

EMERGING COUNTRY DEBT UCITS FUND

Quarter Ending March 31, 2021

OVERVIEW

The GMO Emerging Country Debt UCITS Fund seeks total return in excess of that of its benchmark, the J.P. Morgan Emerging Markets Bond Index Global Diversified primarily through instrument rather than country selection. The Fund invests primarily in external sovereign and quasi-sovereign debt instruments of emerging countries.

PERFORMANCE (%)

Net of Fees, USD	-5.20
Gross of Fees, Unswung, USD	-5.12
J.P. Morgan EMBI Global Diversified ¹	-4.54
Value Added	-0.58

Major Performance Drivers

The J.P. Morgan EMBI Global Diversified + (EMBIG-D) index returned -4.5% in the first quarter of 2021. While the benchmark's spread over Treasuries widened by 3 bps over the course of the month, finishing at 354 bps, benchmark returns were driven by the upward trend in U.S. rates, with the 10-year Treasury yield rising by 81 bps to end the quarter at 1.74%.

The portfolio had negative alpha from both country selection and security selection during the quarter. In terms of country selection, overweight positions in Argentina (-15.1% total return, the EMBIG-D's worst performer for the quarter), Turkey (-7.7%), and Ecuador (-13.1%) contributed negatively, while positive alpha from the portfolio's overweight positions in Oman (+1.7%), Costa Rica (+6.9%), and Sri Lanka (+10.1%, the EMBIG-D's best performer for the quarter) partly offset losses.

In terms of security selection, the portfolio also had negative alpha during the quarter, as its choice of holdings in Argentina, Oman, Ecuador, and Bahrain contributed negatively. Partly offsetting security selection losses, the portfolio had positive alpha from its choice of holdings in Turkey, Armenia, and Uzbekistan. The holding of bonds in off-benchmark countries, which we consider security selection, contributed positively to alpha during the quarter. The most notable countries in this category were the Bahamas and Grenada.

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. To obtain performance information to the most recent month end, visit www.gmo.com. Attribution figures reflect that of the base currency of the portfolio which may differ from that of the hedged currency share class.

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¹ 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.