further, adverse changes in investment regulations, capital requirements, or exchange controls could adversely affect the value of the strategy's investments. These and other risks



(e.g., nationalization, expropriation, or other confiscation of assets of foreign issuers to which the strategy is exposed) are greater for the strategy's investments in companies tied economically to emerging countries, the economies of which tend to be more volatile than the economies of developed countries. To the extent the strategy invests to a significant extent in Japan, its performance may be affected by political, social and economic conditions in Japan, as well as China and other Southeast Asian countries with economic relationships with Japan. Sales of Japanese equities by Japanese institutional investors such as banks, insurance companies and pension funds could negatively affect investment returns.

- *Currency Risk* – Fluctuations in exchange rates may adversely affect the value of the strategy's foreign currency holdings and investments denominated in foreign currencies.
- *Focused Investment Risk* – Focusing investments in a limited number of companies or in industries with high positive correlations to one another creates additional risk. This risk is particularly pronounced for the strategy, which invests its assets in the securities of a limited number of issuers, and a decline in the market value of a particular security held by the strategy may affect the strategy's performance more than if the strategy invested in the securities of a larger number of issuers.
- *Borrowing and Leverage Risk* – If permitted by the strategy's investment policies, the strategy may purchase securities on margin, may borrow money, may use derivatives (including reverse repurchase agreements), and may lend its securities, each of which may cause its portfolio to be leveraged. Leverage increases the strategy's portfolio losses when the value of its investments decline. The strategy could be subject to a "margin call," under which the strategy would be required to either deposit additional funds with a broker or suffer mandatory liquidation of securities pledged to a broker if the securities pledged by the strategy to a broker to secure its margin accounts decline in value.
- *Counterparty Risk* – The strategy runs the risk that the counterparty to an OTC derivatives contract or a borrower of the strategy's securities will be unable or unwilling to make timely principal, interest, or settlement payments, or otherwise honor its obligations.
- *Legal and Regulatory Risks* – U.S. regulators are empowered to promulgate a variety of new rules pursuant to recently enacted financial reform legislation, including new clearing, margin, reporting and registration requirements with respect to OTC derivatives contracts. These regulatory changes could, among other things, restrict the strategy's ability to engage in OTC derivatives transactions, increase the cost of such transactions and/or mandate collateral or margin requirements.

- *Market Disruption and Geopolitical Risk* – Geopolitical events may disrupt securities markets and adversely affect global economies and markets. Those events as well as other changes in foreign and domestic economic and political conditions could adversely affect the value of the strategy's investments.
- *Large Investor Risk* – To the extent that a strategy is offered as a pooled vehicle and interests in the pooled vehicle are held by large investors (*e.g.*, institutional investors, asset allocation funds, or other pooled vehicles), the pooled vehicle is subject to the risk that these investors will disrupt the pooled vehicle's operations by purchasing or redeeming interests in large amounts and/or on a frequent basis.
- *Underlying Strategies Risk* – The strategy is indirectly exposed to all of the risks of an investment in the underlying strategies, including the risk that the underlying strategies in which it invests will not perform as expected or that the strategy will invest in underlying strategies with higher fees or expenses.
- *Portfolio Turnover Risk* – The strategy has not placed any limit on the rate of portfolio turnover. A high rate of portfolio turnover involves greater expenses than a lower rate and may result in tax costs to investors depending on the tax laws applicable to such investors.
- *Convertible Securities Risk* – Convertible securities are subject to market risk (with respect to the fixed income security as well as the underlying equity security) and credit risk. A convertible security may also be subject to redemption at the option of the issuer at a price established in its governing instrument, and any such redemption could have an adverse effect on the ability of the strategy to achieve its investment objective.
- *Preferred Securities Risk* – If the strategy owns a preferred stock that is deferring its distribution, investors may recognize income for tax purposes despite the fact that they are not receiving current income on the position. Also, if a preferred security is redeemed, the strategy may not be able to reinvest the proceeds at a comparable rate of return.

## **Item 9. Disciplinary Information**

None.

## Item 10. Other Financial Industry Activities and Affiliations

- A. GMOA is not registered nor does it have an application pending to register as a broker-dealer. Certain of GMO's management persons and client facing personnel are principals and/or registered representatives of Funds Distributor LLC, an unaffiliated broker-dealer, that has been retained (for regulatory reasons only) to effect client transactions in shares of GMO Trust Funds and to act as placement agent for certain GMO Private Funds.
- B. GMOA is not registered nor does it have an application pending to register as a futures commission merchant, commodity pool operator, a commodity trading adviser, or an associated person of the foregoing entities. GMO is registered with the Commodities Futures Trading Commission as a commodity trading adviser and a commodity pool operator and is a member of the National Futures Association ("NFA"). Certain of GMO's management persons and client facing personnel are registered with the NFA as principals and/or associated persons.
- C. *Related pooled investment vehicles and general partners.* GMO is a U.S. registered investment adviser (File No. 801-15028) located at 40 Rows Wharf, Boston, MA 02110. GMO was founded in 1977 and furnishes discretionary investment advisory services predominantly to institutional clients. As described above, GMO is a Massachusetts limited liability company that is controlled by its Members. The Members, analogous to partners in other organizations, include senior individuals in the firm. No Member owns more than 25% of the membership interests in the firm. GMO's offices include its headquarters in Boston, Massachusetts, and an office in San Francisco, California.

