

EMERGING MARKETS TRUST

Year Ending December 31, 2020

OVERVIEW

The GMO Emerging Markets Trust (the "Trust") invests in the GMO Emerging Markets Fund (the Fund), a U.S. mutual fund which is advised by GMO. The Fund seeks total return in excess of that of its benchmark, the S&P/IFC Investable Composite Index.

PERFORMANCE (%)

Net of Fees, Fair Value, AUD	-4.46
Gross of Fees, Local Close, AUD	-3.35
MSCI Emerging Markets ¹	+7.77
Value Added	-11.12

Major Performance Drivers

Emerging markets began the year concerned about the impact of the coronavirus on China and global economic growth. These concerns morphed into a full-fledged rout in stock prices. Later in the year, investors, fueled by generous doses of fiscal and monetary measures plus encouraging news of coronavirus vaccines, soared on hopes of a robust economic recovery. Fewer than one third of the countries in the index ended the year above their start, but what mattered was the robust returns of the three largest markets – China, Taiwan, and Korea – that together account for ~65% of the asset class. Country returns varied, ranging from a 44.6% leap in Korea to a 26.9% fall in Greece. Sector returns also (uncharacteristically) spanned a similar range, varying from a 60.1% jump in Information Technology to a drop of 16.9% in Real Estate.

This was, by far, the worst year in value's 20-year history. Value as measured by the MSCI EM Value Index underperformed the MSCI EM Index by a staggering 12.8% (2017 was the second-worst year with an underperformance of 9.2%). Value's underperformance last year was unusual in magnitude but certainly not in pattern. Value has now trailed the broader benchmark (in annualized numbers) by 4.4% over the last 3 years, 3.6% over the last 5 years and 2.7% over the last 10 years.

Brazilian equities were negatively impacted by the pandemic and by fears of fiscal slippage. Toward the end of the year, some ground was clawed back on news of vaccines and the return of risk-seeking behavior. Our underweight in Brazilian Financials contributed to performance.

The Chinese stock market was supported by reports of resilient economic activity in China. Also fueling the market was a jump in enthusiasm from retail investors. The market lagged later in the year as its defensive nature was in lower demand from newly risk-seeking investors. Our underweight in China Consumer Discretionary hurt performance.

Equities in India dropped on concerns over the impact of the coronavirus on its fragile healthcare system and its weak economy. The drop in oil prices provided some relief to the market. Our underweight in Indian Financials added to performance.

Rising hopes of a global economic recovery boosted sentiment in Korea, a country hyper connected to world trade. Also boosting Korea was global demand for 5G, high-performance computing and artificial intelligence. Our underweight in Korean Information Technology negatively impacted performance.

Past performance information in the above is historical and is not a reliable indicator of future performance. Returns are shown after the deduction of management fees and other expenses. This information is current as at the date specified and is subject to change.

The Trust accepts investments from wholesale investors only. Retail investors are not able to directly invest in the Trust but may gain exposure to the Trusts by investing with certain investor directed portfolio services, master trusts, wrap accounts or custodians ("services"). GMO Australia Limited, GMO LLC, and their affiliates, do not guarantee the performance of the Trust or the repayment of an investor's capital. This information is of a general nature only and is not advice. It does not take into account the objectives, financial situation or needs of any specific investor. The offer to invest in the Trust for wholesale investors is contained in the current information memorandum. A Product Disclosure Statement ("PDS") is also available solely for use by retail investors gaining exposure to the Trust through a service.

The information memorandum and PDS can be obtained by visiting our website www.gmo.com. Investors should read the information memorandum or PDS, consider their own circumstances, and obtain their own advice before making an investment decision.

EMERGING MARKETS TRUST

Year Ending December 31, 2020

A steep drop in Energy prices pressured sentiment in Russia. Later in the year, investors worried over the impact of potentially higher sanctions from the Biden administration. Our overweight in Russian Energy detracted from performance.

¹ The MSCI Emerging Markets Index (MSCI Standard Index Series, net of withholding tax) is an independently maintained and widely published index comprised of global emerging markets large and mid capitalization stocks. MSCI data may not be reproduced or used for any other purpose. MSCI provides no warranties, has not prepared or approved this report, and has no liability hereunder.