

QUARTERLY INVESTMENT REVIEW

Resources UCITS Fund

Performance returns (USD)

ANNUALIZED RETURNS (QUARTER-END)	Quarter-End	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
Resources UCITS Fund (net)	-10.78	-18.03	-18.03	-7.58	-	-	-3.42
Resources UCITS Fund (gross)	-10.60	-17.40	-17.40	-6.87	-	-	-2.68
MSCI ACWI Commodity Producers	-9.91	-5.56	-5.56	5.82	-	-	7.79
Value Add	-0.87	-12.47	-12.47	-13.40	-	-	-11.21

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, more U.S. drilling) are likely to be inflationary and "risk-on." Bond yields rose and the U.S. dollar continued to show strength. Commodity prices were volatile across the quarter. Copper, iron ore, and lithium ended up down while oil & gas were slightly up. Against this backdrop, the Resources portfolio was about flat to the MSCI Commodity Producers index which was down.

Our biggest segment, Energy, at over 60% of the portfolio was also the largest detractor and that was more than explained by Clean Energy's unsurprising poor performance post Trump's re-election. Within Fossil Fuels, stock selection was strong. After digging deep into Argentina earlier in the year, we invested in YPF and Vista Energy, two oil & gas companies expected to generate much higher free cash flow yields than the U.S. oil majors like Exxon and Chevron. YPF rose over 150% last year, and Vista Energy rose around 60% as both continued to execute well and conditions in Argentina improved. In the fourth quarter, both positions had large positive impacts on the portfolio. In addition, despite volatility across the quarter, Kosmos Energy has started production at its natural gas project off the coast of Africa. Within Clean Energy, sentiment took a nosedive in a reaction that appears to misinterpret the reality of Trump's/the Republican party's support for some Clean Energy technologies. We used the weakness as a chance to add some incremental exposure to our basket. Looking past sentiment, fundamentals for many of these Clean Energy companies are continuing to improve and forecasted earnings growth over the coming years is expected to outpace the broader global equity market.

Inception Date: 29-Mar-21

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MAJOR PERFORMANCE DRIVERS CONT.

Across Industrial Metals, most segments fell in line with iron ore and copper prices. The Diversified Miners were particularly hit by both. We trimmed some of our copper positions over the quarter, continuing to take profit from a part of the portfolio that has been a strong performer across the year. Our lithium portfolio was a standout bright spot, in contrast to previous quarters, as Rio Tinto's takeover of Arcadium – one of our lithium miners – was announced. It was a small sign that appetite for lithium is expected to remain significant over the coming years.

The long-term supply/demand dynamics in natural resource markets favor high and rising prices. But the deeply discounted valuations still available in some parts of this sector mean that investors don't need commodity prices to rise in order to expect strong returns. Flat commodity prices could still lead to a healthy return from a resource equity portfolio. In addition, valuations within the Clean Energy sector remain attractive, especially relative to expected earnings growth.

Portfolio weights, as a percent of equity, for the positions mentioned were: Vista (3.4%), YPF (4.0%), Kosmos (5.7%), Arcadium (0.0%).

More insight on clean energy policy 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 Resources UCITS Fund seeks to generate total return by investing in equities in the natural resources sector.

GMO's Focused Equity team believes that the increasing demand for natural resources, driven primarily by population growth in and industrialization of emerging markets, coupled with the limited supply of these resources, favors an upward trend in resource prices over time. The Fund seeks to invest in the securities of companies that we believe will benefit from this expected long-term rise in natural resource prices.

IMPORTANT INFORMATION

Comparator Index(es): The MSCI ACWI (All Country World) Commodity Producers Index (MSCI Standard Index Series, net of withholding tax) is an independently maintained and widely published index comprised of listed large and mid capitalization commodity producers within the 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.

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/resources-strategy/resources-ucits-fund/>

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ABOUT GMO

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