

**GMO SINGAPORE PTE. LTD.  
6 BATTERY ROAD, #26-05  
SINGAPORE, 049909**

**(65) 6532-0346**

**www.gmo.com**

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**This brochure provides information about the qualifications and business practices of GMO Singapore Pte. Ltd. (“GMOS”). If you have any questions about the contents of this brochure, please contact GMOS at (65) 6532-0346. 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 GMOS is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

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

Item 2 is not applicable to GMOS as this is its initial brochure.

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#### Item 4. Advisory Business

- A. GMO Singapore Pte. Ltd. (“GMOS”) commenced operations in February 2003 and furnishes discretionary investment advisory services, predominantly to institutional clients. GMOS is a Singapore limited company and indirect wholly-owned subsidiary of Grantham, Mayo, Van Otterloo & Co. LLC (“GMO”), which is located at Rowes Wharf, Boston, MA 02110. GMO is a Massachusetts limited liability company that is controlled by active employee-members (“Members”). GMOS is wholly-owned by GMO Australasia, LLC, a U.S. registered investment adviser and wholly-owned subsidiary of GMO.

GMOS’s headquarters are located at 6 Battery Road, #26-05, Singapore, 049909. The offices of GMOS’s affiliates are located in Amsterdam, Boston, London, Rotorua, San Francisco, Sydney, Montevideo and Zurich. Please see Item 10, “*Other Financial Industry Activities and Affiliations*” for a more detailed discussion about GMOS’s affiliates.

- B. GMOS offers investment strategies in several major asset classes, including emerging equity and absolute return strategies. GMOS’s investment strategies are implemented via pooled vehicles (*e.g.*, mutual funds or private funds) and/or through discretionary advice provided to separately managed accounts. In addition, GMOS expects to provide investment sub-advisory services to GMO and GMO Australia Ltd. (“GMOA”) on behalf of pooled vehicles and separate accounts managed by GMO and GMOA. Please see Item 8, “*Methods of Analysis, Investment Strategies and Risk of Loss*” below for more information regarding GMOS’s investment strategies.
- C. GMOS may tailor its advisory services for clients invested in separately managed accounts. GMOS may agree with a client to manage the client’s assets against a particular benchmark or pursuant to investment guidelines discussed and agreed upon with the client. To the extent practicable and consistent with the intended investment strategy, GMOS may agree to implement client-imposed limitations on GMOS’s discretionary authority with respect to the securities to be bought or sold for an account, including but not limited to, diversification requirements, benchmark deviation, industry concentration, restrictions prohibiting the purchase of certain securities or securities of certain types of issuers, prohibiting investments in certain countries or markets, and prohibiting the employment of certain investment strategies or techniques (*e.g.*, derivatives). In the case of GMO and GMOA pooled vehicles and separately managed accounts with respect to which GMOS expects to provide sub-advisory services, GMOS expects to agree with GMO and GMOA to manage these assets pursuant to investment guidelines agreed upon with GMO and GMOA. Please see Item 16, “*Investment Discretion*,” which discusses these and other restrictions relating to GMOS’s discretionary authority. Client accounts that are subject to such limitations may perform differently (and potentially less successfully) than other accounts with similar strategies managed by GMOS that do not have such limitations.
- D. GMOS does not participate in wrap-fee programs.
- E. As of August 31, 2013, GMOS managed US\$ 407,238,052 on a discretionary basis for its clients (excluding assets managed by GMOS’s affiliates). Please note that this figure reflects

GMOS's net assets under management, as contrasted with the assets required to be reported in Part 1A of Form ADV as GMOS's "regulatory assets under management."

Although GMOS may be directed by a client with a separately managed account to invest exclusively in a particular GMO or GMOA pooled vehicle, GMOS does not otherwise manage any client assets on a non-discretionary basis.

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

- A. The rate of GMOS's advisory (or management) fee varies with the type of account or product, the asset class being managed, and the investment strategy employed by GMOS. GMOS's fees are generally asset-based and calculated at an annual rate as a percentage of the value of the net assets in the account

In some cases, GMOS may be paid a combination of an asset-based fee and performance fee. The performance fee may take the form of a special allocation of profit to GMOS or an affiliate from a GMO or GMOA pooled vehicle. (Special allocations and performance fees are referred to interchangeably throughout this brochure.) The performance fee may be calculated in a variety of ways depending on multiple factors including, but not limited to, the nature of the strategy, relevant performance benchmarks and performance hurdles, and is generally calculated based on both realized and unrealized appreciation. Please see Item 6, "*Performance-Based Fees and Side-by-Side Management*" below for more information.

Under appropriate circumstances, in GMOS's discretion and where permitted by applicable law, the terms of an investment advisory contract, including fee schedules, terms of payment and termination provisions, may be negotiable. The asset based fees paid to GMOS by clients with separately managed accounts typically range from 0.33% to 1.35%. The asset-based management fee rate for a separately managed account will typically begin at a higher rate than a pooled product managed in the same strategy.

When GMOS provides sub-advisory services to GMO and GMOA pooled vehicles and separately managed accounts, it is expected that GMO and GMOA will pay GMOS a portion of the advisory fees that they receive from their clients.

GMOS expects to provide sub-advisory services to GMO with respect to some of the GMO Trust mutual funds and GMO Series Trust mutual funds (collectively, "GMO Mutual Funds"). The GMO Mutual Funds pay management, service and/or administration fees to GMO and bear total net annual expenses as described in the attached *Schedules I and II* and as described in their respective prospectuses, as supplemented from time to time.

GMOS also expects to provide sub-advisory services to GMO and GMOA with respect to certain pooled products advised by GMO and GMOA that are not GMO Mutual Funds (collectively, the "GMO Private Funds"). The stated asset-based fee rates paid to GMO by each GMO Private Fund are summarized on *Schedule III*. The stated asset-based fee rates paid to GMOA by each GMO Private Fund are summarized on *Schedule IV*. Note that the universe of GMO Private Funds contemplated in this brochure may be broader than the list of "private funds" required to be reported in Item 7.B of Part 1A of Form ADV. With respect to the fees charged to GMO Private Funds that are set forth on *Schedule III*, the general partner,

investment adviser, or board of directors of such vehicles, as the case may be, has discretion to waive or reduce the asset-based fees and/or performance fees for any period for some or all investors and admit investors or accept additional subscriptions from existing investors subject to such other fee arrangements as each of them deems appropriate and generally without notice to or consent from other investors. With respect to the fees charged to GMO Private Funds that are set forth on *Schedule IV*, GMOA has discretion to rebate all, or a portion of, the asset-based fees and/or performance fees for any period for some or all investors and admit investors or accept additional subscriptions from existing investors subject to such other fee arrangements as GMOA deems appropriate and generally without notice to or consent from other investors.

Except as specifically noted therein, the summary of fees set forth for the GMO Mutual Funds and the GMO Private Funds (collectively, “GMO Funds”) on *Schedules I, II, III and IV* are those which have commenced operations as of August 31, 2013 and may not reflect subsequent changes.

- B. For accounts that are pooled vehicles, fees are generally accrued daily or monthly and paid in arrears. For accounts that are separately managed, asset-based fees are typically billed and payable quarterly in arrears, although such accounts may be billed more or less frequently. Performance fees for separately managed accounts, if applicable, are typically billed annually but GMOS and a client may agree to a more frequent billing cycle. GMOS generally avoids accepting authority to withdraw fees from any client’s assets for purposes of satisfying fees owed by clients. From time to time, a client in a separately managed account may provide a standing instruction to GMOS in its investment management agreement to redeem shares of GMO Funds held in its account to the extent necessary to pay GMOS’s account-level advisory fee. For all accounts, the amount of the asset-based fee is prorated if GMOS provides advisory services for periods of less than a full payment cycle (*e.g.*, at the beginning or end of GMOS’s engagement to provide advisory services). For accounts with performance fees, accrued performance fees are generally payable at the time of each redemption from a GMO Fund and at the end of other accounts’ performance-measurement periods (typically, annually). For sub-advised accounts, fees will be paid by GMO or GMOA to GMOS.
- C. Clients will incur brokerage costs, third-party execution costs (if any) and other transaction costs associated with GMOS’s management of the accounts’ portfolio securities. Please see Item 12, “*Brokerage Practices*” for a description of GMOS’s brokerage practices.

