QUARTERLY INVESTMENT REVIEW

Emerging Country Debt Fund

RETURNS (%) (USD)

	Cumulative (%)		Annualized (%)				
	QTD	YTD	1 Year	3 Years	5 Years	10 Years	ITD
Net of Fees (Class III)	3.39	5.29	11.29	-1.05	1.26	3.59	11.73
Gross of Fees (Class III)	3.53	5.57	11.89	-0.51	1.80	4.15	12.35
J.P. Morgan EMBI Global Diversified +	2.19	4.09	7.39	-3.11	0.45	2.41	8.18
Value Added (vs. J.P. Morgan EMBI Global Diversified +)	1.20	1.20	3.91	2.06	0.81	1.17	3.56

Major Performance Drivers

The J.P. Morgan EMBI Global Diversified + (EMBIG-D) benchmark index returned +2.2% in the second quarter of 2023, bringing the year-to-date total return to +4.1%. Driving index returns, the benchmark's spread over Treasuries tightened by 52 bps during the quarter, finishing at 432 bps and resulting in a +4.0% spread return. Partly offsetting index gains, the 10-year Treasury yield rose by 37 bps to 3.84%, resulting in a -1.7% interest rate return.

The portfolio had positive alpha from country selection in the second quarter, while security selection was negative. Within country selection, overweight positions in Tunisia (+19.4% total return) and Argentina (+16.8%) drove gains during the quarter. While unable to fully offset gains, an overweight position in Egypt (-2.5%, the EMBIG-D's worst performer for the quarter) and an underweight in Pakistan (+42.0%, the EMBIG-D's best performer for the quarter) contributed negatively.

In terms of security selection, the choice of holdings in Tunisia, followed by Mexico, were notable detractors during the quarter. Partly offsetting security selection losses, the choice of holdings in Brazil, Argentina, and Colombia were notable contributors. The portfolio had negative alpha from holdings of instruments in off-benchmark countries, which we consider security selection. The most notable negative contributor in this category was Venezuela, though positive contributions from the Bahamas and Belarus partly offset losses. Within quasi-sovereign security selection, the portfolio had notable contributions from Saudi Arabia and India, though Mexico and Chile detracted.

Entering the third quarter of 2023, the portfolio's largest overweights are Argentina, Bahrain, and the Dominican Republic, while the largest underweights are China, Qatar, and Brazil. The portfolio had a few major changes in country exposures during the quarter. Notably, in duration-adjusted terms, the portfolio's overweight position relative to the benchmark in Poland flipped to an underweight. Additionally, the portfolio's overweight positions in Tunisia and Turkey shrank, while overweight positions in South Africa, Argentina, and Bahrain grew.

Inception Date: 19-Apr-94

Risks: Risks associated with investing in the Fund may include: (1) Credit Risk: 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 obligation to pay principal and interest or otherwise to honor its obligations in a timely manner. (2) Market Risk - Fixed Income: The market price of a fixed income investment can decline due to market-related factors, including rising interest rates and widening credit spreads, or decreased liquidity due to market uncertainty about the value of a fixed income investment (or class of fixed income investments). In addition, the market prices of emerging country sovereign and quasi-sovereign debt instruments can decline due to uncertainty about their credit quality and the reliability of their payment streams. (3) Illiquidity Risk: Low trading volume, lack of a market maker, large position size, or legal restrictions may limit or prevent the Fund from selling particular securities or closing derivative positions at desirable prices. For a more complete discussion of these risks and others, please consult the Fund's prospectus.Annualized Returns may include the impact of purchase premiums and redemption fees. Returns shown for periods greater than one year are on an annualized basis. To obtain performance information to the most recent month-end, visit www.gmo.com. **Performance data quoted represents past performance and is not indicative of future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance data may be lower or higher than the performance data provided herein.** If certain expenses were not reimbursed, performance would be lower. Transaction costs, if any, are paid to the fund to offset the cost of portfolio transactions to invest or raise cash. **Net Expense Ratio: 0.54%; Gross Expense Ratio: 0.54% Net Expense Ratio reflects the reduction of expenses from fee reimbursements. The fee reimbursements will continue until at least June 30, 2024. Elimination of this reimbursement will result in higher fees and lower performance. Gross Expense Ratio is equal to the Funds Total Annual Operating Expenses set forth in the Funds most recent prospectus dated June 30, 2023.**

QUARTERLY INVESTMENT REVIEW

PRODUCT OVERVIEW

The GMO Emerging Country Debt Fund's objective is total return in excess of that of its benchmark, the J.P. Morgan Emerging Markets Bond Index Global Diversified (EMBIG-D). The Fund invests primarily in external debt of sovereigns and quasi-sovereigns.

GMO's Emerging Country Debt team focuses on bottom-up issue selection, seeking to find issues with similar default characteristics but better long-term total return potential than the issues in EMBIG-D. We believe that our approach provides long-term, value-oriented clients with the best chance for total return in this asset class and differentiates us from other emerging debt managers who focus on economic forecasting, market timing, and other macro/top-down approaches.

IMPORTANT INFORMATION

Benchmark(s): The J.P. Morgan EMBI (Emerging Markets Bond) Index Global Diversified + is an internally maintained benchmark computed by GMO, comprised of (i) the J.P. Morgan EMBI+ Index through 12/31/1999, (ii) the J.P. Morgan EMBI Index Global through 2/28/2020, and the J.P. Morgan EMBI Index Global Diversified (iii) thereafter.

ABOUT GMO

Founded in 1977, GMO is a global asset manager committed to delivering superior performance and advice to our clients. We are privately owned, which allows us to singularly focus on our sole business – achieving outstanding long-term client investment outcomes. Offering multi-asset, equity, fixed income, and alternative strategies, we invest with a long-term, valuation-based philosophical approach.

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