GMO manages the constituent funds of GMO Trust. GMO Trust was organized by GMO in September 1985. GMO Trust is a registered management investment company (SEC File No. 2-98772, 811-4347) and GMO provides advisory and other services to the series of GMO Trust pursuant to management agreements between the relevant series of the Trust and GMO.

GMO manages the constituent funds of GMO Series Trust. GMO Series Trust was organized by GMO in May 2011. GMO Series Trust is a registered management investment company (SEC File No. 811-22564). GMO provides management and other services to the series of GMO Series Trust.

GMO or GMO Investment Partners, LLC, a wholly owned subsidiary of GMO, serves as the general partner to several private pooled vehicles advised by GMO. GMO Emerging Illiquid GP, LLC, a wholly owned subsidiary of GMO, serves as the general partner to GMO Emerging Illiquid Fund, L.P.

Members and employees of GMO serve as officers and/or trustees of GMO Trust and GMO Series Trust. In addition, Members and employees of GMO serve as officers and/or members of the board of directors of certain unregistered U.S. and non-U.S.

pooled product advised by GMO (“GMO Private Funds” and together with GMO Trust, “GMO Funds”) that pay fees to GMO, including performance fees. In some cases, Members and employees may constitute a majority of the board of directors. GMO Members and employees who serve as officers and/or directors may have potential conflicts of interest with the GMO Fund. GMO may also hold the only voting securities issued by the GMO Private Fund and may have a conflict in exercising its voting rights.

*Related advisers.* GMO UK Limited (“GMO UK”) is a wholly owned subsidiary of GMO located at One Angel Court, Throgmorton Street, London EC2R7HJ England. The firm commenced operations in December 2003 and manages or services accounts similar to those managed by GMO in the U.S. Simon Harris, Anthony Hene and Mark Ingham are Members of GMO and are also employees of GMO UK. Carl O’Rourke, Naser Bashir, Michael Monnelly, Tom Smith, James Montier and Justin Ashmall are employees of GMO UK and are associated persons of GMO with respect to services they provide to GMO and/or clients as agreed with GMO.

GMO UK has entered into an agreement with GMO pursuant to which GMO executes all trade orders placed by GMO UK on behalf of its clients and performs related and ancillary back office functions. Trades placed on behalf of clients of GMO UK are executed by GMO’s Quantitative Equity Division’s Trading Desk and are subject to GMO’s policies regarding trade allocation and aggregation, including the allocation of limited opportunities. Information regarding these procedures is provided under Item 12, “*Brokerage Practices*.” The UK Equity Investment Division of GMO UK Limited was integrated with the GMO Quantitative Equity Division in 2011.

GMO Investment Management Company (Ireland) Limited (“GMO Ireland”) is a wholly owned subsidiary of GMO UK. GMO Ireland’s registered office is at Styne House, Upper Hatch Street, Dublin 2, Ireland. GMO Ireland commenced operations in July, 2007 and was established to manage and provide oversight over the activities of GMO Unit Trust, a unit trust organized and regulated in Ireland.

GMO Australia Partnership is a general partnership in which GMOA is the partner exercising all management powers. GMO Australia Partnership is located at Level 12, 1 Alfred Street, Sydney NSW 2000 Australia. GMO Australia Partnership commenced operations in November 1995 and provides management, marketing, client and other services to GMO Australia Ltd.

GMO Australia Ltd. is a wholly owned subsidiary of GMOA, located at Level 12, 1 Alfred Street, Sydney NSW 2000 Australia. GMO Australia Ltd. commenced operations in November 1995 and manages or services accounts similar to those managed by GMO in the U.S. Jason Halliwell is the head of the Systematic Global Macro Division, a Member of GMO and an employee of GMO Australia Partnership. Sean Gleason, Craig Louis, Vikram Mundkur, Peter Martin and Andrew Thompson are employees of GMO Australia Partnership and are associated persons of GMO

with respect to services they provide to GMO and one or more of GMO's clients as agreed with GMO from time to time. The Systematic Global Macro Division is located at the offices of GMO Australia Ltd.

GMO Singapore Pte. Limited is a wholly owned subsidiary of GMOA, located at 6 Battery Road, #24-02A, Singapore 049909. GMO Singapore Pte. Limited commenced operations in February 2003 and manages or services accounts similar to those managed by GMO in the U.S. Amit Bhartia is a Member of GMO and also an employee of GMO Singapore. Miten Amin, Ernest Chew, Mark Wu and Gunwoo Lim are employees of GMO Singapore and are associated persons of GMO with respect to services they provide to GMO and one or more of GMO's clients as agreed with GMO from time to time.

