

CLIMATE CHANGE FUND

Investment Review: Quarter Ending December 31, 2022

OVERVIEW

The GMO Climate Change Fund seeks to deliver 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 improve the efficiency of resource consumption.

PERFORMANCE (%)

Net of Fees, Class III, Fair Value, USD	+9.88
Gross of Fees, Class III, Local Close, USD	+9.70
MSCI ACWI ¹	+9.76
Value Added	-0.06

Major Performance Drivers

The fourth quarter of 2022 saw either a relief rally or bear market bounce, depending on your perspective, across most asset classes. Some very early signs of softening inflation across developed economies gave rise to hopes of slower monetary policy tightening. In the latter part of the quarter, China decided to end its zero Covid policy, a move that essentially reopened one of the world's biggest economies. Global equity markets ended the quarter up for the first time in 2022. Bond markets also rose (yields falling), and commodities were predominantly higher with the exception of energy, which fell. Against this backdrop, the GMO Climate Change portfolio performed in line with the MSCI ACWI index.

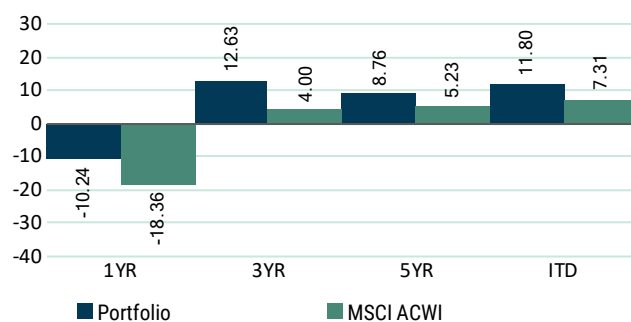
Clean Energy stocks, roughly half of the portfolio, had a positive quarter despite the two biggest sub-segments (Solar and Biofuels) ending the quarter down. That discrepancy can be explained partly by the biggest individual contributor for the quarter, Vestas Wind Systems, one of the few remaining pure play wind turbine providers and a long-term holding. Vestas' share price had come under pressure over 2022 as the market priced in short-term headwinds from issues like supply chain hold-ups. We added to the position over the year as we continued to see long-term upside with some of this recognized by the market in Q4. Conversely, the two largest individual detractors were from the Biofuel and Solar sectors – Ameresco and SunRun – as markets largely shrugged off the future growth potential of the Inflation Reduction Act 2022. We continue to see Biofuels and Solar as important parts of our Clean Energy portfolio and a strong fit for our investment thesis. External validation of this view was provided this quarter by BP's takeover of Archaea Energy, a renewable natural gas provider, for a more than 25% upside. This was the second high-profile takeover of a biofuel producer by an oil company this year. Companies like BP continue to look for ways to diversify their energy mix.

Energy Efficiency, the second largest segment in the portfolio, was the biggest contributor to returns this quarter. Performance was strong across sub-segments, but Transportation was the standout in large part due to BorgWarner, a manufacturer of component parts for electric vehicles.

Agriculture and Water both had a positive quarter, driven particularly by Precision Agriculture, Fish Farming, and our largest Water position, Veolia.

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. Gross Expense Ratio of 0.81% is equal to the Funds Total Annual Operating Expenses set forth in the Funds most recent prospectus dated June 30, 2022.

ANNUALIZED RETURN (%) AS OF 12/31/2022



Inception date: 04/05/2017

Includes purchase premiums and redemption fees impact if applicable.

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The most significant position changes over the quarter were an increase to SolarEdge, Vestas, and Veolia, along with a decrease to Ameresco, Canadian Solar, and Livent Corp. In terms of sector allocations, we continued to reduce our Clean Power Generation portfolio. The outlook for Power Generation, particularly in Europe, is less appealing under windfall taxes and price caps for clean energy.

As the world makes the transition to clean energy and economies grapple with adapting to climate change, we believe this portfolio is well positioned to benefit.

Portfolio weights, as a percent of equity, for the positions mentioned were: Vestas Wind Systems (4.3%), Ameresco Inc (4.9%), SunRun (5.1%), Archaea Energy (0.0%), BP (0.0%), BorgWarner (3.4%), SolarEdge (6.4%), Veolia (3.1%), Canadian Solar (3.2%), and Livent Corp (1.1%).

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 fund's prospectus. To obtain a prospectus please visit www.gmo.com. Read the prospectus carefully before investing.

Risks Associated with investing in the Fund may include, Focused Investment Risk, Market Risk-Equities, Management and Operational Risk, Smaller Company Risk, Non-U.S. Investment Risk. For a more complete discussion of these risks and others, please consult the Fund's prospectus. The GMO Trust funds are distributed in the United States by Funds Distributor LLC. GMO and Funds Distributor LLC are not affiliated.

¹ 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.