

GMO FUNDS PLC
an umbrella fund with segregated liability between sub-funds
(the “Company”)

Second Supplemental Prospectus dated 15 April 2020

This second supplemental prospectus (“Supplemental Prospectus”) forms part of the prospectus of the Company dated 19 February 2019, as amended by the first supplemental prospectus dated 20 March 2020 (together, the “Prospectus”). Unless otherwise provided for in this Supplemental Prospectus, all capitalised terms shall have the same meaning herein as in the Prospectus. This Supplemental Prospectus should be read in the context of, and together with, the Prospectus.

The directors of the Company (the “Directors”) accept responsibility for the information contained in the Prospectus and this Supplemental Prospectus. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

1. Introduction

The purpose of this Supplemental Prospectus is to amend certain parameters for the permitted value at risk (“VaR”) of GMO Global Real Return (UCITS) Fund (the “Fund”) as follows:

- 1.1 the maximum permitted VaR from 20 per cent. of Net Asset Value to 14 per cent. of Net Asset Value; and
- 1.2 the related confidence interval for the calculation of VaR, from 99 per cent. to 95 per cent.

2. Changes to VaR parameters

- 2.1 Page 158 of the Prospectus is amended by the deletion of the first three paragraphs in the section entitled “Schedule IV – Calculation Standards applicable to Funds which use Absolute VaR” and their replacement with the following:

For the purposes of compliance with the UCITS Regulations, the market risk of certain Funds may be measured using the value-at-risk (“VaR”) methodology.

“Absolute VaR” is the VaR of a Fund capped as a percentage of the Fund’s Net Asset Value. In accordance with the requirements of the Central Bank, the Fund is subject to an absolute VaR limit of 14 per cent. of the Fund’s Net Asset Value as set out in more detail below. However, the Fund may from time to time experience a change in Net Asset Value over a 20 Business Day holding period greater than 14 per cent. of Net Asset Value. See also the section entitled “Risk Factors - Measurement of Market Risk and Leverage using the Commitment Approach and VaR”.

In summary, the following calculation standards currently apply to the VaR model employed in respect of a Fund which uses absolute VaR. However, these calculation standards are dealt with in more detail in the risk management process of the Fund and may change from time to time at the absolute discretion of the Investment Manager and in accordance with the requirements of the Central Bank:

- (i) one-tailed confidence interval of 95 per cent.;

- (ii) holding period equivalent to one month (20 Business Days);
- (iii) effective observation period (history) of risk factors is at least one year (250 Business Days) unless a shorter observation period is justified by a significant increase in price volatility (for instance, extreme market conditions);
- (iv) quarterly data set updates, or more frequent when market prices are subject to material changes; and
- (v) at least daily calculation.

2.2 The changes referred to in paragraph 1 above are made to the VaR parameters referred to in the following sections of the Prospectus:

- (a) page 21 of the Prospectus in the fifth-last paragraph of the section entitled “Investment Objectives and Policies of the Funds – GMO Global Real Return (UCITS) Fund”;
- (b) page 91 of the Prospectus in the second and third paragraphs of the section entitled “Risk Factors – Measurement of Market Risk and Leverage using the Commitment Approach and VaR.”