In addition to advisory (or management) fees and brokerage and transaction costs, clients invested in the GMO Mutual Funds, whether directly or through a separately managed account, will indirectly bear the fees and expenses paid by the GMO Mutual Funds, as applicable, including shareholder service and/or administration fees paid by the GMO Mutual Funds to GMO and other fees and expenses paid by the GMO Mutual Funds (to the extent not otherwise waived or reimbursed by GMO), which include but are not limited to, expenses of the independent Trustees of each Trust and their independent counsel, fees and expenses for legal, fund accounting, transfer agency, custodial and auditing services, compensation and expenses of Trust employees and consultants that are not affiliated with GMO (excluding any employee benefits), securities lending fees and expenses, interest expense, transfer taxes,

and other investment-related costs (including overdraft charges), hedging transaction fees, extraordinary and non-recurring and certain other unusual expenses (including taxes). Some GMO Mutual Funds also charge purchase premiums and/or redemption fees, which are paid by the investor to the relevant GMO Mutual Fund (and not to GMOS or GMO) upon purchases into or redemptions from the GMO Mutual Fund. Some GMO Mutual Funds may be subject to other expenses including distribution fees and/or fees that are payable to subtransfer agents or recordkeepers, which are not typically expenses reimbursed by GMO. The total net annual operating expenses of each GMO Mutual Fund that is expected to be sub-advised by GMOS are set forth in the tables in *Schedules I and II* and described in the GMO Mutual Funds' prospectuses, as supplemented from time to time.

In addition to advisory (or management) fees and brokerage and transaction costs, clients invested in those GMO Private Funds that are set forth on *Schedule III*, whether directly or through a separately managed account, will bear the fees and expenses paid by those GMO Private Funds (to the extent not otherwise waived or reimbursed by GMO), including but not limited to custody fees, brokerage commissions and third-party execution fees, if any, administration, legal, audit, accounting, and certain other fees and expenses, which may include interest costs, commitment, purchase premium, redemption or other charges, other investment related costs, and extraordinary, non-recurring and certain other unusual expenses such as taxes and non-U.S. investment related costs (including, without limitation, associated local legal and accounting costs).

GMOA generally bears the routine expenses of the GMO Private Funds it advises. In addition to advisory (or management) fees and brokerage and transaction costs, clients invested in the GMO Private Funds set forth on *Schedule IV*, whether directly or through a separately managed account, will bear the non-routine expenses paid by those GMO Private Funds (to the extent not otherwise waived or reimbursed by GMOA), including but not limited to 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 those GMO Private Funds (including receipt of application money), and any litigation costs incurred in relation to those GMO Private Funds.

Some GMO Funds invest in other GMO Funds and other pooled investment vehicles, including but not limited to GMO Funds. Shareholders in those GMO Funds may also bear the indirect expenses associated with their investment (if any) in underlying funds. In general, GMO has agreed to waive or reduce, but not below zero, the management fee that it charges each GMO Fund and the shareholder service fee that it charges each class of shares of certain GMO Funds to the extent necessary to offset the management and shareholder service fees indirectly borne by the GMO Fund as a result of its direct or indirect investment in other GMO Funds. Investors should refer to the relevant prospectus for GMO Mutual Funds and/or the current offering memoranda for GMO Private Funds for a more detailed description of such GMO underlying funds' fees and expenses.

GMO has contractually agreed to bear some of the operational expenses for many of the GMO Funds it advises (e.g., accounting, transfer agency expenses). The extent to which GMO bears those expenses varies by GMO Fund. Therefore, when negotiating those

expenses with third-party service providers (which are often negotiated for all pools at the same time), GMO has an economic incentive to favor a fee structure that shifts expenses from Funds for which GMO has a greater reimbursement obligation to those Funds for which GMO has a lesser (or no) reimbursement obligation. Further, to the extent that GMO has discretion to allocate a client's assets among GMO Funds, it has an incentive to allocate to GMO Funds where GMO has a limited reimbursement obligation.

Clients with separately managed accounts typically engage a custodian to custody their assets managed or sub-advised by GMOS and are responsible for custodial fees and other expenses charged by their custodian, including relevant trading and brokerage expenses, which are paid directly by the clients to their custodians. Separate account clients who engage futures commission merchants or prime brokers are similarly responsible for the fees charged by those service providers.

- D. Clients do not pay GMOS's fees in advance.
- E. Neither GMOS 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**

GMOS may be paid an asset-based fee or a combination of an asset-based fee and performance fee. Please see Item 5, "*Fees and Compensation*" above and the related Schedules for more information about GMOS's fees. To the extent GMOS charges a performance fee, the client must be eligible and the performance fee must generally comply with the requirements of Section 205 of the Investment Advisers Act of 1940, as amended ("Advisers Act") and Rule 205-3 thereunder. In situations where GMOS 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 GMOS's investment personnel may manage both 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 GMOS receives a performance fee. GMOS 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 client accounts managed by GMOS or its affiliates or vice versa. See Item 11, "*Code of Ethics, Participation in Client Transactions and Personal Trading: Conflicts Related to Advisory Activities*."

GMOS and its affiliates may also have an incentive to favor accounts in which it, its affiliates and/or its and its affiliates' members and employees may own a substantial interest. To manage these conflicts, GMOS and its affiliates maintain firm-wide trade allocation standards, and each of GMOS's and its affiliates' 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 GMOS personnel has been granted any specific participation in the performance of any account managed by GMOS or its affiliates nor is any personnel compensated in any way that is explicitly linked to the performance of any portfolio.

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

GMOS provides investment advice to a wide variety of clients, including, but not limited to, endowments, foundations, employee benefit and contribution plans, governmental and supranational entities, taxable corporations, investment companies, pooled vehicles, trusts, other institutions and individuals. As described in Item 5, “*Fees and Compensation*,” GMOS expects to provide investment sub-advisory services to GMO and GMOA, including with respect to some GMO Mutual Funds and GMO Private Funds. The minimum account size for investment in GMO Mutual Funds varies but generally requires at least a \$10 million commitment (\$5 million for the tax-managed fund). For the GMO Private Funds set forth on *Schedule III*, the minimum account size varies depending on the vehicle, but is generally at least \$5 million. For the GMO Private Funds set forth on *Schedule IV*, the minimum account size varies depending on the vehicle, but is generally at least AUD\$500,000. Minimum account size requirements are waived for Members and employees and for other investors at GMO’s or GMOA’s discretion. GMO or GMOA may waive a Fund’s investment minimum where GMO or GMOA has so agreed with an investment consultant who has full discretion or exercises substantial influence over its clients’ assets and where the average account size of the consultant’s clients meets the investment minimum. The minimum account size for separately managed accounts varies by investment strategy, but may be waived for investors at GMOS’s discretion.

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

- A. GMOS portfolio managers employ a variety of tools in providing investment advice to its clients, including, but not limited to, proprietary techniques to research and evaluate securities based on historical and forecasted financial information, as well as fundamental investment analysis.

GMOS offers investment strategies in several major asset classes, including emerging equity and absolute return strategies. A general description of each of GMOS’s investment strategies as of the date of this brochure is set forth below. Descriptions of strategies offered through pooled investment vehicles are qualified in their entirety by the information in such vehicle’s offering materials. Descriptions of strategies offered through separately managed accounts are qualified in their entirety by reference to the applicable investment advisory agreement and related investment guidelines.

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

### **Emerging Equities**

#### **Emerging Markets**



The GMO Emerging Markets Strategy seeks to achieve its investment objective, total return in excess of the S&P/IFCI Composite Index, by investing in emerging market equities.

#### Emerging Countries

The GMO Emerging Countries Strategy seeks to achieve its investment objective, total return in excess of the S&P/IFCI Composite Index, by investing in emerging country equities.

