

# QUARTERLY INVESTMENT REVIEW

## Climate Change Trust

### RETURNS (%) (LOCAL)

	Cumulative (%)		Annualized (%)				
	QTD	YTD	1 Year	3 Years	5 Years	10 Years	ITD
Net of Fees	1.05	8.74	19.11	-	-	-	3.39
MSCI ACWI	6.83	16.07	20.38	-	-	-	4.75
Value Added (vs. MSCI ACWI)	-5.78	-7.34	-1.27	-	-	-	-1.36

### Major Performance Drivers

The second quarter was about owning a handful of large cap tech names that the market expected to be the biggest beneficiaries of the "AI Everywhere" theme – Nvidia, Apple, Microsoft, Amazon. These companies fall outside the climate change universe, our carefully defined pond to fish from, as very little if any of their revenue is from dedicated mitigation or adaptation activities. Instead, we look for companies where the majority of revenue comes from mitigation or adaptation sources, like those involved in the provision, transmission, and storage of clean energy. As the AI-led tech rally continued, it drove up Growth stocks vs. Value and large caps vs. small. The S&P 500 went back into bull market territory. Our portfolio continues to be small to mid cap in nature and oriented toward Value, a reflection of where we see the best forward-looking opportunities as we consider the future of climate change. In fact, our climate change universe is also much smaller cap than the broader global market as it encompasses newer technologies, innovative firms, and emerging sectors. Against this backdrop, the GMO Climate Change portfolio was up for the quarter although it underperformed the MSCI ACWI index.

Looking across the segments, Clean Energy remains our largest holding by weight, even though it experienced a 2% decline during the quarter. This decline, however, represents a significant outperformance in comparison to global clean energy markets, while lagging behind broader global equities. Within the segment, Solar and Wind companies faced the biggest drawdowns – SunRun and SolarEdge were two of the biggest detractors – while Biofuel producers had a positive quarter. Two of the portfolio's biggest contributors – Darling Ingredients and Clean Energy Fuels – came from this group. Lithium producers, part of our battery metals portfolio, also had a strong quarter, up around 13%, balancing out negative performance further down the battery supply value chain via LG Chem. This serves as a reminder of the usefulness of being diversified across Clean Energy supply chains. We maintain conviction in our Clean Energy position, as these profitable companies continue to experience rapid growth, fueled by the prevailing tailwind of the energy transition and the supportive landscape of public policy.

Providing further balance to the portfolio, our second biggest segment, Energy Efficiency, was up over 5% thanks to strong returns in Technology, Transportation, and Building names. Within Transportation, we continue to view companies further up the electric vehicle value chain, like Valeo, as available at much more attractive forward-looking valuations than an EV manufacturer like Tesla, which is now back to eye-watering price multiples.

Inception Date: 5-Oct-21

**Risks:** Risks associated with investing in the Trust are as follows: (1) Focused Investment Risk: Because the Trust focuses its investments in securities of companies involved in climate change-related industries, the Trust will be more susceptible to events or factors affecting these companies, and the market prices of its portfolio securities may be more volatile than those of trusts that are more diversified. (2) Market Risk - Equities: The market price of an equity may decline due to factors affecting the issuer or its industry or the economy and equity markets generally. Declines in stock market prices generally are likely to reduce the net asset value of the Trust's shares. (3) Management and Operational Risk: The Trust runs the risk that GMO's investment techniques will fail to produce desired results. For a more complete discussion of these risks and others, please consult the Trusts Information Memorandum or Product Disclosure Statement. 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 predictive of future performance. Net returns are presented after the deduction of management fees and incentive fees 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.

**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 portfolio is not managed relative to a benchmark. References to an index are for informational purposes only. The GMO Climate Change Trust ARSN 696 030 896 ("the Trust") is issued by GMO Australia Limited ABN 30 071 502 639, AFS Licence No. 236 656.

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## *Major Performance Drivers Cont.*

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: SunRun (4.9%), SolarEdge (5.0%), Darling Ingredients (5.0%), Clean Energy Fuels (1.7%), LG Chem (4.5%), and Valeo (1.8%)

## PRODUCT OVERVIEW

The GMO Climate Change Trust 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.

## 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 Trust accepts investments from wholesale investors only. Retail investors are not able to directly invest in the Trust but may gain exposure to the Trusts by investing with certain investor directed portfolio services, master trusts, wrap accounts or custodians (“services”). GMO Australia Limited, GMO LLC, and their affiliates, do not guarantee the performance of the Trust or the repayment of an investor’s capital. This information is of a general nature only and is not advice. It does not take into account the objectives, financial situation or needs of any specific investor. The offer to invest in the Trust for wholesale investors is contained in the current information memorandum. A Product Disclosure Statement (“PDS”) is also available solely for use by retail investors gaining exposure to the Trust through a service. A Target Market Determination (TMD) has also been prepared for the Trust. The information memorandum PDS and TMD can be obtained by visiting our website [www.gmo.com](http://www.gmo.com). Investors should read the information memorandum or PDS, consider their own circumstances, and obtain their own advice before making an investment decision.**

## 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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