GMO Renewable Resources, LLC, a U.S. registered investment adviser (SEC File No. 801-55183), is a majority-owned subsidiary of GMO located at 77 Franklin Street, Boston, MA 02110. GMO Renewable Resources, LLC provides advice primarily with respect to timberland and agricultural investments. The firm commenced operations in January 1998.

GMO Renewable Resources is a New Zealand unlimited liability company and an indirect wholly owned subsidiary of GMO Renewable Resources, LLC, located at Zens Centre, Level 9, 1135 Arawa Street, Rotorua, New Zealand. GMO Renewable Resources (New Zealand) manages or services non-discretionary accounts similar to those managed by GMO Renewable Resources, LLC in the U.S.

GMOA's investment advisory affiliates may provide advice to their clients with respect to strategies that are similar to strategies offered by GMOA and those investment advisory affiliates may purchase on behalf of their clients the same securities that GMOA may purchase for its clients. As a result, interests of GMOA's clients may conflict with the interests of clients of GMOA's investment advisory affiliates.

*Related commodity pool operator.* GMO Investment Partners, LLC, a wholly owned subsidiary of GMO and general partner to GMO Private Funds, is registered with the CFTC as a commodity pool operator.

Affiliates of GMOA also sponsor limited partnerships or other pooled products. Please see the discussion below in Item 11 describing conflicts related to GMOA's advisory activities.

*Other arrangements.* A foundation and a charitable trust established by a GMO Member lease office space at GMO's offices. The trust and the foundation are subject to GMO's Code of Ethics and Insider Trading Policy and Procedures, including restrictions on securities trading by the trust, the foundation and its employees. The Member has also agreed that the foundation's employees will be subject to GMO's Code of Ethics and Insider Trading Policy and Procedures, GMO's

Code of Conduct, GMO's Gift Policy, any restrictions or policies implemented by GMO from time to time with respect to employee investments in GMO funds, and all other GMO workplace conduct policies. The Member, the foundation and the trust have reported that each of them has retained a consulting firm to provide bona fide investment advisory services, and the consulting firm also recommends GMO to potential clients. Please see Item 14, "*Client Referrals and Other Compensation*," which describes the arrangement.

GMOA personnel and GMO Members and employees may serve on the boards of directors and/or investment committees of external organizations, including those organizations that are currently or may become GMOA or GMO clients. Such service may present conflicts of interest to the extent the Member or employee becomes aware of material non-public information and may be unable to initiate some transactions for other clients while in possession of that information. GMOA and GMO will, to the extent possible, take steps to mitigate such conflicts if and when they arise.

- D. GMOA does not recommend or select other investment advisers for its clients for compensation.

#### **Item 11. Code of Ethics, Participation in Client Transactions and Personal Trading**

GMOA has adopted a Code of Ethics that is applicable to all of its and its affiliates' personnel and, in general, on-site consultants world-wide (collectively, "access persons"). The Code of Ethics is designed to comply with Rule 17j-1 of the Investment Company Act of 1940 and Rule 204A-1 of the Advisers Act. The Code of Ethics establishes personal trading procedures, including pre-clearance and reporting obligations. While GMOA's access persons may, subject to the terms of GMOA's Code of Ethics, purchase investments for their own accounts, including the same investments as may be purchased or sold for client accounts, GMOA's Code of Ethics is designed to prevent its access persons from engaging in personal securities transactions that may compete or interfere materially with trading of client accounts. In order to give effect to the prohibitions in the Code of Ethics, the Code also sets forth procedural requirements, including pre-clearance by the GMO Compliance Department of many types of trades. Some securities (*e.g.*, certain mutual fund shares, U.S. government securities, and money market instruments) and some transactions (*e.g.*, dividend reinvestment, de minimis trades, transactions in accounts managed by third parties) are exempt from the substantive and/or procedural requirements of the Code of Ethics. Exemptions from the Code of Ethics may be granted in appropriate circumstances.

GMOA also maintains a Code of Conduct Policy that sets forth GMOA's professional expectations of its personnel and a Gift Policy that is designed to provide reasonable oversight of potential conflicts associated with the receipt of entertainment and other gifts.

The foregoing discussion is a summary and is qualified in its entirety by the Code of Ethics, the Code of Conduct and the Gift Policy, which are available from GMOA to any client or prospective client upon request.

