

QUARTERLY INVESTMENT REVIEW

Climate Change Strategy

Performance returns (USD)

ANNUALIZED RETURNS (QUARTER-END)	Quarter-End	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
Climate Change Strategy (net)	9.99	-6.30	-2.91	-7.37	7.15	-	6.62
Climate Change Strategy (gross)	10.22	-5.71	-2.10	-6.62	8.02	-	7.48
MSCI ACWI	6.61	18.66	31.76	8.09	12.18	-	10.77
Value Add	+3.37	-24.96	-34.67	-15.46	-5.04	-	-4.15

MAJOR PERFORMANCE DRIVERS

The third quarter seemed to mark a turning point, or a kind of reversal, for some of the dynamics that have driven global equity markets thus far this year. Larger cap tech companies appeared to lose some of the steam that had been driving multiples higher. Names like Microsoft, Nvidia, and Amazon fell. That translated to better momentum in other areas but the Wilderhill Clean Energy index, a barometer of broad Clean Energy performance, was roughly flat for the quarter. That was all the more surprising as the U.S. Federal Reserve began its rate cutting cycle with a bumper 50 bp cut. Across climate-relevant commodity markets, copper prices rose slightly, and lithium prices fell again. Despite a broader rally in Clean Energy yet to materialize, the Climate Change portfolio was up for the quarter, outperforming its benchmark, the MSCI ACWI, by a healthy margin.

Our largest segment, Clean Energy, did significantly better than the broader sector, reinforcing the importance of a Quality mindset to find those companies with a long-term moat around their profitability. Our Clean Energy companies are, in many cases, starting to move past the cyclical trough that has pushed earnings down a little and pushed sentiment down a lot. The inventory glut in markets like solar is washing out. Interest rates are falling. The earnings growth trajectory is becoming clearer by the day. Sunrun, a residential solar installer, and Ameresco, a biofuel producer and clean tech integrator, were two of our strongest contributors this quarter. That said, valuations across Clean Energy still do not reflect expected growth and we have continued to add to those names where there is headroom to do so.

Outside of Clean Energy, the Copper and Electric Grid segments both had another strong quarter with Ivanhoe and Nexans, respective leaders in those areas, continuing to add value. In addition, weakness in copper prices at the start of the quarter allowed us to add to names like Ivanhoe at temporarily much more attractive levels.

In Energy Efficiency, our weakest segment for the quarter, the main detractor was our Technology subsegment. These are primarily semiconductor companies producing chips for clean technologies like electric vehicles. These chips are going through an inventory cycle of their own – a common occurrence in semis – and we have used some of this as an opportunity to rebalance that portfolio a little, including adding to Axcelis and On Semiconductors.

As the world makes the transition to clean energy and economies grapple with adapting to climate change, we continue to believe this portfolio is well positioned to benefit. The Climate Change portfolio continues to trade at a significant discount to broader global equities, a discount almost as large as it has ever been, indicating substantial upside to come for patient capital.

Portfolio weights, as a percent of equity, for the positions mentioned were: Ivanhoe (4.7%), Nexans (3.7%), Sunrun (6.1%), Ameresco (4.9%), Axcelis (0.9%), ON Semiconductors (1.4%).

Composite Inception Date: 30-Apr-17

Risks: Risks associated with investing in the Strategy may include: (1) Focused Investment Risk: The Fund invests its assets in the securities of a limited number of issuers, and a decline in the market price of a particular security held by the Fund may affect the Fund's performance more than if the Fund invested in the securities of a larger number of issuers. (2) Market Risk - Equities: The market price of equities may decline due to factors affecting the issuer, its industries, or the economy and equity markets generally. Declines in stock market prices generally are likely to reduce the net asset value of the Fund's shares. (3) Management and Operational Risk: The risk that GMO's investment techniques will fail to produce desired results, including annualized returns and annualized volatility. For a more complete discussion of these risks and others, please consult the Fund's offering documents. This is not a complete list of risks associated with investing in the Strategy. Please contact GMO for more information. **Performance Returns:** 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. To obtain performance information to the most recent month-end, visit www.gmo.com. **Performance data quoted represents past performance and is not predictive of future performance.** Net returns are presented after the deduction of a model advisory fee and incentive fee if applicable. These returns include transaction costs, commissions and withholding taxes on foreign income and capital gains and include the reinvestment of dividends and other income, as applicable. Fees paid by accounts within the composite may be higher or lower than the model fees used. Gross returns are presented gross of management fees and any incentive fees if applicable. These returns include transaction costs, commissions, withholding taxes on foreign income and capital gains and include the reinvestment of dividends and other income, as applicable. If management and incentive fees were deducted performance would be lower. For example, if, before fees, the strategy were to achieve a 10% annual rate of return above its hurdle rate each year for ten years, and an annual advisory fee of 1% and incentive fee of 20% of net returns above the hurdle rate were charged during that period, the resulting average annual net return (after the deduction of management and incentive fees) would be approximately 7.20%. **GMO LLC claims compliance with the Global Investment Performance Standards (GIPS®). A Global Investment Performance Standards (GIPS®) Composite Report is available on GMO.com by clicking the GIPS® Composite Report link in the documents section of the strategy page. GIPS® is a registered trademark owned by CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein. Actual fees are disclosed in Part 2 of GMO's Form ADV and are also available in each strategy's Composite Report.** The portfolio is not managed relative to a benchmark. References to an index are for informational purposes only.

QUARTERLY INVESTMENT REVIEW

PRODUCT OVERVIEW

The GMO Climate Change Strategy seeks to deliver high total return by investing primarily in equities of companies GMO believes are positioned to benefit, directly or indirectly, from efforts to curb or mitigate the long-term effects of global climate change, to address the environmental challenges presented by global climate change, or to help the world adapt to climate change through improved efficiency of resource consumption. The Strategy invests globally across the capitalization spectrum, which allows GMO to pursue attractive investment opportunities wherever they may be.

The Focused Equity team believes exceptional opportunities for long-term investors abound in a world mobilizing to address climate change, and profitability associated with efforts to mitigate and adapt to climate change is largely independent of the global economy. Climate change investors can benefit from this unique, diversifying source of return, historically available at attractive valuations given the secular tailwinds of change.

IMPORTANT INFORMATION

Comparator Index(es): The MSCI ACWI (All Country World) Index (MSCI Standard Index Series, net of withholding tax) is an independently maintained and widely published index comprised of global developed and emerging markets. 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. Please visit <https://www.gmo.com/americas/benchmark-disclaimers/> to review the complete benchmark disclaimer notice.

The above information is based on a representative account in the Strategy selected because it has the fewest restrictions and best represents the implementation of the Strategy.

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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