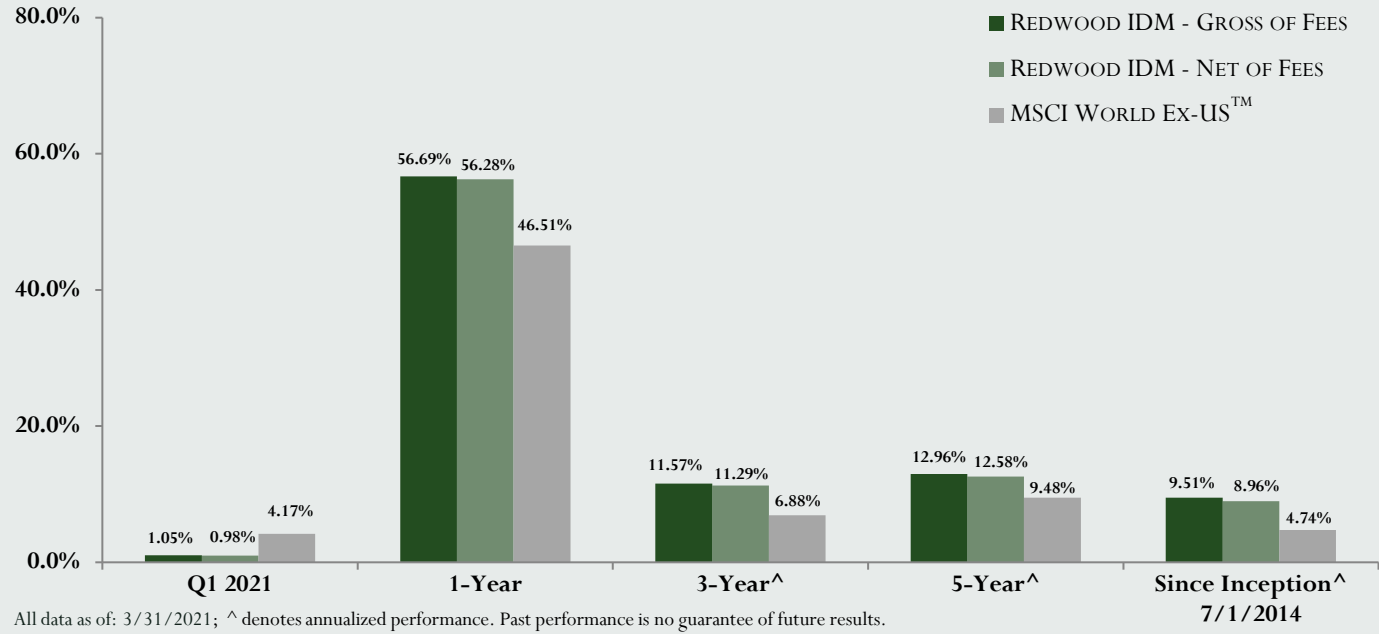
Redwood International Developed Markets

Quarterly Letter, Q1 2021

Redwood International Developed Markets Equity Composite Performance



Market Review

Global equities were broadly rewarded in the first quarter of 2021 with progress towards an end to the COVID-19 pandemic, clarity around the U.S. Presidential and Senate elections, and improving economic indicators fueling the recovery. Within the U.S., COVID-19 inoculations and additional stimulus from the newly seated government provided further support for risk assets with U.S. based assets faring better than their non-U.S. counterparts. Overseas, although smaller company stocks were rewarded over larger caps, ongoing lockdowns in Europe and less progress on vaccinations internationally weighed on performance in these markets.

Over the quarter, the MSCI World ex-USA Small Cap Index climbed +4.97% narrowly outperforming the MSCI World ex-USA Index which rose +4.17%. With more strength in the underlying economy and an increase in yields in the U.S., investors saw a rotation to Value that carried over to the non-U.S. markets. The MSCI World Ex-USA Small Cap Value Index rose +7.65% while the MSCI World ex-USA Growth index rose only +2.02% in the quarter. At the country level, Sweden, the Netherlands, and Norway posted double digit returns, more than twice the return of the MSCI World ex-USA index. The worst performing market in the index was New Zealand which returned -10.89%. Japan, which tends to benefit from a strong value-oriented tailwind, rose +2% in the MSCI World ex-USA Small Cap index.

