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)	-6.36	-6.36	-17.68	-7.04	7.61	–	7.11
Climate Change Strategy (gross)	-6.16	-6.16	-16.99	-6.28	8.48	–	7.97
MSCI ACWI	8.14	8.14	23.15	6.94	10.90	–	10.11
Value Add	-14.50	-14.50	-40.83	-13.98	-3.29	–	-3.00

Major Performance Drivers

The first quarter of 2024 saw a stark reversal in sentiment around the path of rate cuts in the U.S. The yield on U.S. 10-year government bonds has risen more than 15% from last December's lows. This renewed skepticism on the size and speed of rate cuts was particularly dominant in January and saw those sectors with a perceived high delta to lower rates fall significantly, in many cases reversing gains from the previous quarter. The Wilderhill Clean Energy index was down over 20%. However, broad global equity indices shrugged off this concern, continuing to be buoyed by the type of large cap tech companies that have been mythicized in the Magnificent 7 along with rising prices in commodities like copper and oil. Against this backdrop, the GMO Climate Change portfolio was down for the quarter, underperforming its benchmark, the MSCI ACWI, which was up.

Clean Energy, our largest segment, was hit by renewed skepticism on the likelihood and speed of interest rate cuts. Four names from this group – SunRun, SolarEdge, Ameresco, and LG Chem – were our biggest detractors this quarter. Despite being buffeted by interest rate sentiment, the long-term potential in this sector is broadly underpriced as renewable deployment increases year-on-year, cyclical pressures like inventory gluts work through, and subsidies from governments around the world begin to flow. For many of the clean energy companies that we hold – higher quality than the broader sector because of their technological edge or scale advantage over the competition – current valuations reflect a low to negative growth scenario for their future earnings and we continued to add to this basket over the quarter. The current valuation opportunity has echoes of previous dislocations in different resource markets (oil and metals); history shows us that investors with patience and willingness to accept volatility will reap significant rewards.

Providing balance to our Clean Energy exposure, other segments in the portfolio including Copper, Water, and Electric Grid companies had a strong quarter and outperformed broader equities. Copper producers generally have benefited from the unexpected supply reduction we highlighted last quarter; Ivanhoe Mines was our best relative performer for the quarter. We have a long-held allocation to copper producers, seeing it as a key energy transition metal and the current pinch point is a reminder of how resource scarcity can affect clean economy supply chains. Electric grid providers and related companies have an important role to play in rewiring the world and many stand to benefit from the next phase of the energy transition being increasing energy demand and an increasing queue of renewable projects awaiting connectivity. We have broadened our grid exposure this quarter and were also pleased that an existing long-held exposure, Nexans, was one of our top contributors.

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 Mines (4.5%), Nexans (5.1%), Sunrun (5.3%), SolarEdge (5.2%), Ameresco (3.0%), and LG Chem (4.7%).

Inception Date: 5-Apr-17

Performance for the year of inception is less than a full calendar year. Returns shown for periods less than one year are not annualized.

Risks: Risks associated with investing in the Strategy may include Focused Investment Risk, Market Risk - Equities, Management and Operational Risk, Non-U.S. Investment Risk, and Market Disruption and Geopolitical Risk.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 Returns: 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. **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. The local market in which some accounts in the composite are priced was closed for Good Friday on March 29, 2024. Therefore, the performance for the strategy and corresponding benchmark will utilize March 28 for purposes of the ending valuation for the March return and the starting valuation for the April return. 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%. The portfolio is not managed relative to a benchmark. References to an index are for informational purposes only.

QUARTERLY INVESTMENT REVIEW

PRODUCT OVERVIEW

The Strategy seeks to deliver high total return by investing in companies GMO believes are positioned to benefit, directly or indirectly, from efforts to 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. We invest globally across the capitalization spectrum, which allows us to identify attractive investment opportunities wherever they may be.

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.