

## EMERGING COUNTRY LOCAL DEBT

## 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.

## CUMULATIVE TOTAL RETURNS (USD, NET OF FEES, %)

	<i>MTD</i>	<i>QTD</i>	<i>YTD</i>	<i>2025</i>	<i>2024</i>	<i>2023</i>	<i>2022</i>	<i>2021</i>
Composite	1.79	4.85	4.85	23.68	-2.10	24.18	-10.70	-6.56
Benchmark	1.29	3.49	3.49	19.26	-2.38	12.70	-11.69	-8.75

## ANNUALIZED TOTAL RETURNS (USD, NET OF FEES, %)

	<i>1 Year</i>	<i>3 Years</i>	<i>5 Years</i>	<i>10 Years</i>	<i>ITD</i>
Composite	25.69	15.82	6.32	6.40	3.06
Benchmark	20.15	10.37	2.59	4.06	2.76

## FACTS

Strategy Inception	31-Jan-08
Composite Inception	29-Feb-08
Total Assets	\$905mm USD
Benchmark	J.P. Morgan GBI-EM Global Diversified+

## RISK PROFILE (5-YEAR TRAILING)

Alpha (Jensen's)	3.77
Beta	1.06
R Squared	0.93
Sharpe Ratio	0.28
Standard Deviation	10.25

## PORTFOLIO MANAGEMENT



**Tina Vandersteel, CFA**  
Joined GMO in 2004  
BA, Washington and Lee  
University



**Victoria Courmes**  
Joined GMO in 2016  
MA, Johns Hopkins  
University

**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.

**Performance Returns:** 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](http://www.gmo.com). **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 at [www.gmo.com](http://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.

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## CHARACTERISTICS

	<i>Portfolio</i>	<i>Benchmark</i>
Modified Duration	5.5	5.4
Portfolio Turnover	71%	56%
# of FX Positions	29	19
# of Credit Markets	25	19
# of Interest-Rate Markets	25	19
USD	-11%	0%

## INTEREST RATE MARKETS (CONTRIBUTION TO DURATION)

<i>Country</i>	<i>Portfolio</i>	<i>Benchmark</i>
Mexico	0.8	0.5
Malaysia	0.7	0.7
Indonesia	0.6	0.5
South Africa	0.6	0.5
India	0.5	0.6
Czech Republic	0.4	0.2
Poland	0.4	0.3
China	0.3	0.6
Brazil	0.3	0.2
Colombia	0.3	0.2

## CREDIT RATINGS (%)

	<i>%</i>
AAA	9.8
AA	23.5
A	14.1
BBB	31.4
BB	11.7
B	3.6
CCC	1.3
NR	4.5

## SECTORS (%)

<i>Sector</i>	<i>Portfolio</i>	<i>Benchmark</i>
Quasi-Sovereign	16.6	0.0
Sovereign	83.4	100.0

## TOP CURRENCIES (%)

<i>Currency</i>	<i>Portfolio</i>	<i>Benchmark</i>
MXN	11.8	10.0
BRL	9.7	6.9
MYR	9.6	9.6
IDR	9.3	9.5
ZAR	9.2	7.5
THB	8.7	8.4
INR	8.7	10.0
CNY	7.9	10.0
COP	7.5	3.7
PLN	7.4	8.4

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## 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.

## GLOSSARY

**Characteristics:** Turnover is as of the most recent quarter-end. **Interest Rate Markets (Contribution to Duration):** Country contribution to duration is measure of each country's contribution to the overall portfolio duration. **Credit Ratings:** The credit ratings above may encompass emerging debt, developed rates, and asset-backed exposure. Ratings for core portfolio holdings are derived by using the middle rating from Standard & Poor's, Moody's, and Fitch. Ratings for core holdings were adjusted during the January 2021 reporting period to conform with index provider methodology. Ratings for the emerging debt portion of the portfolio are derived by applying the Standard and Poor's or Moody's issue-level ratings (sequentially), and the S&P LT Foreign currency (FC) country issuer rating for the FC debt securities and/or S&P LT Local currency (LC) country issuer rating for LC securities where a security is not rated by either of the abovementioned credit rating agencies. Final credit ratings are expressed based upon Standard and Poor's ratings scale. Standard & Poor's rates securities from AAA (highest quality) to C (lowest quality), and D to indicate securities in default; some securities are not rated (NR). BB and below are considered below investment grade securities. Please refer to our website for additional information: <https://www.gmo.com/americas/benchmark-disclaimers/>

