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)	-15.15	-24.04	-24.04	-12.42	0.90	-	2.12
Climate Change Investment Fund (gross)	-14.96	-23.39	-23.39	-11.67	1.76	-	3.00
MSCI ACWI	6.04	19.59	19.59	8.22	11.30	-	10.87
Value Add	-21.20	-43.63	-43.63	-20.65	-10.40	-	-8.75

MAJOR PERFORMANCE DRIVERS

The fourth quarter was dominated by changing political winds. Markets rushed to price the potential policy shift after the re-election of Donald Trump to U.S. President and the Republican clean sweep of Congress. The incoming president's focus on deglobalization (higher tariffs, less immigration, increased pressure on China) and deregulation (lower taxes, establishment of the Department for Government Efficiency, legitimizing crypto) are likely to be inflationary and "risk-on." Bond yields went higher, and the U.S. dollar continued to show strength. The climate change sector saw an even greater reaction as campaign rhetoric (at times anti clean energy) was translated into a death knell for the sector. We watched this reaction with some curiosity as it's far from clear that the incoming administration will be bad news, particularly not to the extent markets have confidently priced in. The Climate Change portfolio was down for the quarter, marking its worst quarter of the year.

This quarter, Clean Energy was the largest relative detractor by some margin. Within Clean Energy, sentiment took a nosedive, and valuations post-election indicated the market thought the Inflation Reduction Act would be repealed in full. This reaction appears to misinterpret the reality of Trump/the Republican party's support for some clean energy technologies. Moreover, many of these companies still have significant upside even under a full repeal scenario. Looking past sentiment, fundamentals for many of these Clean Energy companies are continuing to improve. The inventory glut has ended for some of the solar companies we hold and demand for further rollout continues. Growth in the sustainable aviation fuel (SAF) market, particularly due to mandated demand in Europe, is likely to be a tailwind for our biggest biofuel names (Darling Ingredients, Neste). Even our biggest name in the particularly politically unpopular wind sector – Vestas – surprised the market with the strength of its fourth quarter order book. After sorting between the rhetoric and the reality of the fourth quarter, we broadly added to our Clean Energy names including to those involved in lithium-ion battery construction (like LG Chem and Samsung SDI). It's increasingly clear that stationary storage solutions – like li-ion batteries – will see explosive growth as solar & wind rollouts continue.

MAJOR PERFORMANCE DRIVERS CONT.

Outside of Clean Energy, the Copper and Electric Grid segments were also down after a strong run during the year. Energy Efficiency was overall a detractor, but parts – like Diversified Efficiency – saw strong performance. Finally, Agriculture and Timber were the strongest contributors after strong earnings performance at companies like Deere & Co.

Looking forward, growth in this sector is expected to pick up considerably. According to Bloomberg consensus estimates, our portfolio is expected to produce earnings growth of around 17% per annum over the next couple of years. This strong expected earnings growth for stocks trading at depressed levels leads to the portfolio trading at around 13 times this year's estimated earnings and 11 times next year's earnings.

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: Darling Ingredients (4.2%), Neste (2.5%), LG Chem (4.4%), Samsung SDI (1.9%), Vestas (1.5%), Deere & Co (0.4%).

More insight on the Inflation Reduction Act can be found here:
https://www.gmo.com/americas/research-library/the-future-of-the-inflation-reduction-act_insights/

QUARTERLY INVESTMENT REVIEW

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.

GMO UK Limited Authorised and Regulated by the Financial Conduct Authority Registered no 4658801 England. GMO Netherlands is registered with the AFM.

The above Fund has not been registered under the United States Investment Company Act of 1940, as amended, nor the U.S. Securities Act of 1933, as amended. None of the shares may be offered or sold, directly or indirectly, in the U.S. or to any U.S. Person, unless the securities are registered under the Act or an exemption from the registration requirements of the Act is available. A U.S. Person is defined as (a) any individual who is a citizen or resident of the U.S. for federal income tax purposes; (b) a corporation, partnership, or other entity created or organized under the laws of or existing in the U.S.; (c) an estate or trust the income of which is subject to U.S. federal income tax regardless of whether such income is effectively connected with a U.S. trade or business.

This is a marketing communication. This is not a contractually binding document. Please refer to the prospectus and to the KIID and do not base any final investment decision on this communication alone.

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/

Please note that GMO Investments ICAV and GMO Funds PLC may decide to terminate the arrangements made for the marketing of the sub-funds in one or more EU member states pursuant to the UCITS marketing passport in accordance with the procedure provided for under the applicable laws that implement Article 93a of Directive 2009/65/EC (the UCITS Directive).

A full list of fees and charges applied to investment can be found in the prospectus and in the KIID/PRIIPS KID, available at: https://www.gmo.com/europe/product-index-page/equities/climate-change-strategy/climate-change-investment-fund---ccuf/

This advertisement has not been reviewed by the Monetary Authority of Singapore.

UCITS HAVE NO GUARANTEED RETURN AND PAST PERFORMANCE DOES NOT GUARANTEE THE FUTURE ONES.

Singapore Accredited Investors and Hong Kong Professional Investors Use Only.