

# QUARTERLY INVESTMENT REVIEW

## Resources Fund

### Performance returns (USD)

ANNUALIZED RETURNS (QUARTER-END)	Quarter-End	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
Resources Fund (net)	-10.42	-17.70	-17.70	-6.78	3.99	7.00	4.98
Resources Fund (gross)	-10.25	-17.09	-17.09	-6.10	4.73	7.78	5.76
MSCI ACWI Commodity Producers	-9.91	-5.56	-5.56	5.82	5.89	4.02	2.34
Value Add	-0.51	-12.14	-12.14	-12.60	-1.90	+2.97	+2.64

Net of all fees and expenses after reimbursement by the Manager, but not transaction costs, if any. If certain expenses were not reimbursed, performance would be lower. Gross of fees, expenses and transaction costs, if any. If these fees, expenses and costs were included, performance would be lower. **Performance data quoted represents past performance and is not indicative of future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance data may be lower or higher than the performance data provided herein. To obtain performance information to the most recent month-end, visit [www.gmo.com](http://www.gmo.com).** The portfolio is not managed relative to a benchmark. References to an index are for informational purposes only.

### 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: 28-Dec-11

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.

**Risks:** Risks associated with investing in the Fund 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) Commodities Risk: Commodity prices can be extremely volatile, and exposure to commodities can cause the value of the Fund's shares to decline or fluctuate more than if the Fund had a broader range of investments. (3) 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. For a more complete discussion of these risks and others, please consult the Fund's Prospectus. **Performance Returns:** Annualized Returns may include the impact of purchase premiums and redemption fees. The GMO Trust funds are distributed in the United States by Funds Distributor LLC. GMO and Funds Distributor LLC are not affiliated.

**Net Expense Ratio: 0.72%; Gross Expense Ratio: 0.72%** Net Expense Ratio reflects the reduction of expenses from fee reimbursements. The fee reimbursements will continue until at least June 30, 2025. Elimination of this reimbursement will result in higher fees and lower performance. Gross Expense Ratio is equal to the Funds Total Annual Operating Expenses set forth in the Funds most recent prospectus dated June 30, 2024.

# QUARTERLY INVESTMENT REVIEW

## 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/](https://www.gmo.com/americas/research-library/the-future-of-the-inflation-reduction-act_insights/)

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# QUARTERLY INVESTMENT REVIEW

## PRODUCT OVERVIEW

The GMO Resources Fund seeks to deliver total return by investing in the equities of companies in the natural resources sector. Long-term supply and demand dynamics in natural resource markets favor upward price trends – demand growth is being driven by population growth and the development of emerging markets, while supplies of cheap, easy to access natural resources are declining. To harness this trend, we focus on identifying companies in public equity markets that we believe will benefit from a broad rise in resource prices, across a diversified portfolio of energy, metals, agriculture, and water.

We can invest globally across the capitalization spectrum, including emerging markets, which allows us to identify attractive investment opportunities wherever they may be.

## 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](http://www.gmo.com). Read the prospectus carefully before investing.**

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## 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.

AMSTERDAM

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SINGAPORE

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TOKYO\*\*