QUARTERLY INVESTMENT REVIEW

Climate Change Strategy

RETURNS (%) (LOCAL)

	Cumulative (%)		*Annualized (%)*				
	QTD	*YTD*	*1 Year*	*3 Years*	*5 Years*	*10 Years*	*ITD*
Net of Fees (Composite)	-15.43	-10.55	-2.18	6.10	7.37	–	8.09
Gross of Fees (Composite)	-15.09	-9.47	-0.80	7.16	8.36	–	9.06
MSCI ACWI	-3.40	10.06	20.80	6.90	6.46	–	7.82
Value Added (vs. MSCI ACWI)	-12.02	-20.61	-22.98	-0.80	0.90	–	0.27

Major Performance Drivers

The third quarter saw sentiment drive change across a range of markets. Bond yields, particularly at the long end, rose significantly in seeming acceptance of "higher for longer" from global monetary policy makers. Oil prices rose significantly on supply concerns driven by production cuts from Saudi Arabia and Russia. Equity markets also ended the quarter on a downbeat note, not immune to these effects and to slower growth in China – the world's second largest economy. Notably some large cap tech names – beneficiaries of the AI everywhere boom – like Apple and Microsoft, saw a significant reversal over September. Against this backdrop, the GMO Climate Change portfolio was down for the quarter, underperforming the MSCI ACWI index.

Clean Energy, our largest segment, faced one of its most challenging quarters. Solar energy took the biggest hit, due largely to negative revisions in forward earnings guidance by key industry players. But it wasn't just Solar, both Biofuels and Batteries followed suit, contributing to the overall drawdown. Our top five detractors – SolarEdge, SunRun, LG Chem, Ameresco, and Darling Ingredients – all came from these energy-transition critical areas. Taking a step back, over the past year, our performance within clean energy has been significantly more resilient than broader clean energy indices like the Wilderhill Clean Energy index. But a broad-based sell-off can lead to questions about future viability of a sector. An undershoot on earnings for this quarter or a negative revision to future earnings can easily be extrapolated. However, a setback in earnings over a few quarters cannot overshadow the sustained progress in the clean energy space. These are fundamentally robust companies experiencing rapid growth as the world transitions toward a clean energy mix. Public policy incentives contained in the U.S. Inflation Reduction Act and the EU's Green Deal Industrial Plan (and many other similar policies around the world) are pushing the energy transition into a higher gear. As a result of this dislocation, many of the companies best placed to harness this secular tailwind are now available at more attractive valuations, particularly versus broader global equities, and we have harnessed this dislocation by adding to our clean energy positions over this quarter. Our most recent white paper is an important complement to this quarter's review and is available here: https://www.gmo.com/americas/research-library/turbulence-on-the-path-to-transformation_whitepaper/

From the remaining portfolio segments, Energy Efficiency was also down, in part due to the tech sell-off also hitting the semiconductor sector where we hold names providing semiconductor architecture to electric vehicles and clean energy companies. Our Copper and Electric Grid segments were mildly down, roughly in line with broader global equities, despite the shortage of copper becoming an increasingly recognized limitation to a faster energy transition (including better grid networks).

Inception Date: 5-Apr-17

Risks: Risks associated with investing in the Strategy may include Focused Investment Risk, Market Risk - Equities, Management and Operational Risk, Non-U.S. Investment Risk, and Market Disruption and Geopolitical Risk.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. **Performance Returns: Performance data quoted represents past performance and is not predictive of future performance.** Net returns are presented after the deduction of a model advisory fee and incentive fee if applicable. These returns include transaction costs, commissions and withholding taxes on foreign income and capital gains and include the reinvestment of dividends and other income, as applicable. Fees paid by accounts within the composite may be higher or lower than the model fees used. Gross returns are presented gross of management fees and any incentive fees if applicable. These returns include transaction costs, commissions, withholding taxes on foreign income and capital gains and include the reinvestment of dividends and other income, as applicable. If management and incentive fees were deducted performance would be lower. For example, if, before fees, the strategy were to achieve a 10% annual rate of return above its hurdle rate each year for ten years, and an annual advisory fee of 1% and incentive fee of 20% of net returns above the hurdle rate were charged during that period, the resulting average annual net return (after the deduction of management and incentive fees) would be approximately 7.20%. **Performance data quoted represents past performance and is not predictive of future performance.** Net returns are presented after the deduction of a model advisory fee and incentive fee if applicable. These returns include transaction costs, commissions and withholding taxes on foreign income and capital gains and include the reinvestment of dividends and other income, as applicable. Fees paid by accounts within the composite may be higher or lower than the model fees used. **A Global Investment Performance Standards (GIPS®) Composite Report is available on GMO.com by clicking the GIPS® Composite Report link in the documents section of the strategy page. GIPS® is a registered trademark owned by CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein. Actual fees are disclosed in Part 2 of GMO's Form ADV and are also available in each strategy's Composite Report.** The portfolio is not managed relative to a benchmark. References to an index are for informational purposes only.**A Global Investment Performance Standards (GIPS®) Composite Report is included in the Important Information section at the back of this presentation. GIPS® is a registered trademark owned by CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein. Actual fees are disclosed in Part 2 of GMO's Form ADV and are also available in each strategy's Composite Report.**

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Major Performance Drivers Cont.

Agriculture was the bright spot this quarter, thanks to strong performance across Farming, Timber, and Agricultural Productivity. The Agriculture segment was responsible for four of the top five highest contributors – Suzano, Adecoagro, Mosaic, Sao Martinho – once again highlighting the benefits of holding a diversified portfolio as Clean Energy and Agriculture often have a low correlation.

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. And after this quarter the valuation difference between the Climate Change portfolio and the benchmark also indicates significant upside to come. Over the course of the quarter, we have been using our valuation discipline to lean into the dislocation by adding to names across Solar, Wind, Biofuels, Batteries, and Copper.

Portfolio weights, as a percent of equity, for the positions mentioned were: SunRun (4.6%), SolarEdge (4.8%), Darling Ingredients (4.6%), LG Chem (4.9%), Ameresco (4.2%), Suzano (0.9%), Adecoagro (1.1%), Mosaic (1.3%), and Sao Martinho (1.3%).

PRODUCT OVERVIEW

The Strategy seeks to deliver high total return by investing in companies GMO believes are positioned to benefit, directly or indirectly, from efforts to mitigate the long-term effects of global climate change, to address the environmental challenges presented by global climate change, or to help the world adapt to climate change through improved efficiency of resource consumption. We invest globally across the capitalization spectrum, which allows us to identify attractive investment opportunities wherever they may be.

Exceptional opportunities for long-term investors abound in a world mobilizing to address climate change, and profitability associated with efforts to mitigate and adapt to climate change is largely independent of the global economy. Climate change investors can benefit from this unique, diversifying source of return, historically available at attractive valuations given the secular tailwinds of change.

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.

The above information is based on a representative account in the Strategy selected because it has the fewest restrictions and best represents the implementation of the Strategy.