#### Emerging Domestic Opportunities

The GMO Emerging Domestic Opportunities Strategy seeks to achieve its investment objective, total return, by investing in companies whose prospects are linked to the internal development and growth of the world's non-developed markets.

#### Absolute Return

#### Systematic Global Macro

The GMO Systematic Global Macro Strategy seeks to achieve its investment objective, long-term total return, by investing in, among other investments, equity, bond, commodity and currency futures and forward contracts that the Investment Team believes will provide higher returns than the Citigroup 3 Month T-Bill Index.

#### Alternative Asset Opportunity

The GMO Alternative Asset Opportunity Strategy seeks to achieve its investment objective, long term total return, by investing in a range of global equity, bond, currency, and commodity markets using exchange traded futures and forward foreign exchange contracts as well as making other investments.

- B. The following chart identifies the material risks associated with the strategies described above. Risks not marked for a particular strategy, may, however, still apply to some extent to that strategy at various times. All strategies could be subject to greater or additional risks due to the types of investments they make and changing market conditions over time. Where exposures are achieved using derivatives, the same risks apply, in addition to the risks of the derivative itself. This summary of the material risks is qualified in its entirety by the information contained in the strategy's offering materials (if any).

Some clients may request variations on the strategies described above. For those separately managed accounts, such variations may subject the accounts to risks in addition to the material risks identified below.

	Emerging Equities	Absolute Return
Borrowing and Leverage Risk	•	•
Commodities Risk	•	•
Convertible Securities Risk	•	•
Counterparty Risk	•	•

	Emerging Equities	Absolute Return
Credit Market Illiquidity Risk	•	•
Credit Risk	•	•
Currency Risk	•	•
Custodial Risk	•	•
Derivatives Risk	•	•
Focused Investment Risk	•	•
Foreign Investment Risk	•	•
Large Investor Risk	•	•
Legal and Regulatory Risks	•	•
Liquidity Risk	•	•
Management and Operational Risk	•	•
Market Disruption and Geopolitical Risk	•	•
Market Risk-Equity Securities Risk	•	•
Market Risk- Fixed Income Securities Risk	•	•
Natural Resources Risk		*
Options Risk		•
Portfolio Turnover Risk	•	•
Preferred Securities Risk	•	•
Prime Brokerage Risk		•
Real Estate Risk		•
Short Sales Risk		•
Smaller Company Risk	•	•
Underlying Strategies Risk	•	•

- *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 market value of its investments declines. The strategy could be subject to a “margin call,” under which the strategy would be required to either deposit additional funds with the counterparty, clearing broker or clearinghouse, as applicable or suffer mandatory liquidation of securities deposited w if the securities deposited to secure its margin accounts decline in market value.
- *Commodities Risk* – Commodity prices can be extremely volatile and are affected by many factors, including changes in overall market movements, real or perceived inflationary trends, commodity index volatility, changes in interest rates or currency exchange rates, population growth and changing demographics, nationalization, expropriation, or other confiscation, international regulatory, political, and economic developments, and developments affecting a particular industry or commodity.
- *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.

- *Counterparty Risk* – The strategy runs the risk that the counterparty to a derivatives contract, a clearing member used by a client account to hold a cleared derivatives contract, or a borrower of a client account’s securities will be unable or unwilling to make timely settlement payments, return the client account’s margin or otherwise honor its obligation. GMOS weighs various factors in determining the risks associated with entering into a transaction with a counterparty. Such factors may include credit quality, collateral arrangements and guarantees. Factors considered may vary by Investment Team. Unless otherwise required by contractual arrangements with individual clients, there is neither an explicit limit on the amount of exposure that the strategy may have with any one counterparty nor a requirement that counterparties maintain a specific rating by a nationally recognized rating organization in order to be considered for potential transactions. To the extent that GMOS’s view with respect to a particular counterparty changes (whether due to external events or otherwise), existing transactions are not required to be terminated or modified. Additionally, new transactions may be entered into with a counterparty that is no longer considered eligible if the transaction is primarily designed to reduce the overall risk of potential exposure to that counterparty (for example, re-establishing the transaction with a lesser notional amount).
- *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.
- *Credit Risk* -- The strategy runs the risk that the issuer or guarantor of a fixed income investment or the obligor of an obligation underlying an asset-backed security will be unable or unwilling to satisfy its obligations to pay principal and interest payments or otherwise to honor its obligations in a timely manner. The market price of a fixed income investment will normally decline as a result of the issuer’s, underlying obligor’s or guarantor’s failure to meet its payment obligations or the downgrading of its credit rating. Below investment grade securities have speculative characteristics, and changes in economic conditions or other circumstances are more likely to impair the capacity of issuers to make principal and interest payments than is the case with issuers of investment grade securities.
- *Currency Risk* – Fluctuations in exchange rates may adversely affect the value of the strategy’s foreign currency holdings and investments denominated in foreign currencies.
- *Derivatives Risk* – The use of derivatives involves the risk that their value may not move as expected relative to the value of the assets, rates or indices they are designed to track. Derivatives also present other strategy risks, including market risk, liquidity risk, currency risk, and credit and counterparty risk. Because the contract for each

OTC derivative is individually negotiated, the counterparty may interpret contractual terms (e.g., the definition of default) differently than GMOS does and, if it does, the strategy may decide not to pursue its claims against the counterparty to avoid incurring the cost and unpredictability of legal proceedings. The strategy, therefore, may be unable to obtain payments GMOS believes are owed to it under OTC derivatives contracts or those payments may be delayed or made only after the strategy 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 GMOS'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.

Some types of interest rate swaps and credit default index swaps on North American and European indices that may be used by client accounts will be required to be cleared. In a cleared derivatives transaction, the counterparty to the transaction is a central derivatives clearing organization, or clearing house, rather than a bank or broker. Client accounts will hold cleared derivatives transactions through accounts at clearing members, who are futures commission merchants that are members of the clearing houses. Client accounts will make and receive payments owed under cleared derivatives transactions (including margin payments) through their accounts at clearing members. A client account's clearing members guarantee the client account's performance of its obligations to the clearing house. Clearing members can generally require termination of existing cleared derivatives transactions at any time and increases in the amount of margin required to be provided by the client account to the clearing member. Any such termination or increases could interfere with the ability of the client account to pursue investments. Also, a client account is subject to execution risk if it enters into a derivatives transaction that is required to be cleared (or which GMOS expects to be cleared), and no clearing member is willing or able to clear the transaction on the client account's behalf. In that case, the transaction might have to be terminated, and the client account could lose some or all of the benefit of any increase in the value of the transaction after the time of the trade.

- *Focused Investment Risk* – Focusing investments in a limited number of countries, regions, sectors, companies, indices or in industries with high positive correlations to one another creates additional risk. This risk is particularly pronounced for a strategy that is exposed to, a relatively small number of stock indices or the securities of a limited number of issuers, as the strategy is particularly exposed to adverse

developments affecting those indices or issuers, and a decline in the market value of a particular index or security held by the strategy, or to which it is exposed, is likely to affect the strategy's performance more than if the strategy invested in a larger number of indices or the securities of a larger number of issuers.

- *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) 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 a particular country, the strategy's performance may be affected by political, social and economic conditions in that country and/or geographical region or operational risks particular to that country or region.
- *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.
- *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.
- *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 unwinding derivative positions at desirable prices. Holding less liquid securities increases the likelihood that the strategy will honor a redemption request in-kind.
- *Management and Operational Risk* – Each strategy relies on GMOS's ability to achieve its investment objective. Each strategy runs the risk that GMOS's investment

techniques will fail to produce the desired results and a strategy may incur significant losses. GMOS makes no assurance that it will achieve a strategy's desired results. GMOS also may fail to use derivatives effectively, choosing to hedge or not to hedge positions at disadvantageous times. GMOS's portfolio managers may use quantitative analyses and/or models. Any imperfections, limitations or errors in those 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 effectiveness. 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. The strategy also runs the risk that GMOS's determination to apply an investment technique or GMOS's assessment of an investment or the risk associated therewith may be wrong. There also can be no assurance that all of GMOS's key personnel will continue to be associated with GMOS for any length of time. The loss of their services 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 GMOS's and other service providers' provision of investment management, administrative, accounting, tax, legal, pricing and other services to the strategy.