GMOA also has adopted an Insider Trading Policy and Procedures (“Insider Trading Policy”) applicable to all personnel, on-site consultants, officers, and directors that forbids such persons from trading, either personally or on behalf of others (including on behalf of clients), on the basis of material non-public information (commonly referred to as “insider trading”), except as specifically contemplated under the Policy. The Insider Trading Policy does not provide absolute assurance as to the correct handling of material non-public information, but does contain procedures intended to aid persons subject to the Insider Trading Policy to avoid misuse of material non-public information and to aid GMOA in preventing, detecting and imposing sanctions against illegal insider trading. Those procedures include a ban on trading on the basis of, or any other action to take advantage of, material non-public information, except as specifically contemplated under the Policy.

GMO may engage the services of “expert networks,” members of which provide expertise in particular sectors or industries, to assist in analyzing securities. GMO seeks to obtain assurance from the network and/or the experts that the experts will not provide GMO with material nonpublic information and will not arrange discussions between GMO and experts who have worked for an issuer within the past six months.

GMOA’s procedures specifically permit (but do not require) GMO’s Chief Compliance Officer (“CCO”) to establish temporary ethical screens to control the flow within the firm of material non-public information received by persons subject to the Insider Trading Policy. The use of a temporary ethical screen may enable GMOA to avoid placing securities of an issuer on a restricted list, whereby GMOA accounts would be prohibited from transacting in securities of such issuer. From time to time, however, based on the relevant facts and circumstances, GMO’s CCO or other designee may deem it necessary or appropriate to restrict trading by GMOA accounts in the securities of particular issuers and will place such securities on a restricted list. Placement of a security on the restricted list will generally prevent its purchase or sale by GMOA client accounts, including GMOA personnel accounts, rendering illiquid any such security already in a client’s account until such time as the security is removed from that list.

GMOA attempts to disclose material conflicts of interest in this document. However, because conflicts are endemic for registered investment advisers, in responding to the particular items of Form ADV Part 2, GMOA has focused on identifying those conflicts that may be most salient. Set forth in this section below is a description of certain conflicts that arise in the course of GMOA’s and GMO’s activities as well as a description of how GMOA and GMO seek to address such conflicts. Other sections of this brochure also provide a description of additional conflicts of interest that may arise in the operation of GMOA’s business. Please see Item 12, “*Brokerage*

*Practices,*” for a description of GMOA’s procedures with respect to the allocation of investment opportunities among its clients, including the allocation of limited opportunities, and a discussion of the factors GMOA considers when selecting brokers to effect transactions for clients. Please also see Item 5, “*Fees and Compensation,*” and Item 6, “*Performance Based Fees and Side-by-Side Management*” for a description of conflicts associated with the fees charged by GMOA and GMO. Item 14, “*Client Referrals and Other Compensation,*” describes conflicts that may arise with consultants that recommend GMOA or GMO to their clients and Item 17, “*Voting Client Securities*” discloses conflicts relating to proxy voting.

*Conflicts related to advisory activities.* GMOA and GMO act as investment adviser or sub-adviser to accounts that have similar investment objectives and pursue similar strategies. GMOA has no employees of its own but utilizes the personnel and resources of GMO and effects its trading through the trading desk of GMO’s Quantitative Equity Division. Certain investments identified by GMOA and/or GMO may be appropriate for multiple clients. Investment decisions for these clients are made by GMOA and/or GMO in their best judgment, but in their sole discretion, taking into account those factors GMOA and/or GMO believes 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, and limitations and restrictions on a client’s accounts that are imposed by the client or by law. GMOA and GMO are generally not under any obligation to share any investment, idea or strategy with all of their clients. Decisions to buy and sell investments for each client advised by GMOA and GMO are made with a view to achieving each client’s investment objectives. 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. Conflicts may also arise in cases when clients with different strategies invest in different parts of an issuer’s capital structure, 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 GMOA and/or 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 clients accounts managed by GMOA and/or GMO or vice versa. These positions and actions may adversely affect or benefit certain 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. There can be no assurance that a client will not receive less (or more) of a certain investment than it would otherwise receive if GMOA and/or 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 GMOA and GMO’s various clients, to purchase or redeem securities at the same time or at the same prices.



In addition, GMO or an affiliate of GMO serves as the general partner of GMO Private Funds in which GMO solicits client investments or, pursuant to the discretionary authority granted to GMO by a client, in which GMO causes a client to invest. As a result of its receipt of a performance-based special allocation, the general partner of a GMO Fund may be allocated a disproportionate amount of capital gains for US federal tax purposes relative to the capital balance it or an affiliate has in the GMO Private Fund. See Item 6, “*Performance-Based Fees and Side-by-Side Management.*” GMO, affiliates of GMO, and their respective members and employees also may invest in pooled vehicles advised by GMO or for which GMO or an affiliate of GMO serves as the general partner. At times, especially when a pooled vehicle commences operations, investments by GMO, its affiliates and their respective members and employees may constitute a substantial percentage of the pool’s total assets. GMO may have an incentive to favor accounts in which it and/or its Members and employees may own a substantial interest or with respect to accounts from which GMO may recognize taxable capital gains as the result of earning a performance-based special allocation.