Portfolio Review

The Redwood International Developed Markets Composite (Gross) returned +1.05% in the first quarter of 2021 versus the MSCI World ex-USA index which returned +4.17%. Within the MSCI World ex-USA index, five sectors outperformed the overall market return led by Energy and Financials which climbed more than +13% and +10% respectively. Healthcare, Consumer Staples, and Utilities sectors had negative absolute returns in the quarter.

Within the Redwood International Developed Markets strategy, Healthcare, Industrials, Utilities and Real Estate contributed positively to absolute return at the sector level. There was a style headwind from the market rotation to Value as stock selection in the Energy, Communication Services, Financials, and Consumer sectors detracted from absolute return in the quarter. At the country level, the style headwind was also present as only five countries contributed positively to relative return led primarily by selection in the Netherlands and Sweden.

Despite overall underperformance relative to the index, the top ten stocks still collectively contributed more to relative return than the bottom ten stocks detracted over the quarter. The top ten contributors to relative return represented a diverse mix of sectors. The position in Evolution Gaming AB was the leading individual contributor to relative return. Evolution is the dominant leader in Live Online Casino Gaming in Europe and the U.S., with a nascent foothold in Asia as well. Evolution enjoys significant scale advantages including the breadth and quality of their games, reliability and operational excellence, and R&D budget to drive innovation. For example, in recent years the company has pioneered an innovative "Game Show" genre to great success. There are two sources of significant operating leverage which contribute to the company's startling and sustainable ~59% EBITDA margin in 2020, up ~900 basis points year over year. The company sells to land-based casino operators, which then provide the games to their clientele. This business-to-business-to-consumer sales model limits Evolution's marketing expense by relying on the casino customers to generate user traffic. As a first mover and dominant player in the space, most casino operators across Europe and increasingly the U.S. are customers. The business also enjoys some of the scale benefits of an internet business, as an Evolution table can support significantly more players than a physical table-game in a brick-and-mortar casino. In early December, the company acquired NetEnt, a leading provider of online slots games. The innovative management team at Evolution is likely to drive meaningful revenue synergies beyond simple cross-selling to existing customers. The company had strong performance following the recent acquisition of NetEnt providing additional synergies to existing business and opening a new vertical for the company in the online gambling segment of the market. We believe this has further secured Evolution's already dominant share of the growing online casino market.

Within the Industrials sector, Signify NV, the Netherlands-based producer and manufacturer of lighting products, systems, and services, rose in the quarter. This company has succeeded amidst a significant industry transition from conventional/incandescent lighting to LED. After suffering a period of stagnant sales and competitive pressure, the conventional lighting business declined to ~22% of company sales in 2019, setting the stage for an improved growth profile going forward. Signify is the global leader in connected lighting solutions, with significant potential for growth and margin improvement over time. Its strong brand is an asset that will become increasingly important as the value added embedded in lighting grows over time. As the headwind from the conventional lighting business abates, the company's Home/Connected businesses will improve the quality of revenue and earnings growth at the company, supporting the rational for a re-rating of the equity value. The company reported strong fourth quarter results with revenues and earnings ahead of management's prior expectations. Performance was stronger in the back half of 2020, and the outlook for 2021 remains upbeat as the pandemic normalizes.

The position in ING Groep NV benefited with other European and global banks from the increasing US Treasury yields during the first quarter. ING Groep, founded in the Netherlands, provides banking, investments, and insurance and asset management services. It reported a strong quarter from growth in investment product-related

fees and continued strength from its digital banking presence. The bank has focused on bringing underlying costs down while also driving a decline in loan loss provisions that has further supported the stock price. With rising yields offering potential upside to estimates from Net Interest Income, and the prospects for reinstatement of dividends after stress tests are complete, there is scope for continued improvement in expectations and value realization.

On the negative side, underperformance from individual stock selection was led by positions in Nice, Ltd., Neste Corporation, and the London Stock Exchange Group Plc. A broad selection of sectors comprised the bottom ten stocks including Information Technology, Energy, Financials, Consumer, Communication Services, Health Care, and Industrials.

