

GMO HORIZONS STRATEGY

The Opportunity

GMO Horizons is a global strategy reflecting the view that the world economy is transitioning to a lower carbon future, and that this process will create secular growth opportunities for investors to seek excess returns.

We believe the Strategy is well suited to clients looking to increase their exposure to sustainable investments and to make progress on Net Zero goals, delivering higher-than-benchmark¹ exposure to climate solutions as well as lower-than-benchmark carbon emissions by using a rigorous, style neutral approach that incorporates both direct and indirect emissions.

The climate is moving much faster than people think, and the responses are going to move much faster.

- Jeremy Grantham

The GMO Solution

The GMO Horizons Strategy is a fully systematic and diversified solution that provides:

- Materially lower total emissions than the benchmark as measured using scope 1 emissions and GMO's proprietary Indirect Emissions model, which estimates the indirect emissions embodied in end-to-end company value chains.
- High levels of exposure to companies where revenue is derived from selling green products and services.
- ESG risk mitigation via better ESG characteristics than the benchmark.

Controls exposure to
direct and indirect emissions

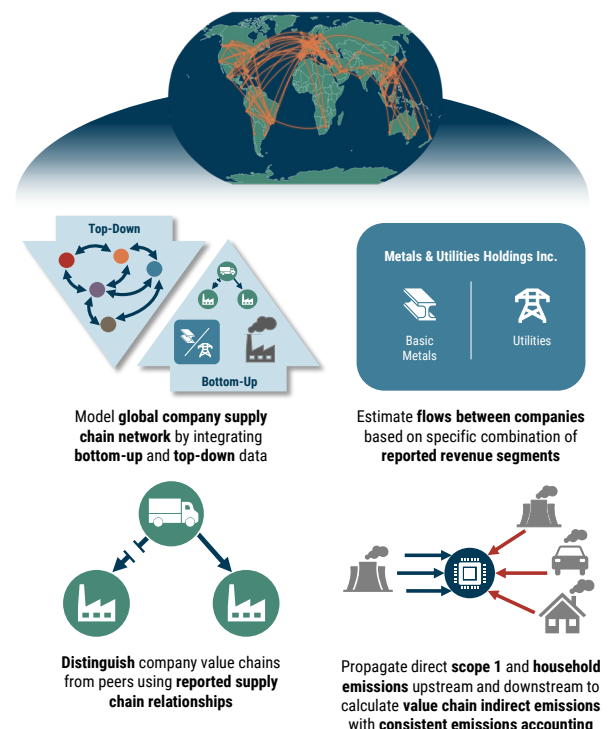
Highly scalable investment strategy that
provides significant exposure to
upside potential of climate solutions

GMO INDIRECT EMISSIONS MODEL

The GMO Horizons Strategy attempts to significantly reduce the total carbon footprint (direct and indirect emissions) of the portfolio relative to its benchmark. Many, if not all, other low-carbon strategies only address scope 1 and scope 2 emissions; however, indirect emissions represent the largest scope of emissions accounting for 80% of total company emission footprints.²

Indirect emissions are 80% of total company emissions

We think it is important to look across companies' entire value chains to fully capture carbon risk. For example, a company that completely outsources its production will have lower scope 1 and scope 2 emissions than a vertically integrated company but may have greater total emissions. The GMO Indirect Emissions model allows investors to properly compare these companies across their entire value chains.

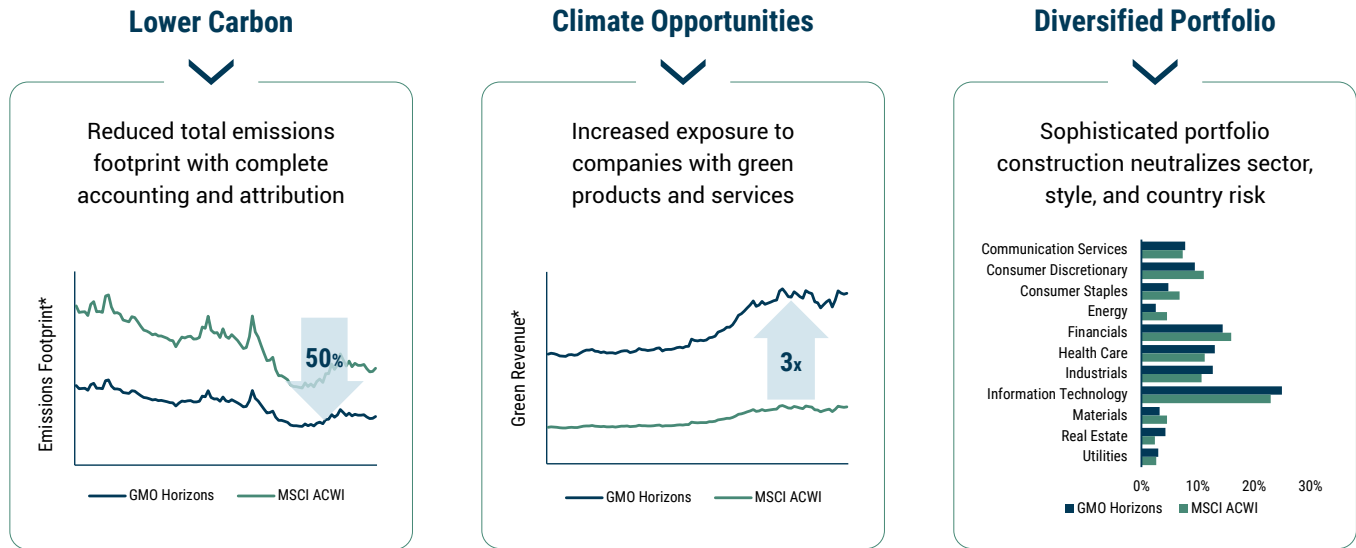


¹ MSCI ACWI Index. The Strategy can also be managed to a client-specified benchmark in a separate account.

² Source: GMO Indirect Emissions Model calculation as of January 2024

The Client Fit

We believe the GMO Horizons Strategy is especially well suited for asset owners who want their core equity allocations to contribute toward Net Zero goals. The Strategy contributes to achieving real world emissions reduction by investing in climate solutions and maintaining 50% lower total emissions (direct and indirect) intensity than the MSCI ACWI Index, while providing diversified equity exposure suitable for a global core allocation.



Source: GMO, MSCI, FTSE Russell, Trucost

Emissions intensity and weighted average green revenue calculations for GMO Horizons are based on simulated backtest holdings. Backtest starts on March 2015 and ends on September 2023.

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Who We Are

Founded in 1977, GMO is a private partnership whose sole business is investment management. The firm manages global portfolios with offices and clients around the world. Investment offerings include equity, fixed income, multi-asset class, and alternative strategies. GMO is known for blended fundamental and quantitative investment research expertise and a long-term orientation toward value opportunities.

The Team

GMO's Systematic Equity team is a pioneer in quantitative investing for institutions, building on decades of accumulated research on how to best build portfolios to capture investment opportunities. Recent projects have accelerated GMO's understanding of how ESG factors affect investment quality, risk, and profitability. Research on how best to capture indirect emissions led to the launch of GMO Horizons.

RISK

Risks associated with investing in the Strategy may include Market Risk – Equities, Non-U.S. Investment Risk, and Management and Operational Risk.