- *Market Disruption and Geopolitical Risk* – Geopolitical and other events may disrupt securities markets and adversely affect global economies and markets and thereby decrease the value of and/or render illiquid the strategy's investments. 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.
- *Market Risk- Equity Securities* – The market price of equity investments may decline due to factors affecting the issuing companies, their industries, or the economy and equity markets generally. 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 GMOS believes to be their fundamental value. The strategy runs the risk that the prices of these investments will not appreciate to or decline from what GMOS believes to be their fundamental value or that GMOS has overestimated their fundamental value. Certain strategies may purchase "growth" securities. Because growth securities typically trade at higher multiples of current earnings, their market values are often more sensitive than other securities to changes in future earnings expectations.
- *Market Risk- Fixed Income Securities* – A strategy that invests a significant portion of its assets in fixed income securities, including bonds, notes, bills, synthetic debt instruments, and asset-backed securities, is subject to various market risks. These risks include, but are not limited to, loss on investments in asset-backed and other fixed income securities, lack of liquidity of those investments and impact of fluctuating interest rates. The market price of a fixed income security can decline due to a number of market-related factors, including rising interest rates, widening credit spreads, or decreased liquidity. In addition, the market price of fixed income securities with complex structures, such as asset-backed securities and sovereign and

quasi-sovereign debt instruments, can decline due to market uncertainty about their credit quality and the reliability of their payment streams. In addition, a principal risk run by a strategy that holds a significant investment in fixed income securities is that an increase in prevailing interest rates will cause the market price of its investments to decline. The risks associated with such changes in interest rates is generally greater for a strategy that invests in fixed income securities with longer durations and in some cases duration can increase. Moreover, as inflation increases, the real value of the strategy's assets could decline. If deflation occurs, it may increase the risk of issuer default and adversely affect the value of the strategy's assets.

Asset-backed securities involve the risk of loss of principal if obligors of the underlying obligations default and the defaulted amounts exceed any credit support provided for the securities. The obligations underlying asset-backed securities are subject to unscheduled prepayments and the strategy may be unable to invest prepayments at as high a yield as the yield of the asset-backed security. Asset-backed securities, particularly mortgage-backed securities, are subject to the risk that their underlying assets were not properly securitized, which could reduce and/or eliminate their market value.

Collateralized debt obligations may be subject to prepayment risk, credit risk, liquidity risk, market risk, structural risk, legal risk and interest rate risk. Due to the complex nature of a collateralized debt obligation, such investments may not perform as expected.

If the strategy acquires an interest in a loan through a participation, it must rely on the seller of the participation not only for the enforcement of the strategy's rights against the borrower but also for the receipt and processing of principal, interest, or other payments due under the loan. Also, loans are often subject to prepayments from free cash flow of the borrower, which reduce the principal on which the strategy's interest income is calculated.

Distressed or defaulted instruments are generally considered speculative and may involve substantial risks not normally associated with investments in healthier issuers, including adverse business, financial or economic conditions that can lead to defaulted payments and/or insolvency proceedings. If GMOS's evaluation of the eventual recovery value of a defaulted instrument should prove incorrect, the strategy may lose a substantial portion or all of its investment.

- *Natural Resources Risk* – The strategy is particularly exposed to adverse developments affecting issuers in the natural resources sector. In addition, the prices of securities of companies in the natural resources sector may be more volatile than securities of companies in other industries. Some of the commodities used as raw materials or produced by these companies are subject to broad price fluctuations as a result of industry wide supply and demand factors. Companies in the natural resources sector often have limited pricing power over supplies or for the products they sell which can affect their profitability. Companies in the natural resources sector also may be subject to special risks associated with natural or man-made

disasters. In addition, the natural resources sector can be especially affected by political and economic developments, government regulations including changes in tax law or interpretations of law, energy conservation, and the success of exploration projects.

- *Options Risk* – There are various risks associated with transactions in exchange-traded and OTC options. The market value of options written by a strategy will be affected by many factors, including: changes in the value of underlying securities or indices; changes in the dividend rates of underlying securities (or in the case of indices, the securities comprising such indices); changes in interest rates or exchange rates; changes in the actual or perceived volatility of the stocks comprising an index or the stock market generally and underlying securities; and the remaining time to an option's expiration. A strategy that sells put options on stock indices likely will underperform the equity markets in sharply and/or rapidly rising markets.
- *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.
- *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.
- *Prime Brokerage Risk* – To the extent a strategy uses a prime broker to custody its assets, the strategy is subject to the risk that its custodian prime broker (or a third party used by its prime broker to hold the strategy's assets) becomes insolvent, which could delay or prevent the ability of the strategy to access its assets.
- *Real Estate Risk* – Real estate-related investments may decline in market value as a result of factors affecting the real estate industry, such as the supply of real property in particular markets, changes in zoning laws, delays in completion of construction, changes in real estate values, changes in property taxes, levels of occupancy, adequacy of rent to cover operating costs, and local and regional market conditions. The market value of real estate-related investments also may be affected by changes in interest rates and social and economic trends. REITs are subject to the risk of fluctuations in income from underlying real estate assets, poor performance by the REIT's manager and GMOS's inability to effectively manage the cash flows generated by the REIT's assets, prepayments and defaults by borrowers, self-liquidation, adverse changes in tax laws and, with respect to U.S. REITs, their failure to qualify for the special tax treatment granted to REITs under the Internal Revenue Code of 1986 and/or to maintain exempt status under the Investment Company Act.
- *Short Sales Risk* – The strategy may seek to hedge investments or realize additional gains through short sales of securities. The strategy may make short sales "against the



box,” meaning the strategy may make short sales while owning or having the right to acquire, at no added cost, securities identical to those sold short. The strategy incurs transaction costs, including interest, when opening, maintaining, and closing short sales against the box. Short sales against the box protect the strategy against the risk of loss in the value of a portfolio security by offsetting a decline in value of the security by a corresponding gain in the short position. The converse, however, is that any increase in the value of the security will be offset by a corresponding loss in the short position. If the strategy engages in short sales of securities it does not own, it may have to pay a premium to borrow the securities and must pay to the lender any dividends or interest it receives on the securities while they are borrowed. Short sales of securities the strategy does not own involve a form of investment leverage, and the amount of the strategy’s potential loss is theoretically unlimited.

- *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.
- *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.

#### **Item 9. Disciplinary Information**

None.

#### **Item 10. Other Financial Industry Activities and Affiliations**

- A. GMOS is not registered nor does it have an application pending to register as a broker-dealer.
- B. GMOS is not registered nor does it have an application pending to register as a futures commission merchant, commodity trading advisor, commodity pool operator, or an associated person of the foregoing entities. GMO is registered with the Commodities Futures Trading Commission (“CFTC”) 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.* GMOS expects to provide sub-advisory services to GMO in respect of certain of 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). GMO provides management and other services to the series of GMO Trust.

GMOS expects to provide sub-advisory services to GMO in respect of certain of 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.

GMOS expects to provide sub-advisory services to GMO in respect of certain of the GMO Private Funds, which are listed on *Schedule III*. GMO Investment Partners, LLC, a wholly owned subsidiary of GMO, serves as the general partner to one or more of the GMO Private Funds advised by GMO that is expected to be sub-advised by GMOS. GMOS also expects to provide sub-advisory services to GMOA in respect of certain of the GMO Private Funds, which are listed on *Schedule IV*.

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 boards of directors of certain GMO Private Funds that pay fees to GMO, including performance fees. Members and employees also serve as directors of GMOA, who, as the responsible entity for the GMO Private Funds listed on *Schedule IV*, makes decisions on behalf of those funds. In most cases, Members and employees may constitute a majority of the board of directors. GMO Members and employees who serve as officers and/or directors generally have conflicts of interest with the GMO Fund. GMO may also hold the only voting securities issued by a GMO Private Fund and will generally have a conflict in exercising its voting rights.

