

QUARTERLY INVESTMENT REVIEW

Climate Change Fund

RETURNS (%) (USD)

	Cumulative (%)		Annualized (%)				
	QTD	YTD	1 Year	3 Years	5 Years	10 Years	ITD
Net of Fees (Class III)	5.99	5.99	-8.44	28.25	10.24	-	12.38
Gross of Fees (Class III)	6.19	6.19	-7.72	29.23	11.09	-	13.24
MSCI ACWI	7.31	7.31	-7.44	15.37	6.94	-	8.27
Value Added (vs. MSCI ACWI)	-1.31	-1.31	-1.00	12.88	3.30	-	4.11

Major Performance Drivers

The first quarter of 2023 was a wild ride for most risk asset classes. A very bullish January left equity markets priced for disappointment and that was delivered in the form of U.S. regional bank collapses and the rescue of Credit Suisse via a merger with its Swiss rival, UBS. Reflecting the view that monetary policymakers would soften their tightening due to heightened recession risk outweighing inflation concerns, interest rate sensitive industries like technology had a strong quarter. In contrast, the specter of recession combined with an already higher rate environment led to greater scrutiny of heavily indebted companies and those parts of the market with a higher perceived beta to economic downside like commodity producers. Against this backdrop, the GMO Climate Change portfolio was up for the quarter although it underperformed the MSCI ACWI index by a small margin.

Clean Energy, roughly half of the portfolio by weight, was flat for the quarter and underperformed broader global equity markets. Within Clean Energy, there was significant performance dispersion with both the strongest individual contributor – Canadian Solar – and the two largest individual detractors – SunRun and Ameresco – a part of this group. The collapse of Silicon Valley Bank (SVB) sent contagion fears through the clean energy sector as SVB had some well publicized relationships (both depository and lending) with clean energy/tech companies, including SunRun. As SVB's crisis unfolded, markets put these companies under pressure as a second order effect, fearing these companies would face issues getting their deposits back or with having to refinance their lending.

Inception Date: 5-Apr-17

Risks: Risks associated with investing in the Fund are as follows: (1) Focused Investment Risk: Because the Fund focuses its investments in securities of companies involved in climate change-related industries, the Fund 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 mutual funds 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 Fund's shares. (3) Management and Operational Risk: The Fund 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 Fund's prospectus. Annualized Returns may include the impact of purchase premiums and redemption fees. 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 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. If certain expenses were not reimbursed, performance would be lower. Transaction costs, if any, are paid to the fund to offset the cost of portfolio transactions to invest or raise cash. **Net Expense Ratio: 0.77%; Gross Expense Ratio: 0.81%** Net Expense Ratio reflects the reduction of expenses from fee reimbursements. The fee reimbursements will continue until at least June 30, 2023. Elimination of this reimbursement will result in higher fees and lower performance. Gross Expense Ratio is equal to the Funds Total Annual Operating Expenses set forth in the Funds most recent prospectus dated June 30, 2022.

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Major Performance Drivers Cont.

Contagion risk appears contained given government intervention to backstop SVB's deposits and because the clean tech industry is no longer just a basket of venture capital backed startups. Many are mature, profitable companies that have been listed on public markets for decades. In the case of SunRun, it already held its deposits across a range of banks and SVB was not its primary lender. We hold a globally diversified portfolio with exposure to a range of clean energy companies. We continue to see a strong secular tailwind for the Clean Energy sector, both from a valuation and public policy perspective.

In contrast to Clean Energy performance and highlighting the benefits of diversification, our second largest segment, Energy Efficiency, and our Copper segment both had a strong quarter and were both up close to 17%. Within Energy Efficiency, our position in Renesas Electronics, a Japanese semiconductor company, was a notable driver. Within Copper, Grupo Mexico was the standout although the sector broadly continues to see a reversal of last year's trend and runs somewhat counter to broader recessionary concerns. We continue to see Copper as a key raw material required for the clean energy transition.

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: Canadian Solar (3.8%), SunRun (6.0%), Ameresco (4.8%), Renesas Electronics (1.6%), and Grupo Mexico (2.2%).

PRODUCT 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.

IMPORTANT INFORMATION

Benchmark(s): 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. Read the prospectus carefully before investing.

The GMO Trust funds are distributed in the United States by Funds Distributor LLC. GMO and Funds Distributor LLC are not affiliated.

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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