GMOA 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 under Item 12, “*Brokerage Practices.*”

When GMO acts as the investment adviser to pooled vehicles that pay performance fees, it gives rise to conflicts of interest for GMO. The procedures GMO follows to deal with the conflicts of interest that arise as a result of the side-by-side management of accounts paying performance fees and asset-based fees are described in Item 6, “*Performance-Based Fees and Side-by-Side Management.*” GMO also acts as the investment adviser to pooled vehicles that GMO recommends to clients or, pursuant to the discretionary authority granted to GMO by a client, in which GMO causes a client to invest. This gives rise to an additional conflict because GMO or an affiliate is paid an asset-based fee and, in certain cases, a performance fee, by the pooled vehicles and, as a result, has an incentive to cause clients to invest in these pooled vehicles and thereby increase the vehicle’s assets and GMO’s fee. GMO will generally credit the amount of any advisory and shareholder service fees paid to GMO by the pooled vehicle in respect of such account’s investment in the pooled vehicle against any account-level fee payable by the account to GMO pursuant to its investment advisory agreement, or will waive the fees otherwise payable with respect to the account’s investment in the pooled vehicle. This credit or waiver will not necessarily eliminate the conflict (because GMO will earn more for asset allocation when client assets are allocated among products with a lower average fee) and GMO may continue to have a financial incentive to cause clients to invest in GMO-affiliated pooled vehicles.

To the extent permitted by applicable law, GMOA’s compliance policies and procedures, and a client’s investment guidelines, GMOA and/or GMO may engage in

“cross trades” where, as investment manager to a client account, GMOA and/or GMO causes that client account to purchase a security directly from (or sell a security directly to) another client account. Cross trades present a conflict of interest because GMOA and/or GMO represent the interests of both the selling account and the buying account in the same transaction and may have a financial incentive to favor one client account over the other due to different fee arrangements or otherwise. This conflict may be greater in cases where GMOA and/or GMO or its Members or employees own a substantial portion of a GMO Fund that engages in a principal transaction.

*Conflicts related to information known by or provided to GMOA.* In connection with its activities, GMOA may seek and/or receive information that is not generally available to the public. GMOA is not obligated to make such information available to its clients or to use such information to effect transactions for its clients. Under applicable law, GMOA may be prohibited from improperly disclosing or using such information, including for the benefit of a client. GMOA’s procedures include a ban on trading on the basis of, or any other action to take advantage of, material non-public information except where permitted under the Insider Trading Policy. These procedures may limit GMOA from being able to purchase or sell securities of the issuer to whom the material, non-public information pertains, rendering illiquid any such security already in a client’s account until such time as the ban on trading is lifted. Please see the discussion above in Item 11.A, regarding GMOA’s Insider Trading Policy and ethical screens procedure.

GMOA may make information about a GMO Fund’s portfolio positions (including short positions) available to unrelated third parties. These third parties may use that information to provide additional market analysis and research to GMOA. GMOA may use that market analysis and research to provide investment advice to clients other than the client(s) whose portfolio positions were used for the analysis. Please refer to the GMO Funds’ policies on *Disclosure of Portfolio Holdings*, which govern the GMO Funds’ disclosure of portfolio holdings and generally require that the recipient of portfolio holdings enter into a confidentiality agreement with respect to that information.

## **Item 12. Brokerage Practices**

- A. In selecting brokers and dealers to effect portfolio transactions, GMOA seeks best execution. Best execution is not based solely on the explicit commission charged by the broker/dealer and, consequently, a broker/dealer effecting a transaction may be paid a commission higher than that charged by another broker/dealer for the same transaction. Seeking best price and 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. GMOA does place trades with broker/dealers that provide investment ideas and other research services, even if the relevant broker has not yet demonstrated an ability to effect best price and execution; however, trading with such a broker (as with any and all brokers) will typically be curtailed or suspended in due course if GMOA is not reasonably satisfied

with the quality of particular trade executions, unless or until the broker has altered its execution capabilities in such a way that GMOA can reasonably conclude that the broker is capable of achieving best price and execution.

The determination of what may constitute best price and execution involves a number of considerations in varying degrees of emphasis, including, without limitation, the overall net economic result to accounts; the efficiency with which the transaction is effected; access to order flow; the ability of the executing broker/dealer to effect the transaction where a large block is involved; reliability (*e.g.*, lack of failed trades); availability of the broker/dealer to stand ready to execute possibly difficult transactions in the future; technological capabilities of the broker/dealer; the broker/dealer's inventory of securities sought; the financial strength and stability of the broker/dealer; and the relative weighting of opportunity costs (*i.e.*, timeliness of execution) by different strategies. Additionally, regulations in certain markets, primarily emerging markets, require GMOA to identify and trade with one or a limited number of brokers on behalf of clients. In some instances, GMOA may utilize principal bids with consideration to such factors as reported broker flow, past bids and a firm's ability and willingness to commit capital. Most of the foregoing are subjective considerations made in advance of the trade and are not always borne out by the actual execution.

