

QUARTERLY INVESTMENT REVIEW

Emerging Country Debt UCITS Fund

RETURNS (%) (LOCAL)

	Cumulative (%)		Annualized (%)				
	QTD	YTD	1 Year	3 Years	5 Years	10 Years	ITD
Net of Fees Fund (USD Class F)	3.61	5.52	11.74	-1.15	-	-	2.68
Gross of Fees Fund (USD Class F)	3.67	5.65	12.06	-0.85	-	-	2.99
J.P. Morgan EMBI Global Diversified	2.19	4.09	7.39	-3.11	-	-	1.01
Value Added (vs. J.P. Morgan EMBI Global Diversified)	1.43	1.43	4.36	1.95	-	-	1.67

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 posted a small 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, Ukraine, and Colombia were notable contributors. The portfolio had positive alpha from holdings of instruments in off-benchmark countries, which we consider security selection. The most notable positive contributor in this category was the Bahamas, followed by Belarus. Within quasi-sovereign security selection, the portfolio had notable contributions from Ukraine, though Mexico and Chile detracted.

Entering the third quarter of 2023, the portfolio's largest overweights are Bahrain, South Africa, and the Dominican Republic, while the largest underweights are China, Qatar, and the United Arab Emirates. 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 Bahrain, South Africa, and Argentina grew.

Inception Date: 1-Apr-20

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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. Net of all fees and expenses after reimbursement by the Manager, but not transaction costs, if any. If certain expenses were not reimbursed, performance would be lower.

QUARTERLY INVESTMENT REVIEW

PRODUCT OVERVIEW

The GMO Emerging Country Debt UCITS Fund's objective is total return in excess of that of its benchmark, the J.P. Morgan Emerging Markets Bond Global Diversified Index (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.

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IMPORTANT INFORMATION

Benchmark(s): The J.P. Morgan EMBI (Emerging Markets Bond) Global Diversified Index is an independently maintained and widely published uniquely weighted U.S. dollar-denominated emerging markets sovereign index comprised of Brady bonds, Eurobonds, traded loans, and market debt instruments issued by sovereign and quasi-sovereign entities.

An investor should consider the fund's investment objectives, risks, charges and expenses before investing. This and other important information can be found in the funds prospectus. To obtain a prospectus please visit www.gmo.com. Read the prospectus carefully before investing.

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Investors and potential investors can also obtain the prospectus and key investor information, in English and other languages, and a summary of investor rights and information on access to collective redress mechanisms at the following website: <https://www.gmo.com/europe/product-index-page/fixed-income/emerging-country-debt-strategy/emerging-country-debt-ucits-fund/>

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This advertisement has not been reviewed by the Monetary Authority of Singapore.

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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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