

QUARTERLY INVESTMENT REVIEW

Climate Change Investment Fund

Performance returns (GBP)

ANNUALIZED RETURNS (QUARTER-END)	Quarter-End	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
Climate Change Investment Fund (net)	4.02	-10.47	-11.26	-7.16	5.37	-	4.80
Climate Change Investment Fund (gross)	4.23	-9.90	-10.51	-6.37	6.27	-	5.70
MSCI ACWI	0.47	12.77	19.89	8.27	10.30	-	10.32
Value Add	+3.54	-23.25	-31.15	-15.43	-4.93	-	-5.52

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%).

Inception Date: 14-Mar-18

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PRODUCT OVERVIEW

The GMO Climate Change Investment Fund seeks to generate 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. We invest globally across the capitalization spectrum, which allows us to identify attractive investment opportunities wherever they may be.

We are seeing 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.

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. 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/equities/climate-change-strategy/climate-change-investment-fund---ccuf/>

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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.

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