GMOA's broker/dealer selection may, in addition to the factors listed above, also be based on research services provided by the broker/dealer. In seeking best execution and in determining the overall reasonableness of brokerage commissions, GMOA may consider research services received by broker-dealers and therefore, may select or recommend a broker-dealer based on GMOA's interest in receiving the research or other products or services, rather than on the lowest commission charged. GMOA may also direct trades to broker/dealers based in part on the broker/dealers' history of providing, and capability to continue providing, pricing information for securities purchased.

Generally, GMOA 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 account; (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) research services received. These factors are considered mostly over multiple transactions covering extended periods of time in varying degrees of emphasis and are used to evaluate the relative performance of the brokers and other institutions used to effect transactions for accounts. In some instances, GMOA 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.

Clients who have or seek non-US equity or fixed income exposure in their accounts typically give GMOA discretion to execute foreign exchange transactions. In general, GMOA seeks best execution in the execution of foreign exchange transactions by comparing rates across counterparties and selecting the counterparty that GMOA believes can provide best execution. If a client has not granted GMOA discretion to place foreign exchange trades with counterparties other than the client's custodian bank (e.g., because of a client's "all-in" fee arrangement with its custodian), GMOA will have limited ability to seek best execution. In certain jurisdictions where it is general market practice, or under limited circumstances when GMOA believes operational or trading efficiencies may be gained (e.g., income repatriation; trading in some emerging markets), GMOA may arrange standing instructions with a client's custodian to execute the foreign exchange transaction, subject to the custodian's terms and conditions. In the event that a client's custodian offers more than one program for standing instruction trades, and if the client has granted GMOA discretion to do so, GMOA will select the program it believes is in the best interests of the client under the circumstances.

Because GMOA will frequently use broker/dealers that provide research in all markets and that research is a factor in evaluating broker/dealers, GMOA relies on the statutory safe harbor in Section 28(e) of the Securities Exchange Act of 1934. However, GMOA does not participate in any formal soft dollar arrangements involving third party research (i.e., research provided by someone other than the executing broker/dealer) or the payment of any of GMOA's out-of-pocket expenses. In all cases, the research services received by GMOA are limited to the types of research contemplated by Section 28(e) of the Securities Exchange Act of 1934. Research services provided by broker/dealers take various forms, including personal interviews with analysts, written reports, pricing services in respect of securities, and meetings arranged with various sources of information regarding particular issuers, industries, governmental policies, specific information about local markets and applicable regulations, economic trends, and other matters. To the extent that services of value are received by GMOA, GMOA may avoid expenses which might otherwise be incurred. Such services furnished to GMOA may be used in furnishing investment or other advice to all or some subset of GMO or GMOA's accounts, and services received from a broker/dealer that executed transactions for a particular account will not necessarily be used by GMOA specifically in servicing that particular account.

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

GMOA does not engage in directed brokerage. GMOA recognizes that centralized maintenance of a client's futures positions can provide favorable netting of variation margin requirements for the client and provide significant operational efficiencies for the client in reconciling outstanding futures contracts. Consequently, GMOA is prepared to accommodate clients seeking centralization of those functions with the client's futures commission merchant, provided that GMOA is permitted to enter into "give-up" arrangements with the executing brokers of GMOA's choosing and that such arrangements do not, in GMOA's judgment, affect the ability to achieve best overall execution of futures transactions.

- B. GMOA's trading is generally effected through the trading desk of GMO's Quantitative Equity Division. GMO currently maintains multiple trading desks, each of which is largely dedicated to one of the following GMO investment divisions (the "Investment Divisions"):

- Quantitative Equity
- Emerging Equity
- International Active Equity
- Global Fixed Income
- Asset Allocation
- Systematic Global Macro

However, each of GMO's investment divisions may also use existing trading desks not primarily associated with that division to trade certain types of securities or to assist in the implementation of discrete portfolio management styles. Examples include, but are not limited to, the following: the Asset Allocation Division may trade equities and foreign currencies through the Quantitative Equity Division and Emerging Markets Equity Division's trading desks and the Quantitative Equity Division may trade derivative instruments through the Asset Allocation trading desk. In addition, as disclosed in Item 10, "*Other Financial Industry Activities and Affiliations*," GMO UK's trading is expected to be effected through the trading desk of GMO's Quantitative Equity Division. For information regarding the Systematic Global Macro Division, please refer to Item 10, "*Related Advisers*." GMO may introduce new trading desks from time to time.

Trading orders may be placed on a principal or agency basis with brokers, in GMO's discretion. Principal equity trades are generally placed seeking the price at an agreed upon time (e.g., previous night's close), depending on the factors driving the investment and execution decisions.