*Related advisers.* GMO is a U.S. registered investment adviser (File No. 801-15028) located at 40 Rowes 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. Amit Bhartia is a Member of GMO and also an employee of GMOS. GMO's offices include its headquarters in Boston, Massachusetts, and an office in Berkeley, California.

GMO UK Limited ("GMO UK") is a wholly-owned subsidiary of GMO LLC located at No.1 London Bridge, London, England SE19BG. The firm commenced operations in December 2003 and manages or services accounts similar to those managed by GMO in the U.S. Simon Harris and Anthony Hene are Members of GMO and are also employees of GMO UK. Naser Bashir, Edward Chancellor, 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 GMO's clients as agreed with GMO.

GMO Europe LLC ("GMOE") is a wholly-owned subsidiary of GMO located at 40 Rowes Wharf, Boston, MA 02110. The firm is expected to commence operations in January 2014 and is expected to furnish discretionary investment advisory services, predominantly to qualifying investor funds organized in Ireland. GMOE is a Delaware limited liability company. GMOE has filed an application to become a U.S. registered investment adviser.

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 Australasia, LLC, a U.S. registered investment adviser (SEC File No. 801-56449), is a wholly-owned subsidiary of GMO and is located at 40 Rowes Wharf, Boston, MA 02110. GMO Australasia, LLC commenced operations in November 1995 and manages or services Australasian accounts similar to those managed by GMO in the U.S.

GMO Australia Ltd. (“GMOA”) is an indirect wholly owned subsidiary of GMO (owned through GMO Australasia, LLC), 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. GMOA acts as the responsible entity of the GMO Private Funds which are listed on *Schedule IV*.

GMO Australia Partnership is a wholly-owned subsidiary of GMO. 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. Jason Halliwell is the head of the Systematic Global Macro Team, a Member of GMO and an employee of GMO Australia Partnership. Sean Gleason, Craig Louis, Vikram Mundkur, Martin Emery, Karl Kruszelnicki and Jason Phung 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.

GMO Renewable Resources, LLC, a U.S. registered investment adviser (SEC File No. 801-55183), is a majority-owned subsidiary of GMO located at 40 Rowes Wharf, 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 (“RR NZ”) and an indirect wholly owned subsidiary of GMO Renewable Resources, LLC, located at Zens Centre, Level 9, 1135 Arawa Street, Rotorua, New Zealand. RR NZ manages or services non-discretionary accounts similar to those managed by GMO Renewable Resources, LLC in the U.S.

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

*Related commodity pool operator.* GMO is registered with the CFTC as a commodity pool operator.

GMO Investment Partners, LLC, a wholly owned subsidiary of GMO and general partner to several private pooled vehicles advised by GMO and sub-advised by GMOS, is registered with the CFTC as a commodity pool operator.

Affiliates of GMOS also sponsor limited partnerships or other pooled products. Please see the discussion below in Item 11 describing conflicts related to GMOS'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, 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; the consulting firm also recommends GMO to potential clients. Please see Item 14, "Client Referrals and Other Compensation," which describes the arrangement.

Personnel of GMOS and its affiliates (including 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 GMOS or its affiliates' 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. GMOS and its affiliates will, to the extent possible, take steps to mitigate such conflicts if and when they arise.

GMO has a consultancy relationship with Goldfish Capital Advisors Private Limited ("Goldfish") located at One India Bulls Center, Tower 2B, 10th Floor, Elphinstone Road, Mumbai – 400 013, India to provide non-discretionary investment advisory services to GMO, including input into the emerging equities portfolios managed by GMOS and GMO. Goldfish is not an affiliate of nor otherwise related to GMOS or its affiliates.

- D. GMOS 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**

GMOS has adopted a Code of Ethics that is applicable to all of its employees and on-site consultants (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 access persons may, subject to the terms of the Code of Ethics, purchase investments for their own accounts, including the same investments as may be purchased or sold for client accounts, the 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 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. Exceptions from the Code of Ethics may be granted in appropriate circumstances. GMO and its other affiliates have adopted the same Code of Ethics.

GMOS also maintains a Code of Conduct Policy that sets forth GMOS'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 to any client or prospective client upon request.

GMOS also has adopted an Insider Trading Policy and Procedures ("Insider Trading Policy") applicable to all of its personnel, on-site consultants, officers, members 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 reasonably designed to aid GMOS personnel in avoiding insider trading, and to aid GMOS in preventing, detecting and imposing sanctions against, 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. These procedures also include provisions designed to manage the conflicts of interest associated with GMOS personnel's limited use of "expert networks." GMO and its other affiliates have adopted the same Insider Trading Policy.

GMOS's procedures specifically permit GMOS's Chief Compliance Officer ("CCO"), in his or her discretion, to establish temporary ethical screens to control the flow within GMOS and its affiliates of material non-public information received by persons subject to the Insider Trading Policy. The use of a temporary ethical screen may enable GMOS to avoid placing securities of an issuer on a restricted list, whereby GMOS accounts would be prohibited from transacting in securities of such issuer. From time to time, however, based on the relevant facts and circumstances, GMOS's CCO or other designee may deem it necessary or appropriate to restrict trading by GMOS 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 restrict its purchase or sale by GMOS client accounts, including GMOS employee accounts, rendering illiquid any such security already in a client's account until such time as the security is removed from that list. GMO and its other affiliates have adopted the same procedures.

GMOS 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, GMOS has focused on identifying those conflicts that may be most salient. Set forth in this section is a description of certain conflicts that arise in the course of GMOS's activities as well as a description of how GMOS seeks 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 GMOS's business. Please see Item 12, "*Brokerage Practices*," for a description of

GMOS'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 GMOS 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 GMOS, including performance fees. Item 14, "*Client Referrals and Other Compensation*," describes conflicts that may arise with consultants that recommend GMOS to their clients and Item 17, "*Voting Client Securities*" discloses conflicts relating to proxy voting.

*Conflicts related to advisory activities.* GMOS and its affiliates, act as investment adviser to pooled vehicles and separately managed accounts that have similar investment objectives and pursue similar strategies. Certain investments identified by GMOS and its affiliates may be appropriate for multiple clients. Investment decisions for these clients are made by GMOS or its affiliates, in their best judgment, but in their sole discretion, taking into account factors they believe are relevant. Such factors may include investment objectives, regulatory restrictions, current holdings, availability of cash for investment, pending contributions or withdrawals, the size of the investments generally, and limitations and restrictions on a client's account that are imposed by law or by the client (including but not limited to restrictions and limitations resulting from the client having a limited number of trading or other appropriate contractual arrangements in place with counterparties). GMOS and its affiliates generally are 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 GMOS or its affiliates 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 GMOS or its affiliates may cause a client to engage in short sales of or take a short position in an investment owned or being purchased by other client accounts managed by GMOS or its affiliates 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 GMOS or its affiliates did not have a conflict of interest among clients. In effecting transactions, it may not be possible, or consistent with the investment objectives of GMOS's or its affiliates' various clients, to purchase or sell securities at the same time or at the same prices.

In addition, GMO or an affiliate of GMO (but not GMOS) 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.*” GMOS and its affiliates (including their respective members and employees) also may invest in pooled vehicles advised by GMOS or its affiliates or for which an affiliate of GMOS serves as the general partner. At times, especially when a pooled vehicle commences operations, investments by GMOS or its affiliates and their respective members and employees may constitute a substantial percentage of the pool’s total assets. GMOS or its affiliates may have an incentive to favor accounts in which they and/or their Members and employees may own a substantial interest or with respect to accounts from which GMOS or its affiliates may recognize taxable capital gains as the result of earning a performance-based special allocation.

GMOS 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 GMOS or its affiliates act as the investment adviser to accounts, including GMO Funds, that pay performance fees, it gives rise to conflicts of interest for GMOS and its affiliates. The procedures GMOS and its affiliates follow 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.*” When GMOS and its affiliates act as the investment adviser to pooled vehicles that GMOS or its affiliates recommend to clients or, pursuant to the discretionary authority granted to GMOS or its affiliates by a client, in which GMOS or its affiliates cause a client to invest, it gives rise to an additional conflict because GMOS 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 GMOS’ or its affiliates’ fee. To the extent there is an account-level fee payable by the account to GMOS or its affiliates pursuant to its investment advisory agreement, GMOS or its affiliates will generally credit the amount of any advisory and shareholder service fees paid to GMOS or its affiliate by the pooled vehicle in respect of such account’s investment in the pooled vehicle against the account-level fee 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 GMOS or its affiliate will earn more for asset allocation when client assets are allocated among products with a lower average fee) and GMOS or its affiliate may continue to have a financial incentive to cause clients to invest in affiliated pooled vehicles.

