

QUARTERLY INVESTMENT REVIEW

Emerging Country Local Debt Strategy

Performance returns (USD)

ANNUALIZED RETURNS (QUARTER-END)	Quarter-End	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
Emerging Country Local Debt Strategy (net)	-1.80	-1.80	15.50	2.76	2.59	0.92	1.79
Emerging Country Local Debt Strategy (gross)	-1.61	-1.61	16.37	3.53	3.37	1.68	2.71
J.P. Morgan GBI-EM Global Diversified+	-2.12	-2.12	4.91	-1.60	0.13	-0.32	1.77
Value Add	+0.32	+0.32	+10.60	+4.36	+2.46	+1.24	+0.02

Major Performance Drivers

The J.P. Morgan GBI-EM Global Diversified Index + (GBI-EMGD) returned -2.1% during the first quarter of 2024. Local bond performance was positive (0.7%, with returns of 0.2% when hedged into U.S. dollars), while spot currency performance was negative (-2.8%). The comparable figures for foreign developed market bonds were more negative in Q1, with -0.6% for local bonds (0.0% hedged), and spot FX performance was also negative with -3.8%. The dollar strengthened against other major currencies in Q1, and emerging market exchange rates weakened against the dollar.

The portfolio outperformed the benchmark in the first quarter, with the portfolio deriving positive alpha from interest rate market selection and instrument selection. In interest rate market selection, the portfolio's overweight positions in Uruguay (5.1% total local return and best performer during Q1) and Malaysia (1.1%), and underweight positions in Turkey (0.1%) and Chile (-0.8%) drove alpha during the quarter. While unable to fully offset gains, an underweight position in Thailand (2.0%) and an overweight position in South Africa (-1.9%) detracted.

Currency selection performance was slightly positive in Q1. The most notable contributors to positive alpha were our overweight positions in the Mexican peso (1.9%) and Uruguayan peso (4.1% and best performer in Q1), and our underweight positions in the Taiwanese dollar (-4.1%) and Chinese yuan (-1.9%). The portfolio's overweight position in the Chilean peso (-10.9%) and off-benchmark positions in Korean won (-4.4%) and Japanese yen were notable detractors from currency alpha and offset some of the currency gains.

Instrument selection and other portfolio attributes added alpha over the quarter, driven by the portfolio's holding of bonds in benchmark and off-benchmark countries, which we consider instrument selection. Colombia was the most notable on-benchmark country in this category. The choice of off-benchmark holdings in Argentina, India, and Korea also contributed positively during the quarter, though gains were partly offset by losses given the choice of holdings in Brazil, Poland, China, and Venezuela. Currency residuals arising from index (London) versus portfolio (New York) did not impact alpha during the quarter.

Entering the second quarter of 2024, the portfolio's largest currency active weights are Mexican peso, Brazilian Real, and Uruguayan peso on the positive side, and Hong Kong dollar, Thai baht, and Chinese yuan on the negative side. The largest positive interest rate active weights are in Brazil, South Africa, and Indonesia, while the largest negatives are in Chile, Czech Republic, and Thailand.

Inception Date: 31-Jan-08

Performance for the year of inception is less than a full calendar year. Returns shown for periods less than one year are not annualized.

Risks: Risks associated with investing in the Strategy may include: Risks of Non-U.S. Investments, Focused Investment Risk, Currency Risks, Forwards Contracts Risks, and Fixed Income Risks. 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 Returns: Returns for the composite are based on estimated market values for the period from and including October 2008 through February 2009. **Performance data quoted represents past performance and is not predictive of future performance.** Net returns are presented after the deduction of a model advisory fee and incentive fee if applicable. These returns include transaction costs, commissions and withholding taxes on foreign income and capital gains and include the reinvestment of dividends and other income, as applicable. Fees paid by accounts within the composite may be higher or lower than the model fees used. **GMO LLC claims compliance with the Global Investment Performance Standards (GIPS®).** A Global Investment Performance Standards (GIPS®) Composite Report is available on GMO.com by clicking the GIPS® Composite Report link in the documents section of the strategy page. 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. Actual fees are disclosed in Part 2 of GMO's Form ADV and are also available in each strategy's Composite Report. The local market in which some accounts in the composite are priced was closed for Good Friday on March 29, 2024. Therefore, the performance for the strategy and corresponding benchmark will utilize March 28 for purposes of the ending valuation for the March return and the starting valuation for the April return. Gross returns are presented gross of management fees and any incentive fees if applicable. These returns include transaction costs, commissions, withholding taxes on foreign income and capital gains and include the reinvestment of dividends and other income, as applicable. If management and incentive fees were deducted performance would be lower. For example, if, before fees, the strategy were to achieve a 10% annual rate of return above its hurdle rate each year for ten years, and an annual advisory fee of 1% and incentive fee of 20% of net returns above the hurdle rate were charged during that period, the resulting average annual net return (after the deduction of management and incentive fees) would be approximately 7.20%. Returns for the composite are based on estimated market values for the period from and including October 2008 through February 2009.

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PRODUCT OVERVIEW

The GMO Emerging Country Local Debt Strategy's objective is total return in excess of its benchmark, the J.P. Morgan Government Bond Index - Emerging Markets Global Diversified (GBI-EMGD). The Strategy invests in local currency emerging debt.

GMO's Emerging Country Debt team focuses on bottom-up issue selection within sovereign and quasi-sovereign issuers with an emphasis on finding fundamental value, also employing advanced quantitative techniques to assess value across global emerging and frontier interest rate and currency markets. We believe that our approach provides our clients with the best chance for long-term success in this asset class and differentiates us from other emerging debt managers who focus on top-down timing elements.

IMPORTANT INFORMATION

Benchmark(s): The J.P. Morgan GBI-EM Global Diversified + Index is comprised of the J.P. Morgan GBI-EM Diversified Index through 8/31/2012 and the J.P. Morgan GBI-EM Global Diversified Index thereafter.

The above information is based on a representative account in the Strategy selected because it has the fewest restrictions and best represents the implementation of the Strategy.

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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