**Risk Statistics:** Risk profile data is net of fees. Alpha is a measure of risk-adjusted return. Beta is a measure of a portfolio's sensitivity to the market. R-Squared is a measure of how well a portfolio tracks the market. Sharpe Ratio is the return over the risk free rate per unit of risk. Std Deviation is a measure of the volatility of a portfolio.

Please refer to <https://www.gmo.com/americas/glossary-of-terms/> for additional portfolio characteristic definitions.

## CURRENCY KEY

<b>ARS:</b> Argentina	<b>CNY:</b> China	<b>GHS:</b> Ghana	<b>ILS:</b> Israel	<b>MXN:</b> Mexico	<b>PHP:</b> Philippines	<b>RUB:</b> Russia	<b>TWD:</b> Taiwan
<b>BRL:</b> Brazil	<b>CZK:</b> Czech Republic	<b>HKD:</b> Hong Kong	<b>INR:</b> India	<b>MYR:</b> Malaysia	<b>PLN:</b> Poland	<b>SGD:</b> Singapore	<b>UAH:</b> Ukraine
<b>CLP:</b> Chile	<b>DOP:</b> Dominican Republic	<b>HUF:</b> Hungary	<b>KRW:</b> South Korea	<b>NGN:</b> Nigeria	<b>RON:</b> Romania	<b>THB:</b> Thailand	<b>UYU:</b> Uruguay
<b>COP:</b> Colombia	<b>EGP:</b> Egypt	<b>IDR:</b> Indonesia	<b>KZT:</b> Kazakhstan	<b>PEN:</b> Peru	<b>RSD:</b> Serbia	<b>TRY:</b> Turkey	<b>ZAR:</b> South Africa

## 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.

AMSTERDAM

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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

\*\*Representative Office

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## ADDITIONAL GLOSSARY OF TERMS

**Coupon**

The annual income received from a fixed-income security, expressed as a percentage of the par value of the security and par weighted on portfolio level.

**Credit (%)**

The proportion of a mutual fund's total net assets that is invested in credit instruments—such as corporate bonds, securitized debt, or other credit-related securities—expressed as a percentage. This metric indicates the fund's exposure to credit markets and associated credit risk.

**Effective Duration**

A measure of a portfolio's price sensitivity to interest rate changes, including expected changes in cash flows caused by embedded options. The higher the effective duration, the higher the sensitivity to interest rate changes.

**Maturity**

A weighted average of all the maturities of the bonds in a portfolio, computed by weighting each bond's effective maturity by the market value of the security.

**Modified Duration**

A measure of a portfolio's price sensitivity to changes in interest rates. It estimates the percentage change in price for a 1% (100 basis point) change in yield, assuming all other factors remain constant.

**Spread**

The difference between the yield on a bond or credit instrument and the yield on a benchmark security of similar maturity, typically a government bond. It reflects the additional compensation investors receive for taking on credit risk and is usually expressed in basis points.

**Spread Duration**

A measure of the portfolio's sensitivity to changes in credit spreads.

**Weighted Average Life**

A measure of average number of years until the principal of the securities is expected to be fully repaid.

**Yield to Maturity**

Represents the weighted average annualized return an investor would earn if the ETF's underlying bonds were held to maturity, assuming all interest payments are made as scheduled, bonds are held to maturity, coupons are reinvested at the same rate.