

# QUARTERLY INVESTMENT REVIEW

## Emerging Country Debt Fund

### Performance returns (USD)

ANNUALIZED RETURNS (QUARTER-END)	Quarter-End	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
Emerging Country Debt Fund (net)	-0.36	13.36	13.36	3.72	3.38	4.99	11.99
Emerging Country Debt Fund (gross)	-0.23	13.97	13.97	4.28	3.94	5.55	12.60
J.P. Morgan EMBI Global Diversified +	-1.94	6.54	6.54	-0.91	0.19	3.00	8.21
Value Add	+1.58	+6.83	+6.83	+4.63	+3.19	+1.99	+3.77

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. Gross of fees, expenses and transaction costs, if any. If these fees, expenses and costs were included, performance would be lower. **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](http://www.gmo.com).**

### MAJOR PERFORMANCE DRIVERS

The J.P. Morgan EMBI Global Diversified (EMBIG-D) benchmark returned -1.9% in the fourth quarter of 2024. The index's spread over Treasuries tightened by 36 bps, finishing at 325 bps, resulting in a 2.0% spread return. Meanwhile, the 10-year Treasury yield rose by 79 bps to 4.57%, resulting in a -3.9% interest rate return.

The portfolio had positive alpha from country selection and negative alpha from security selection for the period. Within country selection, an overweight position in Argentina (+33.6%) significantly contributed to gains, followed by overweights in Lebanon (+66.5%), Ukraine (+22.9%), and Sri Lanka (+13.3%). An underweight in Brazil (-5.9%) also added positively to the performance. Conversely, an overweight in Romania (-6.4%) and Mexico (-3.7%) detracted from country selection alpha.

In terms of security selection among in-index countries, positive contributions to alpha were primarily driven by holdings in Sri Lanka, Chile, and Ghana, with notable detractors including Brazil and Argentina. Among off-benchmark countries, Tunisia and Grenada made significant positive contributions, while the Russian Federation was a major detractor. In the quasi-sovereign category, Chile emerged as a top contributor, while India had a negative impact.

As of the end of the period, the portfolio's top three overweights are Egypt, Argentina, and Venezuela, while the top three underweights are China, Qatar, and Indonesia. During the period, the portfolio saw significant changes, with Iraq's position shifting from an underweight to an overweight. Additionally, Poland moved from an underweight to an overweight position. Conversely, Kazakhstan's position changed from an overweight to an underweight. The portfolio's overweight in the Dominican Republic decreased, while the underweight in Chile increased.

Inception Date: 19-Apr-94

Performance for the year of inception is less than a full calendar year. Returns shown for periods greater than one year are on an annualized basis.

**Risks:** Risks associated with investing in the Fund may include: (1) Credit Risk: The risk that the issuer or guarantor of a fixed income investment or the obligor of an obligation underlying an asset-backed security will be unable or unwilling to satisfy its obligation to pay principal and interest or otherwise to honor its obligations in a timely manner. (2) Market Risk - Fixed Income Investments: The market price of a fixed income investment can decline due to a number of market-related factors, including rising interest rates and widening credit spreads or decreased liquidity stemming from the market's uncertainty about the value of a fixed income investment (or class of fixed income investments). (3) Illiquidity Risk: Low trading volume, lack of a market maker, large position size, or legal restrictions may limit or prevent the Fund from selling particular securities or closing derivative positions at desirable prices. For a more complete discussion of these risks and others, please consult the Fund's Prospectus. **Performance Returns:** Annualized Returns may include the impact of purchase premiums and redemption fees. The GMO Trust funds are distributed in the United States by Funds Distributor LLC. GMO and Funds Distributor LLC are not affiliated.

**Net Expense Ratio: 0.58%; Gross Expense Ratio: 0.58%** Net Expense Ratio reflects the reduction of expenses from fee reimbursements. The fee reimbursements will continue until at least June 30, 2025. Elimination of this reimbursement will result in higher fees and lower performance. Gross Expense Ratio is equal to the Funds Total Annual Operating Expenses set forth in the Funds most recent prospectus dated June 30, 2024.

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## PRODUCT OVERVIEW

The GMO Emerging Country Debt Fund's objective is total return in excess of that of its benchmark, the J.P. Morgan Emerging Markets Bond Index Global Diversified (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 value-oriented clients with long-term investment objectives a significantly higher likelihood of outperforming the EMBIG-D than the approaches employed by 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) Index Global Diversified + is an internally maintained benchmark computed by GMO, comprised of (i) the J.P. Morgan EMBI+ Index through 12/31/1999, (ii) the J.P. Morgan EMBI Index Global through 2/28/2020, and the J.P. Morgan EMBI Index Global Diversified (iii) thereafter.

**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.**

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## 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.

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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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