Nice, Ltd. is an Israeli software company delivering unified communications software to global enterprises and midmarket customers. The Contact Center as-a-Service (CCaaS) market has been slow to transition to the cloud, with ~80% of seats still serviced through on-premise technology. That transition is accelerating as enterprises invest in their digital transformations and digital native disruptors challenge incumbents in many industries. Since the company's acquisition of InContact in the fourth quarter of 2016, Nice has rapidly expanded its "cloud- segment" growth rates, which now accounts for ~33% of sales and is growing >~25% annually. Its unique CX1 Platform combines modern CCaaS Work Force Optimization and analytics to create a holistic solution for the Enterprise market. We expect that strength in Enterprise and Mid-Market cloud adoption will drive the high-value recurring revenue above consensus over the next 2 years. As the mix shifts from Product to Cloud, the business will support a higher valuation given peer multiples for perpetual license vs. SaaS business models. Over the first quarter of 2021, the company reported revenues in its cloud business that rose ~33% year over year, significantly higher than pre-pandemic growth levels. Given the early stage of Cloud penetration and the company's top-2 position in the CCaaS market, we believe the company should be able to sustain its Cloud segment growth rate for multiple years. Despite this backdrop, the stock lagged in the quarter along with other software companies that pulled back after strong performance.

Neste is a Finnish downstream company that has two main businesses: Renewable Products and Oil Products/Marketing & Services. The company is a leading Northern European oil refiner, with two refineries located on the southern coast of Finland. Neste has a significant retail presence in Finland, where it is the market leader, and in the Baltic States and St. Petersburg region in northwest Russia. Earlier in the decade, Neste began to significantly expand its renewable diesel ambitions and now operates three plants in Finland, the Netherlands, and Singapore. Renewable Products is a global business with Neste sourcing waste and residue feedstocks from around the world. Europe and North America, specifically California, comprises an important proportion of its sales. A producer and seller of second generation renewable fuels, the company has significant pricing power and has held a dominant position in the segment. However, the stock underperformed after management reported healthy margins in 2020 that could be difficult to replicate in 2021. With a robust valuation and some increased competition, this weighed on the stock.

The position in London Stock Exchange plc, a global financial markets infrastructure services provider, declined in the quarter. The company's businesses include FTSE Russell index data, post-trade services and capital markets. Although the company delivered strong 2020 performance, the stock underperformed as investors worried about the wisdom and acquisition of Thomson Reuters, which combines the exchange and index assets with financial data services. Although this model has proven profitable for peers, management reduced previously communicated cost synergies in conjunction with the closing of the transaction, which suggested less confidence in the financial outlook.

OUTLOOK

COVID-19 vaccination campaigns are in place in most major economies, and we expect a cascading positive effect of unwinding social distancing protocols and restrictions put in place during the height of the pandemic. Global GDP growth will likely enjoy significant tailwinds over the next 6-8 quarters, as various regions inflect positively at different times based on vaccination campaigns and economic policy. More specifically, economic data, consumer surveys, and discussions with management teams suggest that consumers have pent up demand for a return to leisure travel and vacations, dining, and other recreational activities. At the same time, the impacts of loose monetary policy, fiscal stimuli and broad supply chain disruptions permeate the global economy, we have become more focused on the potential for accelerating inflation and its varying effects.

While we remain confident in the consumer recovery and the potential for a sustained pickup in manufacturing, we continue to evaluate the potential risks associated with inflation and other factors such as the vaccine rollout coupled with the risk of new COVID-19 strains. We have continued to own more growth cyclical exposure within the Industrials and Consumer Discretionary sectors while remaining underweight undifferentiated commodity-driven businesses which do not meet our quality hurdle. Given the variability in the economic impact of the pandemic and divergences in the pace and success of national vaccination campaigns, we are mindful of the uncertainties that could result from this prolonged pandemic era. With the risk of inflation and an overheated economy rising, the risk of the Federal Reserve "tapering" is real. As such, we do not simply buy undifferentiated risk assets. Rather, we will continue to build the portfolio through a bottom-up, stock-by-stock process to identify attractively valued companies with durable competitive advantages which position them to benefit from the normalization of the economy, and to be resilient to any setbacks.