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). Certain investment theses and their corresponding execution benchmarks involve trading programs that 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 orders for investment theses 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, trading generated by one thesis may be completed before the trading for another thesis -- even where the program is initiated at the same time for the two theses or the slower program is initiated first. As a result, the speed of order fulfillment, and correspondingly the 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, short-term investment theses, those theses that utilize 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 trades executed on behalf of other accounts/theses. Finally, varying theses that may invest in the same securities may involve trading programs that trade at different times throughout the day or month. Because of the foregoing, certain strategies, which may include accounts with performance fees, 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 securities. GMOA and GMO's trade allocation procedures may include blocking/aggregating of orders, limiting the volume of subsequent orders, or subsequent back-testing. GMOA and GMO's trade allocation procedures are designed so that over time accounts are not likely to be systematically advantaged or disadvantaged due to the order placement/execution process.

Except as described above with respect to an investment division trading through another investment division's trading desk, for most securities transactions, GMO does not coordinate among its separate trading desks. Where possible, prior to the open of the relevant market, GMO aggregates trades for accounts that are being traded by a single trading desk to implement a similar thesis and for which trade instructions are provided with sufficient time to satisfy internal processes. Each trading desk generally allocates portfolio trades pro-rata among clients for which the desk is executing an investment thesis on any given day, with the relevant clients receiving the same price for trades executed through the same broker on the same day. However, as noted above, each investment thesis has a corresponding execution benchmark and in the event that a single trading desk is trading the same security with different execution benchmarks, differently benchmarked trades will not normally be aggregated and different investment theses (and their corresponding clients) may utilize different brokers and will often receive different prices and potentially pay different commissions rates. Likewise, one trading desk may be executing a program for one investment thesis while another may be simultaneously executing a program for another investment thesis involving the same security and those trades will not be aggregated. In addition, market, regulatory and/or country limitations (especially in the case of emerging markets) may or may not result in identical prices or commissions, even where the same investment thesis is being implemented for all relevant clients by the same trading desk. Please also see the discussion below regarding initial public offerings and offerings of limited opportunities.

Trading orders from a trading desk that can only be partially filled are generally reduced on a pro-rata basis, through use of a randomizer, or on some other basis consistent with the goal of treating all clients equitably over time. Specific procedures vary somewhat among the trading desks. Market limitations (especially in the case of emerging markets) and other practicalities may require special treatment. If an order placed by a trading desk is filled at varying prices, clients in the same strategy 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, a trading desk may execute a strategy-based trade at the same time it is executing a trade for the same security with the same or a different broker to meet account specific requirements, in which case the strategy-based trade and the account specific trade 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 might be effected 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. As noted above, separate trading desks may achieve different results for the same security.

With initial public offerings (IPOs) and with certain other investment opportunities expected to be in very limited supply, GMO's policies require that the trading desks coordinate with one another such that allocations will generally consider the needs of clients across all of the trading desks. This generally does not apply to trading desks of GMO's related entities. When it is not practicable to allocate an opportunity across all similarly-managed eligible accounts, trading desks use various methods, such as randomizers and sequencing, to allocate such limited opportunities equitably over time. There may also be situations where an IPO or limited opportunity is theoretically eligible for investment by multiple strategies but only some of the strategies (including, perhaps, those on which GMO charges a performance fee) regard the IPO or limited opportunity as an appropriate investment. Many of GMOA and GMO's investment strategies focus on seasoned issuers, and consequently those strategies that generate most of the brokerage commissions may participate less frequently in IPOs or 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 IPOs or limited opportunities. The Systematic Global Macro Division, whose personnel are located in the offices of GMO Australia Ltd., are subject to GMO's policies with respect to coordination of limited opportunities with other GMO trading desks.

In certain non-U.S. jurisdictions, local law limits the number of accounts sponsored by GMOA and GMO that may purchase locally traded shares. Generally, GMO Trust Funds will be given priority and other clients may be precluded from participation in offerings of local shares.

### **Item 13. Review of Accounts**

- A. GMOA accounts are subject to regular review by members of GMO's Quantitative Equity Division. Client Relationship Managers ("CRMs") and members of GMO's Quantitative Equity Division generally review on a periodic basis the Trust. Reviews include a summary of relevant market conditions that have affected the accounts since the last reporting period and that may affect an account in the future. The Trust is also subject to regular review by GMO Australia personnel.
- B. In addition to the regular reviews performed by members of the Quantitative Equity Division and GMO Australia personnel, factors that may trigger a review include, but are not limited to, changes in market or economic conditions; changes in information regarding particular issuers and purchases and sales of securities. General reviews of accounts usually involve consideration of investment objectives, types of portfolio securities owned, investment performance, and similar matters; however, the matter reviewed may reflect the factors which triggered the review. All CRMs and members of the Quantitative Equity Division are expected to participate in client account reviews as needed.
- C. GMO Australia provides written reports to investors in the Trust on monthly and quarterly bases. The monthly report includes information regarding Trust performance, change in market value, investor transactions, profile summary and attribution analysis. The quarterly report includes the information provided in the monthly report and also a market review, a portfolio investment review and a process review. GMO Australia also provides investors in the Trust with a copy of the audited financial statements of the Trust on an annual basis.