To the extent permitted by applicable law, GMOS and its affiliates’ compliance policies and procedures, and a client’s investment guidelines, GMOS and its affiliates may engage in “cross trades” where, as investment manager to a client account, GMOS or its affiliates cause 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 GMOS and/or its affiliates 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 GMOS, its affiliates or their Members and/or employees own a substantial portion of an affiliated pooled vehicle that engages in a principal transaction.

*Conflicts related to information known by or provided to GMOS or its affiliates.* In connection with its activities, GMOS or its affiliates may seek and/or receive information that is not generally available to the public. GMOS and its affiliates are not obligated to make such information available to their clients or to use such information to effect transactions for their clients. Under applicable law, GMOS and its affiliates may be prohibited from improperly disclosing or using such information, including for the benefit of a client. GMOS and its affiliates' 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 GMOS or its affiliates, on behalf of their clients, 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 regarding the Insider Trading Policy and ethical screens procedure.

GMOS may make information about GMO Funds' portfolio positions (including short positions) and other information available to unrelated third parties. Some third parties may use that information to provide additional market analysis and research to GMOS. GMOS 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. Orders for the purchase or sale of securities may be placed on a principal or agency basis with brokers, in GMOS's discretion. In selecting brokers and dealers to effect portfolio transactions, GMOS 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 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. GMOS 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 execution; however, trading with such a broker (as with any and all brokers) will typically be curtailed or suspended in due course if GMOS is not reasonably satisfied with the quality of trade executions, unless or until the broker has altered its execution capabilities in such a way that GMOS can reasonably conclude that the broker is capable of achieving best execution.

The determination of what may constitute best execution involves a number of considerations in varying degrees of emphasis, including, without limitation, the overall net economic result to 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, including but not limited to execution technology; the broker/dealer's



inventory of securities sought; reported broker flow; post-transaction reporting capabilities; the financial strength and stability of the broker/dealer; past bids and willingness to commit capital in the case of principal trades; and the relative weighting of opportunity costs (i.e., timeliness of execution) by different trading strategies. Additionally, regulations in certain markets, particularly emerging markets, require GMOS to identify and trade with one or a limited number of brokers on behalf of clients. Most of the foregoing are subjective considerations made in advance of the trade and are not always borne out by the actual execution.

GMOS'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, GMOS may consider research services provided by broker-dealers and therefore, may select or recommend a broker-dealer based on GMOS's interest in receiving the research rather than on the lowest commission charged. GMOS 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, GMOS 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. In some instances, GMOS 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. As discussed above, GMOS may select a broker based on its technological capability to execute a particular trading strategy. Due to the similarities among brokers in technological execution capabilities and commissions paid, GMOS may determine to diversify trades among brokers selected on this basis.

GMOS relies on the statutory safe harbor in Section 28(e) of the Securities Exchange Act of 1934 because GMOS will frequently use broker/dealers that provide research in all markets and that research is a factor in evaluating broker/dealers. However, GMOS 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 GMOS's out-of-pocket expenses for data or other research services. The research services received by GMOS 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 (including company management), 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 GMOS, GMOS receives a benefit because it does not have to produce or pay for the services itself. Such services

furnished to GMOS may be used in furnishing investment or other advice to all or some subset of GMOS's accounts, and services received from a broker/dealer that executed transactions for a particular account will not necessarily be used by GMOS specifically in servicing that particular account.

Because GMOS 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 GMOS for such information in return for client brokerage. In addition, GMOS 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 GMOS or its affiliates, or may provide other consideration to such institutions or recognized agents. As a result, GMOS may have a conflict of interest in placing its brokerage transactions with those broker-dealers.

With respect to GMO Trust Funds or other sub-advised mutual funds (collectively, the "Mutual Funds"), GMOS will not knowingly place any principal trades through affiliated persons (or affiliated persons of affiliated persons (as defined in the Investment Company Act of 1940, as amended)) acting as broker/dealer. To the extent a broker/dealer is believed to be an affiliated person of GMOS or its affiliates or certain accounts managed by GMOS or its affiliates or to the extent legal or factual uncertainty leads GMOS to treat a broker as such an affiliated person, the Mutual Funds may be adversely affected by GMOS's decision not to enter into principal transactions with such entity on their behalf.

GMOS does not engage in directed brokerage. To the extent that clients place restrictions on counterparties (for example, based on credit rating), lack appropriate contractual arrangements with counterparties, or limit foreign exchange transactions to execution by the clients' custodian bank, there may be fewer eligible counterparties available for trading and execution for those clients.

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

GMOS recognizes that centralized maintenance of a client's futures, exchange-traded options and cleared derivative positions can provide favorable netting of variation margin requirements for the client and provide significant operational efficiencies for the client in reconciling outstanding positions. Consequently, GMOS is prepared to accommodate clients seeking centralization of those functions with the client's clearing broker, provided that GMOS is permitted to enter into "give-up" or similar arrangements with the executing brokers of GMOS's choosing and that such arrangements do not, in GMOS's judgment, affect the ability to achieve overall best execution of these transactions.

GMOS's Policy on Soft Dollars, Directed Brokerage and Commission-Recapture Programs is available upon request.

- B. GMOS currently maintains two trading desks, each of which is primarily dedicated to the following investment divisions (together with the investment divisions of GMOS's affiliates, also known as the "Investment Teams"):

Emerging Markets Equity  
Systematic Global Macro

However, GMOS's Investment Teams may also use trading desks maintained by GMO or one of its affiliates that are not primarily associated with GMOS's Investment Teams to trade certain types of securities or to assist in the implementation of discrete portfolio management styles. Similarly, GMO's and its other affiliates' Investment Teams may use GMOS's trading desks to trade certain types of securities or to assist in the implementation of discrete portfolio management styles. For example, GMO's Asset Allocation Team may trade equities through the Emerging Markets Equity Team's trading desk. For information regarding the Systematic Global Macro Team and GMO Australia Ltd., please refer to Item 10, "*Related Advisers*." GMOS may introduce new trading desks from time to time.

Trades are generated by different investment theses. Each investment thesis may be assigned a corresponding execution benchmark (*e.g.*, price at the time of order arrival, market closing price, volume weighted average price over some specified period) (each, a "trading strategy" and collectively, "trading strategies"). Certain trading strategies place relatively greater emphasis on speed of execution and less emphasis on price, while others place greater emphasis on price (or impact on market price) and less emphasis on speed of execution. Trading strategies may be designed to be executed in a matter of an hour or less, several hours, over the course of a trading day, or over a multi-day period. Therefore, trades generated by one trading strategy may be completed before those of another trading strategy - even where the strategies are initiated at the same time or the slower trading strategy is initiated first. As a result, the speed of order fulfillment, and corresponding execution price achieved for a subsequent order, may be different from pre-existing orders with the execution pricing achieved on a particular order being either above or below the execution pricing achieved on pre-existing orders, which may take longer to fill. Additionally, trading strategies implementing 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 other trading strategies. Finally, varying investment theses that may invest in the same securities may involve trading

strategies that trade at different times throughout the day or month. Because of the foregoing, certain strategies, which 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. GMOS's trade allocation procedures may include blocking/aggregating orders, limiting the volume of subsequent orders, or subsequent back-testing. GMOS'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 Team trading through another Investment Team's trading desk, for most securities transactions, GMOS and its affiliates do not coordinate among their separate trading desks. Where possible, prior to the open of the relevant market, trades are aggregated for accounts that are being traded by a single trading desk to implement a similar trading strategy 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 Investment Teams are applying the same trading strategy on any given day, with the relevant clients receiving the same price for trades executed through the same broker on the same day. GMOS may determine to exclude accounts with small order sizes from a particular trade order if GMOS believes that trading costs would outweigh the benefits of trading.