Redwood International Developed Markets

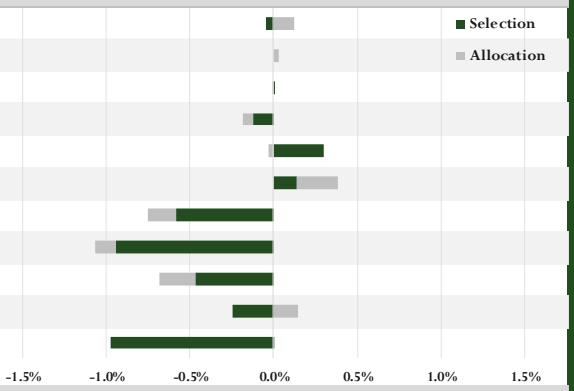
Portfolio Attribution, Q1 2021

Top 10 Contributors	Average Weight	Total Return	Relative Contribution
Evolution Gaming Group AB	2.90%	45.15%	1.04%
Signify NV	2.64%	22.29%	0.55%
ING Groep NV	2.06%	32.64%	0.51%
ASML Holding NV	3.13%	24.92%	0.40%
BioNTech SE Sponsored ADR	1.27%	33.94%	0.34%
Atlas Copco AB Class A	2.25%	18.94%	0.34%
Telefonaktiebolaget LM Ericsson Cl. B	2.89%	12.18%	0.33%
Recruit Holdings Co., Ltd.	2.64%	16.96%	0.32%
Intermediate Capital Group plc	3.32%	7.72%	0.24%
Macquarie Group Limited	2.38%	8.93%	0.18%
Total	**25.48%**		**4.26%**

Bottom 10 Contributors	Average Weight	Total Return	Relative Contribution
NICE Ltd	2.56%	-22.76%	-0.59%
Neste Corporation	2.25%	-26.09%	-0.56%
London Stock Exchange Group plc	1.78%	-22.24%	-0.39%
adidas AG	2.46%	-14.16%	-0.32%
Nintendo Co., Ltd.	2.85%	-11.02%	-0.31%
Worldline SA	2.27%	-13.25%	-0.30%
Amplifon S.p.A.	2.71%	-10.43%	-0.27%
Ritchie Bros. Auctioneers Incorporated	1.42%	-15.49%	-0.25%
Lonza Group AG	1.95%	-12.75%	-0.22%
Budweiser Brewing Co. APAC Ltd.	2.19%	-9.62%	-0.22%
Total	**22.44%**		**-3.43%**

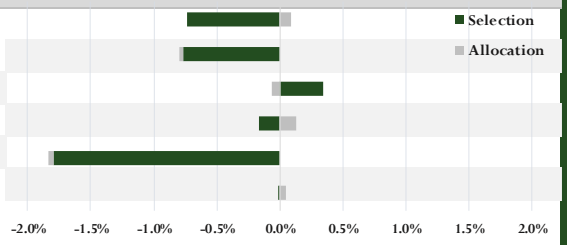
Sector Attribution	Average Weight	Total Return
Communication Services	6.6%	-10.14%
Consumer Discretionary	19.5%	4.85%
Consumer Staples	12.0%	-6.35%
Energy	2.2%	-26.09%
Financials	15.8%	7.24%
Health Care	8.0%	-2.27%
Industrials	13.4%	7.34%
Information Technology	14.6%	1.23%
Materials	5.2%	3.58%
Real Estate	0.0%	0.00%
Utilities	0.8%	-10.57%

Contribution to Relative Return



Region Attribution	Average Weight	Total Return
Australia - New Zealand	2.8%	6.58%
English	23.2%	-0.75%
Far East	16.9%	1.77%
Northern Europe	24.1%	3.76%
Southern Europe	5.3%	-10.55%
Western Europe	25.8%	1.91%

Contribution to Relative Return



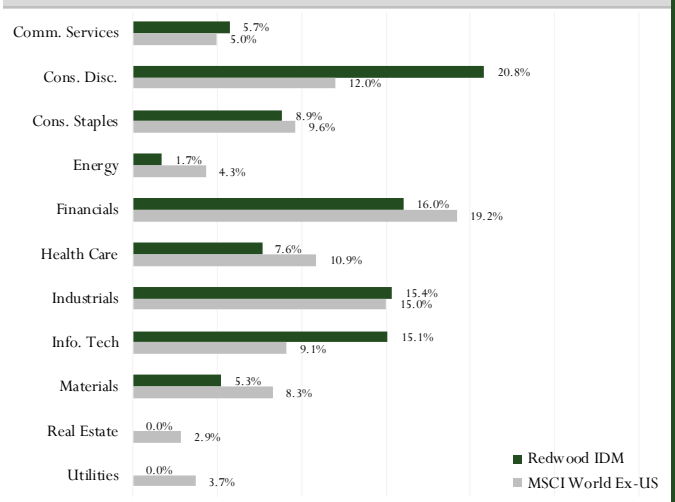
The data presented on this slide is based on a representative account. The characteristics, asset size, composition, and risk characteristics of the proposed account may differ from the composite depicted in the presentation. Therefore, it cannot be assumed that another account would have the same performance or holdings even if following the same strategy. This representative account was chosen as its inception date coincides with the inception date of the strategy and therefore in our view, it is the account within the strategy which most comprehensively reflects the portfolio management style of the strategy for the entire time period. Recommendations made in the last 12 months are available upon request. Past performance does not guarantee future results. Please refer to the Disclosure Statements at the end of this presentation for additional information.

