EMERGING COUNTRY LOCAL DEBT STRATEGY

Quarterly Investment Review

PRODUCT OVERVIEW

The GMO Emerging Country Local Debt Strategy is GMO's flagship local currency benchmarked strategy, with an objective of total return in excess of the J.P. Morgan Government Bond Index - Emerging Markets Global Diversified (GBI-EMGD). Since its inception in 2008, the Strategy has employed a broad opportunity set, investing across all forms of emerging market debt, including securities, derivatives, and private instruments, in both local and hard currencies. Local currency debt typically targets a narrower, higher-credit quality segment than hard currency debt, with the benchmark comprising 19 countries of investment-grade average quality. Although the Strategy has a wide investment universe, the portfolio's overall duration, currency, country, and credit quality are managed mindful of GBI-EMGD.

MAJOR PERFORMANCE DRIVERS

The J.P. Morgan GBI-EM Global Diversified Index + returned -0.94% during the third quarter of 2026. Local bond performance was negative (-0.3%, with returns of -0.7% when hedged into U.S. dollars), while spot currency performance was also negative 0.7%. The comparable figures for foreign developed markets' bonds were mixed, with -3.2% for local bonds (-2.8% hedged), and spot FX performance of 0.7%. The dollar weakened against other major currencies during the period, while emerging market exchange rates weakened against the dollar.

The portfolio slightly underperformed the benchmark in the third quarter, as strong positive alpha from currency selection was more than offset by negative contributions from interest rate market selection and instrument selection. In interest rate market selection, the portfolio's overweight positions in Colombia (-1.2% total local return), Mexico (-0.3%), Chile (-2.1%), and underweight position in China (1.0%) and overweight position in off-benchmark South Korea, detracted the most to alpha during the quarter. While unable to fully offset losses, overweight positions in Brazil (4.1%), and underweight positions in Hungary (-2.0%), India (-0.8%), and an off-benchmark underweight position in Israel had a positive impact on alpha.

Currency selection performance was positive during the quarter. The most notable contributors to positive alpha were our portfolio's overweight positions in the Colombian peso, Brazilian real, underweight position in Thai baht, as well as off-benchmark long position in Korean won, Nigerian naira, Japanese yen, and the Kazakhstani tenge, and a short position in Israeli shekel. The portfolio's short position in Mexican peso and long positions in South African rand, as well as an off-benchmark short position in Taiwanese dollar, were notable negative contributors to currency alpha though unable to fully offset strong gains elsewhere.

Instrument selection and other portfolio attributes detracted from alpha over the period. Losses were driven by instrument selection and currency residuals arising from the index (London) versus the portfolio (New York) drove losses. Mexico, India, Brazil, and Poland were the most notable detractors from instrument selection alpha, followed by smaller negative contributions from Türkiye, China, and off-benchmark Argentina. Conversely, on-benchmark positions in Peru, Colombia, and Paraguay, as well as off-benchmark positions in Nigeria, Israel, Jamaica, and the United Arab Emirates, contributed positively to the instrument selection alpha category.

Entering the fourth quarter of 2026, the portfolio's largest currency active weights are the Korean won, Colombian peso, Mexican peso, Brazilian real, and Japanese yen on the positive side, and Thai baht, Israeli shekel, Chinese yuan, Chilean peso, and the Philippine peso on the negative side. The largest positive interest rate active weights are in Mexico, Chile, Brazil, Czech Republic, and Colombia, while the largest negative ones are in China, Thailand, India, Israel, and Hungary.

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ANNUALIZED RETURNS (USD, %) (QUARTER-END)

	Quarter-End	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
Emerging Country Local Debt Strategy (net)	-0.89	2.82	7.18	12.08	6.18	4.30	2.85
Emerging Country Local Debt Strategy (gross)	-0.74	3.35	7.93	12.90	6.97	5.08	3.76
J.P. Morgan GBI-EM Global Diversified+	-0.94	0.56	3.92	8.16	2.58	2.32	2.52
Value Add	+0.06	+2.26	+3.27	+3.92	+3.60	+1.98	+0.34

RISKS

Risks associated with investing in the Strategy may include: (1) Non-U.S. Investment Risk: the market prices of many non-U.S. securities (particularly of companies tied economically to emerging countries) fluctuate more than those of U.S. securities. Many non-U.S. markets (particularly emerging markets) 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 it is in U.S. markets; (2) Focused Investment Risk: the Fund invests its assets in the securities of a limited number of issuers, and a decline in the market price of a particular security held by the Fund may affect the Fund's performance more than if the Fund invested in the securities of a larger number of issuers; and (3) Currency Risk: fluctuations in exchange rates can adversely affect the market value of the Fund's non-U.S. currency holdings and investments denominated in non-U.S. currencies. This is not a complete list of risks associated with investing in the Strategy. Please contact GMO for more information.

Composite Inception Date: 29-Feb-08

Performance Returns: Performance for the year of inception is less than a full calendar year. 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.** 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. 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%. **GMO LLC claims compliance with the Global Investment Performance Standards (GIPS®). A Global Investment Performance Standards (GIPS®) Composite Report is available at www.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.** Returns for the composite are based on estimated market values for the period from and including October 2008 through February 2009.

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.

For private bank intermediaries in Singapore and Hong Kong, these materials are intended for institutional and Accredited/Professional Investors Use Only.

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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*GMO's West Coast Hub is comprised of members of Investment, Global Client Relations, and other teams located in and around the Greater San Francisco area
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