

# QUARTERLY INVESTMENT REVIEW

## Climate Change Select Investment Fund EUR Class A

### Performance returns (EUR)

ANNUALIZED RETURNS (QUARTER-END)	Quarter-End	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
Climate Change Select Investment Fund EUR Class A (net)	-4.55	-4.55	-17.16	–	–	–	-12.40
Climate Change Select Investment Fund EUR Class A (gross)	-4.35	-4.35	-16.43	–	–	–	-11.63
MSCI ACWI	10.61	10.61	23.89	–	–	–	8.35
Value Add	-15.16	-15.16	-41.05	–	–	–	-20.75

### Major Performance Drivers

The first quarter of 2024 saw a stark reversal in sentiment around the path of rate cuts in the U.S. The yield on U.S. 10-year government bonds has risen more than 15% from last December's lows. This renewed skepticism on the size and speed of rate cuts was particularly dominant in January and saw those sectors with a perceived high delta to lower rates fall significantly, in many cases reversing gains from the previous quarter. The Wilderhill Clean Energy index was down over 20%. However, broad global equity indices shrugged off this concern, continuing to be buoyed by the type of large cap tech companies that have been mythicized in the Magnificent 7 along with rising prices in commodities like copper and oil. Against this backdrop, the GMO Climate Change Select portfolio was down for the quarter, underperforming its benchmark, the MSCI ACWI, that was up.

Clean Energy, our largest segment, was hit by renewed skepticism on the likelihood and speed of interest rate cuts. Four names from this group – SunRun, SolarEdge, Ameresco, and LG Chem – were our biggest detractors this quarter. Despite being buffeted by interest rate sentiment, the long-term potential in this sector is broadly underpriced as renewable deployment increases year-on-year, cyclical pressures like inventory gluts work through, and subsidies from governments around the world begin to flow. For many of the clean energy companies that we hold – higher quality than the broader sector because of their technological edge or scale advantage over the competition – current valuations reflect a low to negative growth scenario for their future earnings and we continued to add to this basket over the quarter. The current valuation opportunity has echoes of previous dislocations in different resource markets (oil and metals); history shows us that investors with patience and willingness to accept volatility will reap significant rewards.

Providing balance to our Clean Energy exposure, other segments in the portfolio including Copper, Water, and Electric Grid companies, had a strong quarter and outperformed broader equities. Copper producers generally have benefited from the unexpected supply reduction we highlighted last quarter; Ivanhoe Mines was our best relative performer for the quarter. We have a long-held allocation to copper producers, seeing it as key energy transition metal and the current pinch point is a reminder of how resource scarcity can affect clean economy supply chains. Electric grid providers and related companies have an important role to play in rewiring the world and many stand to benefit from the next phase of the energy transition being increasing energy demand and an increasing queue of renewable projects awaiting connectivity. We have broadened our grid exposure this quarter and were also pleased that an existing long-held exposure, Nexans, was one of our top contributors.

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 Select 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 (4.5%), Nexans (5.1%), Sunrun (5.4%), SolarEdge (5.2%), Ameresco (3.3%), LG Chem (4.7%).

Inception Date: 23-Mar-22

Performance for the year of inception is less than a full calendar year. Returns shown for periods less than one year are not annualized.

This is a marketing communication. This is not a contractually binding document. Please refer to the prospectus and to the KIID/PRIIPS KID and do not base any final investment decision on this communication alone. **Risks:** Risks associated with investing in the Fund may include Investment Risk, Management and Operational Risk, New Fund Risk, Market Risk - Equities, and Currency Risk. For a more complete discussion of these risks and others, please consult the Fund's Prospectus. Returns shown for periods greater than one year are on an annualized basis. To obtain performance information to the most recent month-end, visit [www.gmo.com](http://www.gmo.com).

**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.** The local market in which the Fund is priced was closed for Good Friday on March 29, 2024. Therefore, the performance for the fund and corresponding benchmark will utilize March 28 for purposes of the ending valuation for the March return and the starting valuation for the April return. 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.

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## PRODUCT OVERVIEW

The GMO Climate Change Select Investment Fund seeks to generate high total return.

GMO's Focused Equity team believes that climate change is having a dramatic impact on the world and significant investments are – and will be – needed to head off its effects. Using a disciplined, value-oriented approach, the Fund seeks to invest in companies that are positioned to benefit from climate change mitigation or adaptation efforts. The Fund excludes companies with Environmental, Social, and Governance (ESG) controversies.

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

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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.

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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-select-investment-fund/>

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-select-investment-fund/>

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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\*GMO's West Coast Hub is comprised of members of Investment, Global Client Relations, and other teams located in and around the Greater San Francisco area

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