

# QUARTERLY INVESTMENT REVIEW

## Emerging Country Debt UCITS Fund

### RETURNS (%) (LOCAL)

|   | Cumulative (%) |       | Annualized (%) |         |         |          |      |
|---|----------------|-------|----------------|---------|---------|----------|------|
|   | QTD            | YTD   | 1 Year         | 3 Years | 5 Years | 10 Years | ITD  |
| Net of Fees Fund (USD Class F)                        | 11.26          | 14.82 | 14.82          | -1.76   | -       | -        | 4.64 |
| Gross of Fees Fund (USD Class F)                      | 11.33          | 15.10 | 15.10          | -1.48   | -       | -        | 4.95 |
| J.P. Morgan EMBI Global Diversified                   | 9.16           | 11.09 | 11.09          | -3.56   | -       | -        | 2.64 |
| Value Added (vs. J.P. Morgan EMBI Global Diversified) | 2.10           | 3.73  | 3.73           | 1.80    | -       | -        | 2.01 |

### Major Performance Drivers

The J.P. Morgan EMBI Global Diversified + (EMBIG-D) benchmark index returned 9.2% in the fourth quarter of 2023, bringing the year-to-date total return to +11.1%. Driving index gains, the 10-year Treasury yield fell by 69 bps to 3.88%, resulting in a 5.9% interest rate return. Also contributing to benchmark returns, the benchmark's spread over Treasuries tightened by 47 bps during the quarter, finishing at 384 bps and resulting in a +3.1% spread return.

The portfolio had positive alpha from both country selection and security selection in the fourth quarter. Within country selection, the portfolio's overweight position in Argentina (+38.4% total return, the EMBIG-D's best performer for the quarter) drove gains during the quarter, along with smaller positive contributions from its overweight in Kenya (+17.1%), as well as underweight positions in Qatar (+9.1%) and the United Arab Emirates (+7.0%). Despite their positive returns, the underweight positions in Qatar and the United Arab Emirates contributed positively as these countries underperformed the index. While unable to fully offset gains, overweight positions in Ecuador (-3.1%), Ukraine (-7.3%), and Ghana (-1.2%) contributed negatively.

In terms of security selection, the portfolio had positive alpha from the choice of holdings in Argentina, Suriname, and Brazil, and negative alpha from the choice of holdings in Turkey, South Africa, and Egypt. The portfolio also had negative alpha from holdings of instruments in off-benchmark countries, which we consider security selection. The most notable detractors in this category were Israel and Belarus, while Bahamas contributed positively. Within quasi-sovereign security selection, Mexico and Indonesia were notable contributors, while Gabon and Peru detracted from alpha.

Swing pricing due to flows on the last day of Q3 negatively impacted performance last quarter. This impact was reversed on the first business day of Q4, adding back 75 bps of alpha, and therefore reflected in this quarter's performance.

Entering 2024, the portfolio's largest overweights are Argentina, Jordan, and Bahrain, 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 overweight position in Argentina grew, while its overweight in South Africa contracted.

Inception Date: 1-Apr-20

This is a marketing communication. This is not a contractually binding document. Please refer to the prospectus and to the KIID/PRIIPS KID and do not base any final investment decision on this communication alone. **Risks:** 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. 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 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.** Net of all fees and expenses after reimbursement by the Manager, but not transaction costs, if any. If certain expenses were not reimbursed, performance would be lower.

# QUARTERLY INVESTMENT REVIEW

## PRODUCT OVERVIEW

The GMO Emerging Country Debt UCITS Fund's objective is total return in excess of that of its benchmark, the J.P. Morgan Emerging Markets Bond Global Diversified Index (EMBIG-D). The Fund invests primarily in external debt of sovereigns and quasi-sovereigns.

GMO's Emerging Country Debt team focuses on bottom-up issue selection, seeking to find issues with similar default characteristics but better long-term total return potential than the issues in EMBIG-D. We believe that our approach provides long-term, value-oriented clients with the best chance for total return in this asset class and differentiates us from other emerging debt managers who focus on economic forecasting, market timing, and other macro/top-down approaches.

## IMPORTANT INFORMATION

**Benchmark(s):** 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.

**An investor should consider the fund's investment objectives, risks, charges and expenses before investing. This and other important information can be found in the funds prospectus. To obtain a prospectus please visit [www.gmo.com](http://www.gmo.com). Read the prospectus carefully before investing.**

GMO UK Limited Authorised and Regulated by the Financial Conduct Authority Registered no 4658801 England. GMO Netherlands is registered with the AFM.

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.

This is a marketing communication. This is not a contractually binding document. Please refer to the prospectus and to the KIID/PRIIPS KID and do not base any final investment decision on this communication alone.

Investors and potential investors can also obtain the prospectus and key investor 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 prospectus and in the KIID/PRIIPS KID, available at: <https://www.gmo.com/europe/product-index-page/fixed-income/emerging-country-debt-strategy/emerging-country-debt-ucits-fund/>

This advertisement has not been reviewed by the Monetary Authority of Singapore.

## 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

BOSTON

LONDON

SAN FRANCISCO

SINGAPORE

SYDNEY

TOKYO\*

\*Representative Office

[www.GMO.com](http://www.GMO.com)