Redwood International Developed Markets

Portfolio Positioning As of 3/31/2021

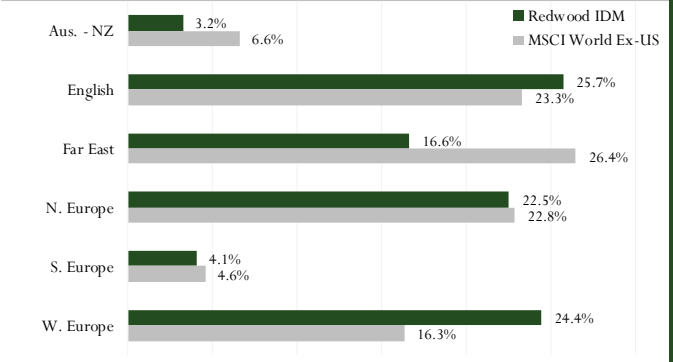
Portfolio Characteristics	Redwood IDM	MSCI World Ex-US
# of Securities	45	965
Weighted Avg. Market Cap. (M$)	$58,528	$70,546
P/E - FY1	25.6	17.3
P/E - FY2	22.5	15.6
FCF Yield - FY1	2.5%	3.9%
EPS Growth - Historical 3 Year	6.6%	2.1%
EPS Revisions 6 Months - FY1	30.4%	30.1%
EPS Revisions 6 Months - FY2	23.0%	19.0%
ROE - FY1	19.4%	10.4%
ROIC - FY1	30.7%	12.3%
Operating Margin - FY1	20.7%	12.7%
Beta: Predicted / Historical	1.11 / 1.06	
Tracking Error/Active Risk	6.83	
Active Share	90.6%	
Stock Specific Risk	41.3%	

Sector Allocation



Top 10 Holdings	Portfolio Weight	Active Weight
Evolution Gaming Group AB	3.60%	3.46%
ASML Holding NV	3.45%	2.02%
Intermediate Capital Group plc	3.38%	3.38%
Nippon Sanso Holdings Corporation	3.09%	3.07%
Embracer Group AB Class B	3.09%	3.09%
L'Oreal SA	3.05%	2.51%
Telefonaktiebolaget LM Ericsson Cl. B	3.02%	2.81%
Coca-Cola HBC AG	2.95%	2.91%
Signify NV	2.90%	2.90%
LVMH Moet Hennessy Louis Vuitton SE	2.86%	1.84%
Total	**31.39%**	**28.00%**

Region Allocation



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Reference to the Performance Table on Page 1 of this quarterly letter: The International Developed Markets Composite includes all fee paying discretionary portfolios invested in non-U.S. securities across growth, blend, and value styles. The strategy allows for equity exposure ranging between 90-100%. The account minimum for the composite is $150,000. The benchmark for the International Developed Markets Composite is the MSCI World Ex-USA Index, Gross. The MSCI World ex USA Index captures large and mid-cap representation across 22 of 23 Developed Markets (DM) countries, excluding the United States. With 1,020 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country. This Index has been selected for comparison purposes only. Client account holdings may differ significantly from the securities in the indices and the volatility of the index may be materially different from client account performance. You cannot invest directly in an index. The International Developed Markets Composite was created on July 1, 2014.

REDWOOD INTERNATIONAL DEVELOPED MARKETS

COMPOSITE PERFORMANCE AND GIPS DISCLOSURES

REDWOOD INVESTMENTS INTERNATIONAL DEVELOPED MARKETS EQUITY COMPOSITE

Year	Gross of Fees	Net of Fees	MSCI World Ex-US	Number of Portfolios	Composite Dispersion	Total Composite Assets (Thousands)	Total Firm Assets (Thousands)	3 Year Standard Deviation	Benchmark 3 Yr. Standard Deviation
2019	25.84	25.56	23.16	20	0.38	$628,665	$1,982,217	12.58	10.77
2018	-12.98	-13.19	-13.64	21	0.51	$526,669	$1,802,650	13.29	11.09
2017	32.07	31.78	24.48	16	0.30	$590,463	$2,208,766	11.55	11.73
2016	-1.45	-2.42	3.29	5 or fewer	NA	$55,668	$1,254,124	NA	NA
2015	7.13	6.11	-2.60	5 or fewer	NA	$1,265	$1,022,490	NA	NA
2014^	-5.25	-5.68	-9.12	5 or fewer	NA	$511	$734,498	NA	NA

NA – Information is not statistically meaningful due to insignificant number of portfolios in the composite. Standard deviation is not required for composites that contain 5 or fewer portfolios.
^ denotes period from July 1, 2014 to December 31, 2014 ***2020 GIPS data is currently in verification process.**

Redwood Investments, LLC claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Redwood Investments, LLC has been independently verified for the periods 1 January 2005 through 31 December 2019. The verification report is available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation. GIPS® is a registered trademark owned by CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein. To obtain GIPS® compliant performance information for the firm's strategies and products, please contact Redwood Investments, LLC at (617) 467-3000.

