

# QUARTERLY INVESTMENT REVIEW

## Emerging Country Debt UCITS Fund

### Performance returns (USD)

ANNUALIZED RETURNS (QUARTER-END)	Quarter-End	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
Emerging Country Debt UCITS Fund (net)	0.97	13.96	13.96	3.15	-	-	6.54
Emerging Country Debt UCITS Fund (gross)	1.04	14.25	14.25	3.43	-	-	6.84
J.P. Morgan EMBI Global Diversified	-1.94	6.54	6.54	-0.91	-	-	3.45
Value Add	+2.91	+7.42	+7.42	+4.05	-	-	+3.09

### MAJOR PERFORMANCE DRIVERS

The J.P. Morgan EMBI Global Diversified (EMBIG-D) benchmark returned -1.9% in the fourth quarter. 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%, leading to a -3.9% interest rate return.

The portfolio had positive alpha from both country selection and security selection for the period. Within country selection, the overweight position in Argentina (+33.6%) significantly contributed to gains, alongside overweights in Ukraine (+22.9%) and Lebanon (+66.5%). Additional positive impacts came from overweights in Sri Lanka (+13.3%) and El Salvador (+11.4%). However, these gains were partially offset by negative contributions from overweights in Romania (-6.4%), Mexico (-3.7%), and Colombia (-4.3%). An underweight position in Nigeria (+2.1%) and an overweight in Suriname (-5.5%) also slightly detracted from country selection alpha.

Within in-index countries, security selection alpha was positively impacted by holdings in Sri Lanka, Chile, and Ghana, although these gains were offset by Brazil and Argentina. Among out-of-index countries, positive contributions were led by Tunisia and Grenada, while the Republic of North Macedonia detracted, albeit marginally. In the quasi-sovereign category, Chile was a top contributor, whereas India was a primary detractor.

At the end of the period, the portfolio's largest overweights are Argentina, Mexico, and Israel, while the largest underweights are China, Qatar, and Indonesia. Notable changes in the portfolio include an increase in active weights for Iraq, Argentina, and Zambia, with Iraq switching from an underweight to an overweight position. Conversely, the portfolio reduced its active weights in the Dominican Republic and Kazakhstan, with Kazakhstan moving from an overweight to an underweight position, while Chile's underweight position increased.

Inception Date: 1-Apr-20

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## 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.**

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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/>

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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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