

EMERGING COUNTRY DEBT UCITS FUND

Investment Review: Quarter Ending December 31, 2022

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	+10.72
Gross of Fees, Unswung, USD	+10.81
J.P. Morgan EMBI Global Diversified ¹	+8.11
Value Added	+2.70

Major Performance Drivers

The J.P. Morgan EMBI Global Diversified + (EMBIG-D) index returned +8.1% in the final quarter of 2022, bringing 2022 returns to 17.8%. The benchmark's spread over Treasuries tightened by 107 bps over the quarter, finishing at 452 bps and resulting in a +7.6% spread return. Despite the five basis point rise in the 10-year Treasury yield on the quarter, U.S. rates also contributed positively to benchmark returns, with a +0.5% interest rate return.

The portfolio had positive alpha from both country selection and security selection in the fourth quarter. Within country selection, overweight positions in Tunisia (+16.3%), Argentina (+37.6% total return, the EMBIG-D's second-best performer for the quarter), and Ecuador (+39.3%, the index's best performer for the quarter), and underweight positions in Qatar (+4.0%) and China (+0.9%) drove gains during the quarter. Despite their positive total returns, the underweights in Qatar and China contributed positively as the countries underperformed the index. While unable to offset gains, an overweight position in Suriname (-11.1%, the index's worst performer for the quarter) and an underweight position in Nigeria (+17.2%) contributed negatively.

In terms of security selection, the choice of holdings in Chile, Mexico, Argentina, and India were notable contributors. While unable to fully offset gains, the choice of holdings in Tunisia and Brazil were notable detractors. Within quasi-sovereign security selection, the portfolio had notable contributions from Chile and India. The holdings of bonds in off-benchmark countries, which we consider security selection, also contributed positively during the quarter. The most notable positive contributor in this category was the Bahamas, though gains were partly offset by losses from Israel.

Entering the first quarter of 2023, the portfolio's largest overweights are Tunisia, Oman, and Turkey, while the largest underweights are China, Qatar, and the United Arab Emirates. The portfolio had a few major changes in country exposures during the quarter. Notably, in duration-adjusted terms, the portfolio's underweight position relative to the benchmark in Mexico flipped to an overweight position during the quarter. Additionally, positioning was increased in overweight Colombia and underweight Uruguay and decreased in overweight Turkey and Saudi Arabia, and underweight China.

Important Information

This is a marketing communication. This is not a contractually binding document. Please refer to the prospectus and to the KIID and do not base any final investment decision on this communication alone. Investors and potential investors can also obtain the prospectus and key investor

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.

GMO UK Limited authorised and regulated by the Financial Conduct Authority Registered no 4658801 England. GMO Netherlands is a branch office of GMO UK Limited and is registered with the AFM. Risks associated with investing in the Fund may include: Credit Risk, Market Risk - Fixed Income, Illiquidity Risk, Derivatives and Short Sales Risk, and Counterparty Risk. For a more complete discussion of these risks and others, please consult the Fund's prospectus.

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information, in English and other languages, and a summary of investor rights and information on access to collective redress mechanisms at the following website: <https://www.gmo.com/europe/product-index-page/fixed-income/emerging-country-debt-strategy/emerging-country-debt-ucits-fund/>. Please note that GMO Investments ICAV and GMO Funds PLC may decide to terminate the arrangements made for the marketing of the sub-funds in one or more EU member states pursuant to the UCITS marketing passport in accordance with the procedure provided for under the applicable laws that implement Article 93a of Directive 2009/65/EC (the UCITS Directive). A full list of fees and charges applied to investment can be found in the Fund Supplement or KIID, available at <https://www.gmo.com/europe/product-index-page/fixed-income/emerging-country-debt-strategy/emerging-country-debt-ucits-fund/>.

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.

The above Fund has not been registered under the United States Investment Company Act of 1940, as amended, nor the U.S. Securities Act of 1933, as amended. None of the shares may be offered or sold, directly or indirectly, in the U.S. or to any U.S. Person, unless the securities are registered under the Act or an exemption from the registration requirements of the Act is available. A U.S. Person is defined as (a) any individual who is a citizen or resident of the U.S. for federal income tax purposes; (b) a corporation, partnership, or other entity created or organized under the laws of or existing in the U.S.; (c) an estate or trust the income of which is subject to U.S. federal income tax regardless of whether such income is effectively connected with a U.S. trade or business.