Notes:

1. Redwood Investments, LLC is an investment manager that invests in U.S. and International securities. Redwood Investments, LLC is defined as an independent investment management firm that is not affiliated with any parent organization. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.
2. Composites: Redwood International Developed Markets: The International Developed Markets Composite includes all fee paying discretionary portfolios invested in non-U.S. securities across growth, blend, and value styles. The strategy allows for equity exposure ranging between 90-100%. The account minimum for the composite is $150,000. The benchmark for the International Developed Markets Composite is the MSCI World Ex-USA Index, Gross. The MSCI World ex USA Index captures large and mid-cap representation across 22 of 23 Developed Markets (DM) countries, excluding the United States. With 1,020 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country. This Index has been selected for comparison purposes only. Client account holdings may differ significantly from the securities in the indices and the volatility of the index may be materially different from client account performance. You cannot invest directly in an index. The International Developed Markets Composite was created on July 1, 2014.
3. Valuations are computed and performance is reported in U.S. dollars.
4. Gross-of-fees returns are presented before management and custodial fees but after all trading expenses. Composite and benchmark returns are presented net of non-reclaimable withholding taxes. Net-of-fees returns are calculated by deducting actual management fees from the gross composite return. The standard management fee schedule is as follows: 1.00% on the first $5 million, 0.85% on the next $5 million, and 0.75% on the remainder above $10 million. Fees are negotiable.
5. A complete list of composite descriptions is available upon request.
6. Dispersion is measured by the equal-weighted standard deviation of annual gross returns of those portfolios that were included in the composite for the entire year. For periods prior to January 1, 2018, dispersion presented is measured by the asset-weighted standard deviation of annual gross returns of those portfolios that were included in the composite for the entire year.
7. The three-year annualized standard deviation measures the variability of the composite and the benchmark returns over the preceding 36-month period. The standard deviation is not presented for periods marked "NA" because the composite does not have 36 monthly returns available.

IMPORTANT EXPLANATORY INFORMATION

The information contained in this presentation should not be construed as investment advice. The views expressed in this material are subject to change with market conditions. This material is not intended to be a determination that a particular product or service is suitable for any individual or institutional investor. Past performance may not be indicative of future results. Therefore, no current or prospective client should assume that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by Redwood) referenced directly or indirectly by Redwood on its website or within this presentation, or indirectly via a link to an unaffiliated third party web site, will be profitable or equal the corresponding indicated performance level(s). Different types of investments involve varying degrees of risk, and there can be no assurance that any specific investment will either be suitable or profitable for a client or prospective client's investment portfolio. Historical performance results for investment indices and/or categories do not reflect the deduction of transaction and/or custodial charges, the deduction of an investment management fee, nor the impact of taxes, the incurrence of which would have the effect of decreasing historical performance results. Performance figures are presented as Gross of Fees (before the deduction of investment management fees) and Net of Fees (after the deduction of investment management fees), and net of trading costs and custodial costs. The performance figures reflect the performance of the referenced composite; a composite is a collection of fully discretionary, equity only separate accounts including cash. A client's actual performance return will be reduced by investment management fees and any other fees. A detailed description of Redwood's investment management fees is described in our Form ADV Part II, and is available upon request. Specific securities identified and described do not represent all of the securities purchased, sold, or recommended for advisory clients, and the reader should not assume that investments in the securities identified and discussed were or will be profitable. The companies listed represent a sample of the companies that Redwood employees have researched in the past 18 months. There is no assurance that any securities discussed in this presentation will remain in the portfolio at the time you receive or read this presentation, or that securities sold have not been repurchased. A complete list of recommendations for the last 12 months is available upon request. The 'Contribution' to portfolio performance of a security is calculated by multiplying its portfolio weight by its price change. A 'Detractor' is defined as having a negative contribution, while a 'Contributor' will have a positive contribution.