As noted above, different trading strategies may utilize different brokers, even when executed through a single trading desk, and will often receive different prices and potentially pay different commissions rates. Likewise, one trading desk may be executing one trading strategy while another trading desk may be simultaneously executing a different trading strategy 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. 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 allocated on a pro-rata basis, allocated through use of a randomizer, or allocated on some other basis consistent with the goal of giving all clients equitable opportunities over time. Specific procedures vary among the trading desks. Market limitations (especially in the case of emerging markets where the broker typically is required to have greater involvement in allocations) and other practicalities may require special treatment. If an order placed by a trading desk is filled at varying prices, client accounts subject to the same trading 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 one trading strategy 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 two trades will be treated as distinct trades not subject to the discussion above regarding orders that are filled at varying prices. In those cases, these trades 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 (collectively, “limited opportunities”), GMOS’s and its affiliates’ 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. 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 give all accounts using the same trading strategy equitable opportunities for allocation over time. There may also be situations where a limited opportunity is theoretically eligible for investment by multiple accounts but GMOS determines that the limited opportunity is an appropriate investment for only some of the accounts (including, perhaps, those on which GMOS or its affiliates charge a performance fee). Many of GMOS’s and its affiliates’ investment strategies focus on seasoned issuers, and consequently those strategies that generate most of the brokerage commissions may participate less frequently in limited opportunities even though they may generate significant brokerage commissions or good will that may make it possible for other strategies to receive greater allocations of limited opportunities.

There may be legal or contractual limits on the number of accounts sponsored by GMOS and its affiliates that can purchase shares or certain classes of shares (e.g., locally-traded shares) of an issuer. Generally, GMO Trust Funds will be given priority and other clients may be precluded from participation in those instances.

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

- A. GMO Funds are subject to regular review by members of the Investment Teams. Members of the Investment Teams report regularly to the Boards of Trustees of the GMO Mutual Funds. Members of the relevant Investment Teams also report regularly to the Boards of Directors of those GMO Private Funds organized as Bermuda corporations and the Boards of Directors of the GMO Private Funds domiciled in Ireland.

Client Relationship Managers (“CRMs”) and members of the Investment Teams generally review on a periodic basis client accounts, including those invested in GMO Funds through separately managed accounts. 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.

- B. In addition to the regular review performed by members of the relevant Investment Teams, factors that may trigger a review include, but are not limited to, changes in market or economic conditions; changes in information regarding particular issuers; purchases and sales of securities; and changes in a client’s needs communicated to GMOS. Client requests may also trigger a review. 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 Investment Teams are expected to participate in client account reviews as needed.

- C. GMOS provides written reports to clients at various frequencies including daily, monthly, quarterly, and annually or in response to heightened market interest. A client report will contain some or all of the following components: account performance, change in market value, cost, estimated fees, attribution analysis, mandate review, investment review, profile summary, holdings, and process review.

The Boards of Trustees of the GMO Mutual Funds, the Board of Directors of the GMO Private Funds incorporated in Bermuda and the Boards of Directors of the GMO Private Funds domiciled in Ireland periodically receive reports that include a summary of relevant market conditions that have affected selected portfolios during the reporting period and that may affect these portfolios in the future. These Boards also have the opportunity to review performance of all relevant portfolios at the time of their respective meetings. The Board of Directors of GMOA has the opportunity to review the performance of those GMO Private Funds for which GMOA acts as responsible entity at the time of its meetings,

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

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

Certain GMO Private Funds have appointed Funds Distributor LLC as placement agent. Funds Distributor LLC processes transactions but does not solicit clients. The compensation paid to Funds Distributor LLC may be paid by GMO or out of the relevant Fund's assets, or as a sales charge or other fee on the purchase or withdrawal of Fund interests.

GMOS 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 GMOS 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 potentially recommends GMOS to potential clients. GMOS does not make payments to consultants or financial services firms conditioned on favorable evaluations of GMOS 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 GMOS and may therefore operate as if they are faced with a conflict of interest. GMOS may also waive investment minimums for clients, including clients of consultants or financial services firms. Clients should inquire of their consultants or other advisers as to whether GMOS 1) waived investment minimums for their clients or 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 GMOS.

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

In general, GMOS takes steps to avoid having custody of client funds and securities. Most of GMOS's clients with separately managed accounts engage third-party custodians to maintain custody of their funds and securities, and GMOS's authority with respect to such funds and securities is generally limited to issuing instructions to the client's custodian to effect or to settle trades. GMOS has no control over clients' third-party custodians.

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

GMOS accepts authority to manage client assets on a discretionary basis. In general, clients enter into a written investment advisory agreement with GMOS, which sets forth the parties' responsibilities and the scope of GMOS's authority over the client's account. The standard of care applicable to GMOS and the agreed upon methodology for calculating damages, if any, are set forth in the investment advisory agreement. Unless otherwise provided, and where appropriate, GMOS may net 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," GMOS'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. Such investment limitations vary from one account to another and may include, but are not limited to, diversification requirements, benchmark deviation, industry concentration, restrictions prohibiting the purchase of certain securities or securities of certain types of issuers, prohibiting investments in certain countries or markets, and prohibiting the employment of certain investment strategies or techniques (e.g., derivatives).

Decisions to buy and sell portfolio securities for each of GMOS's investment advisory clients are made by GMOS 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 GMOS'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 GMOS clients even though it could have been bought or sold for other clients at the same time. 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. Additionally, an Investment Team may share investment ideas with one or more other Investment Teams and/or may manage a portion of another Investment Team's client accounts.

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

For clients who have delegated responsibility for proxy voting to GMOS, GMOS has adopted proxy voting policies and procedures. In some instances, GMOS may agree to implement a client's own proxy voting policy. GMOS has engaged a third party service provider to be its proxy voting agent. GMOS's policies and procedures describe its proxy voting guidelines, the administration of the proxy voting process, how conflicts of interest will be addressed and recordkeeping requirements. Clients who have delegated responsibility for proxy voting to GMOS, whether according to GMOS's proxy voting policies and procedures or according to

such clients' own proxy voting policies and guidelines, may contract for the right to direct GMOS's vote in a single, particular solicitation. A copy of GMOS's Proxy Voting Policy is available on request.

In instances where GMOS has the responsibility and authority to vote proxies on behalf of its clients for shares of GMO Trust, there may be instances where a conflict of interest exists. Accordingly, the policies and procedures provide that GMOS will (i) vote such proxies in the best interests of its clients with respect to routine matters, including proxies relating to the election of Trustees; and (ii) with respect to matters where a conflict of interest exists between GMOS and GMO Trust, such as proxies relating to a new or amended investment management contract between GMO Trust and GMOS, or a re-organization of a series of GMO Trust, GMOS will either (a) vote such proxies in the same proportion as the votes cast with respect to that proxy, or (b) seek instructions from its clients (which may include the governing body of a GMO Fund).

In addition, GMOS considers the following events a potential material conflict of interest with respect to a proxy: (1) GMOS has a business relationship or potential relationship with the issuer; (2) GMOS has a business relationship with the proponent of the proxy proposal; or (3) GMOS personnel 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 that GMOS is aware of a potential material conflict of interest, GMOS will (i) vote such proxy according to its guidelines; (ii) abstain; or (iii) seek instructions from the client or request that the client votes such proxy.

The GMO Series Trust has adopted a proxy voting policy under which responsibility to vote proxies related to its portfolio securities has been delegated to GMO. Because each GMO Series Trust Fund invests in a GMO Trust Fund, each GMO Series Trust Fund is obligated under the Investment Company Act of 1940 either to seek instructions from its security holders with regard to the voting of all proxies with respect to its interest in the GMO Trust Fund and to vote such proxies only in accordance with such instructions, or to vote the shares of the GMO Trust Fund held by it in the same proportion as the vote of all other holders of the GMO Trust Fund.