### **Item 14. Client Referrals and Other Compensation**

GMOA does not receive an economic benefit from someone who is not a client for providing investment advice or other advisory services to GMOA clients. In addition, neither GMOA nor a related person compensates any person for client referrals.

GMOA and its affiliates may purchase access to information such as subscriptions to periodicals, participation in conferences, research papers and access to surveys from organizations affiliated with professional consultant or financial services firms that advise (or whose affiliates advise) potential GMOA clients. In addition, the foundation and the trust described in Item 10, "*Other Financial Industry Activities and Affiliations*," and the Member that established the foundation and trust may purchase quarterly performance reporting services from professional consultants. Additionally, the foundation referenced in Item 10 has reported that it, the Member who established the foundation, and a related trust have each retained for bona fide investment advisory services a consulting firm that also recommends GMOA to potential clients. GMOA does not make payments to consultants or financial services firms conditioned on favorable evaluations of GMOA and payments are not made to reward the firms referenced above for client referrals. Nonetheless, these firms and/or their personnel may believe that they have a financial



incentive to give favorable evaluations of GMOA and may therefore operate as if they are faced with a conflict of interest. GMOA may also waive investment minimums for persons who work for consultants, GMOA clients and/or prospective clients. Clients should inquire of their consultants or other advisers as to 1) whether GMOA waived investment minimums for their personnel, 2) purchases or receives any information from such firm or any affiliate thereof, or 3) is involved in any other arrangement where the consultant or adviser believes it has any financial incentive to give favorable evaluations of GMOA.

#### **Item 15. Custody**

In general, GMOA takes steps to avoid having custody of client funds and securities. The Trust engages a non-affiliated custodian to hold the Trust's funds and securities. GMOA's authority with respect to such funds and securities is limited to issuing instructions to the Trust's custodian to effect or to settle trades.

#### **Item 16. Investment Discretion**

GMOA accepts authority to manage client assets on a discretionary basis. In general, clients enter into a written investment advisory agreement with GMOA which sets forth the parties' responsibilities and the scope of GMOA's authority over the client's account. The standard of care applicable to GMOA and the agreed upon methodology for calculating damages, if any, are set forth in the investment advisory agreement. Unless otherwise provided, and where appropriate, GMOA may net of any gains or losses in the client's account associated with the breach of the standard of care. As described above in Item 4, "*Advisory Business*," GMOA's discretionary authority as to the securities to be bought or sold for an account is subject to the agreed-upon investment objectives, guidelines, limitations and restrictions for the account. GMOA has agreed with the Trust to manage the Trust's assets against a particular benchmark and pursuant to investment guidelines discussed and agreed upon with the Trust.

Decisions to buy and sell portfolio securities for each of GMOA's investment advisory clients are made by GMOA 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), applicable regulatory limitations, liquidity, cash restrictions, applicable transaction documentation requirements, market registration requirements and/or time constraints limiting GMOA's ability to confirm adequate transaction documentation or seek interpretation of investment guideline ambiguities. Therefore, a particular security may be bought or sold only for certain GMOA clients even though it could have been bought or sold for other clients at the same time. Also, a particular security may be bought/sold for one or more clients when one or more other clients are selling/buying the security or taking a short position in the security, including clients invested in the same investment strategy.

#### **Item 17. Voting Client Securities**

GMOA has adopted proxy voting policies and procedures. GMOA has engaged a third party service provider to be its proxy voting agent. The policies and procedures describe GMOA's proxy voting guidelines, the administration of the proxy voting process, how conflicts of interest will be addressed and recordkeeping requirements. A copy of GMOA's Proxy Voting Policy is available on request.

If GMOA is aware that one of the following conditions exists with respect to a proxy, GMOA considers the following events a potential material conflict of interest with respect to a proxy: (1) GMOA has a business relationship or potential relationship with the issuer; (2) GMOA has a business relationship with the proponent of the proxy proposal; or (3) GMOA personnel (including GMO employees or Members) or consultants have a personal or other business relationship with the participants in the proxy contest, such as corporate directors or director candidates. In the event of a potential material conflict of interest, GMOA will (i) vote such proxy according to its guidelines; (ii) abstain; or (iii) request that the client votes such proxy.

For investors in the Trust, each client may contact its designated CRM to receive information regarding how such fund or account voted proxy securities.

#### **Item 18. Financial Information**

- A. GMOA does not require or solicit prepayment of fees.
- B. GMOA confirms that there is no financial condition that would be reasonably likely to impair its ability to meet contractual commitments to clients.
- C. GMOA has not been the subject of a bankruptcy petition at any time during the past ten years.