For investors in GMO Trust Funds and GMO Series Trust Funds, information regarding how such Funds voted proxies relating to portfolio securities during the most recent 12-month period ended June 30 is or will be available for the GMO Trust Funds on the GMO website at [www.gmo.com](http://www.gmo.com), for the GMO Series Trust Funds at [www.dc.gmo.com](http://www.dc.gmo.com) and for both on the Securities and Exchange Commission website at [www.sec.gov](http://www.sec.gov) no later than August 31 of each year. For clients invested in GMO Private Funds or separately managed accounts for which GMO has been delegated proxy voting authority, each client may contact its designated CRM to receive information regarding how such fund or account voted proxy securities.

If a client has not given GMOS authority to vote proxies, such client should arrange to receive proxy solicitation materials directly from its custodians or transfer agents. A client may contact its designated CRM with questions regarding a particular solicitation.

For separate accounts, unless explicitly provided to the contrary in the relevant investment management agreement GMOS does not advise clients on the merits of joining class actions or



other litigation relating to securities held in separate accounts and has no direct role with respect to clients' participation in class action settlements. GMOS does not generally serve as lead plaintiff in class action lawsuits. For GMO Funds, GMOS may retain a third party service provider to facilitate participation in class action settlements.

**Item 18. Financial Information**

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

## **SCHEDULE I**

### **GMO Trust Fees and Compensation**

Fund Name	GMO's Annual Advisory Fee	GMO's Service/ Administration Fee	GMO's Total Fee	Fund's Total Net Annual Expenses <sup>1</sup>
GMO Emerging Markets Fund, Class II <sup>2</sup>	0.75%	0.22%	0.97%	1.08%
Class III <sup>2</sup>	0.75%	0.15%	0.90%	1.03%
Class IV <sup>2</sup>	0.75%	0.105%	0.86%	0.99%
Class V <sup>2</sup>	0.75%	0.085%	0.84%	0.94%
Class VI <sup>2</sup>	0.75%	0.055%	0.81%	0.91%
GMO Emerging Countries Fund, Class III <sup>2</sup>	0.65%	0.15%	0.80%	1.19%
Class M <sup>2</sup>	0.65%	0.20%	0.85%	1.48%
GMO Emerging Domestic Opportunities Fund, Class II	0.75%	0.22%	0.97%	1.13%
Class III	0.75%	0.15%	0.90%	1.06%
Class IV	0.75%	0.105%	0.86%	1.02%
Class V	0.75%	0.085%	0.84%	1.00%
Class VI	0.75%	0.055%	0.81%	0.97%
GMO Alternative Asset Opportunity Fund <sup>2/3/4</sup>	0.70%	0.15%	0.60%	0.76%

<sup>1</sup> After expense reimbursement by GMO. For certain Funds, total net annual expenses include expenses paid to service providers other than GMO. Funds' Total Net Operating Expenses are as reflected in Funds' most recent prospectus.

<sup>2</sup> These Funds indirectly bear the fees of underlying GMO Trust Funds in which they invest, which are included in these figures.

<sup>3</sup> Amount represents combined and direct operating expenses of the Fund and its subsidiary.

<sup>4</sup> GMO has contractually agreed to waive the management fee by 0.60% of the Fund's average daily net assets. This waiver will continue through at least June 30, 2014. GMO does not receive a fee for advisory services it provided to GMO Alternative Asset SPC Ltd., however, GMO does receive a fee in connection with advisory services that it provides to GMO Alternative Asset Opportunity Fund which substantially owns all of the outstanding shares of GMO Alternative Asset SPC Ltd.

## **SCHEDULE II**

### **GMO Series Trust<sup>1</sup> Fees and Compensation**

Fund Name	GMO's Annual Advisory Fee <sup>2</sup>	GMO's Administration Fee	GMO's Total Fee	Fund's Total Net Annual Expenses <sup>3/4</sup>
GMO Emerging Countries Series Fund <sup>5</sup>				
Class R4	0.65%	0.05%	0.70%	1.49%
Class R5	0.65%	0.05%	0.70%	1.34%
Class R6	0.65%	0.05%	0.70%	1.24%

<sup>1</sup> All GMO Series Trust Funds indirectly bear the fees of the GMO Trust Funds in which they invest and are included in these figures.

<sup>2</sup> The amount listed under "GMO's Annual Advisory Fee" reflects the management fee paid by the GMO Trust Fund to GMO. The GMO Series Trust Fund does not charge a management fee, but indirectly bears the management fee paid by the GMO Trust Fund in which it invests.

<sup>3</sup> The rates listed under "Fund's Total Net Annual Expenses" includes the shareholder service fee paid to GMO by the GMO Trust Fund in which it invests. The GMO Series Trust does not charge a shareholder service fee, but indirectly bears the shareholder service fee of the GMO Trust Fund in which it invests.

<sup>4</sup> The rates listed under "Fund's Total Net Annual Expenses" includes Distribution and Service (12b-1) fees for the classes as follows: Class R4 0.25%, Class R5 0.10%, Class R6 0.0%.

<sup>5</sup> The Fund had not launched as of August 31, 2013.

### **SCHEDULE III**

#### **GMO Private Fund Fees**

GMO Funds Plc	
GMO Emerging Markets Equity Fund	1.00%
Qualifying Investor Funds Plc	
GMO Systematic Global Macro Fund	1.00% <sup>1</sup>
GMO Systematic Global Macro Fund (Onshore) <sup>2</sup>	1.00% <sup>3, 4</sup>
GMO Systematic Global Macro Fund (Offshore)	1.00% <sup>3, 4</sup>
GMO Systematic Global Macro Master Portfolio	1.00% <sup>3, 4</sup>
GMO Alternative Asset SPC Ltd.	0.00%

<sup>1</sup> In addition, the Investment Manager may enter into separate agreements with investors whereby the Investment Manager may receive: (i) a performance fee from such investors based on the performance of the Fund, including performance fee arrangements based on the Fund's outperformance of inflation or other indices or hurdles other than the Fund's Benchmark, if any; and/or (ii) other fees.

<sup>2</sup> As of August 31, the Fund had not been launched.

<sup>3</sup> GMO or a related party also receives a maximum special allocation of up to 20% of the increase, if any, of the net asset value of each limited partner's capital account (in some cases, over a specified benchmark) for the applicable measurement period.

<sup>4</sup> GMO or a related party receives an advisory fee at an annual rate of: 1.00% on an investor's capital account balances up to \$100 million (inclusive); 0.60% on an investor's capital account balances that are greater \$100 million and less than or equal to \$200 million; 0.50% on an investor's capital account balances that are greater than \$200 million and less than or equal to \$500 million; 0.40% on an investor's capital account balances that are greater than \$500 million and less than or equal to \$1 billion; and 0.30% on an investor's capital account balances that are greater than \$1 billion.

## **SCHEDULE IV**

### **GMOA Private Fund Fees<sup>1</sup>**

GMO Global Equity Trust	0.660% <sup>2</sup>
GMO Hedged Global Equity Trust	0.660% <sup>2</sup>
GMO Emerging Markets Trust	1.160% <sup>2</sup>
GMO Systematic Global Macro Trust	
Class A units	3.075%
Class B units	1.025% <sup>3</sup>
GMO Multi Strategy Trust	1.01% <sup>4</sup>
GMO Multi Strategy Trust (Non Super)	1.01% <sup>4</sup>

<sup>1</sup> Unless otherwise stated, all fees are quoted on an Australian Goods and Services Tax (“GST”) inclusive basis and net of any applicable Reduced Input Tax Credits.

<sup>2</sup> In addition, GMOA may enter into separate agreements with investors whereby GMOA may receive a performance fee from such investors based on the performance of the Trust, including performance fee arrangements based on the Trust’s outperformance of inflation or other indices or hurdles other than the Fund’s Benchmark, if any.

<sup>3</sup> In addition to the management fee Class B units are subject to a performance fee of 20.5% of the Trust’s outperformance over the benchmark and management fee.

<sup>4</sup> In addition to the management fee a performance fee is payable of 20% (plus GST) of the outperformance of the Trust over the Trust’s benchmark after the management fee (excluding GST) is charged.