CLIMATE CHANGE FUND

Quarterly Investment Review

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 help the world adapt to climate change through improved efficiency of resource consumption. The Fund invests globally across the capitalization spectrum, which allows GMO to pursue attractive investment opportunities wherever they may be.

The Focused Equity team believes 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.

MAJOR PERFORMANCE DRIVERS

The second quarter saw a 180-degree shift in market sentiment, with risk-on enthusiasm driving appetite for AI hardware stocks along with more cyclical and speculative names. Much of this bubbly sentiment was in areas/sectors out of scope for this portfolio, so we did not participate in much of the froth. The market largely shrugged off war in Iran by the start of the quarter; energy prices fell, and commodities more generally were down. Outside of a few clean energy names that had AI datacenter spending hype driving their performance, that sector was also broadly down. Against this backdrop, the Climate Change portfolio was up, but underperformed the MSCI ACWI Index.

Digging into performance across the portfolio, our clean energy book gave back a portion of its outsized gains from the prior three quarters. Biofuel names felt the knock-on effect as the economic case for fossil fuel substitution temporarily softened. Darling Ingredients and Green Plains, both strong contributors in prior quarters, gave back some of their earlier 2026 gains. Lithium markets were similarly pressured: demand signals from China disappointed as EV sales growth moderated, while the prospect of meaningful new supply coming online drove prices lower. We see this less as a reversal of the long-term electrification story and more as a valuation reset. Downstream, the battery and energy storage producers also derated a little, giving us the opportunity to top up positions like LG Chem and CATL.

Although AI hardware and memory chip names are outside of this portfolio's scope, we did hold exposure to power semiconductor companies within our energy efficiency portfolio. This was one of the strongest quarters for these names in recent memory, as positive sentiment, the AI infrastructure buildout, and electrification demand helped to drive these names upwards. As the quarter wore on, valuations in semis looked increasingly stretched and the near-term thesis increasingly dependent on AI capex cycles rather than structural energy transition dynamics, we took profit and chose to exit most of those positions. Part of that capital was redeployed in our electric grid portfolio, including into EPC companies providing high voltage solutions to electric grids. As the world continues to electrify, the long-run case for these areas remains as compelling as ever, and we were pleased to add exposure at attractive valuations. We are also seeing a valuation opportunity opening up in our adaptation names and have been allocating to precision agriculture and timber.

As the world makes the transition to cleaner, renewable energy and economies grapple with electrification and climate change adaptation, we continue to believe this portfolio is well-positioned to benefit. The Climate Change portfolio continues to trade at a 20% discount to broader global equities, despite superior growth prospects, indicating substantial upside to come for patient capital.

Portfolio weights, as a percent of equity, for the positions mentioned were: Darling Ingredients (4.0%), Green Plains (2.3%), LG Chem (3.4%), and CATL (2.7%).

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ANNUALIZED RETURNS (USD, %) (QUARTER-END)

	Quarter-End	*YTD*	*1-Year*	*3-Year*	*5-Year*	*10-Year*	*Since Inception*
Climate Change Fund (net)	5.07	16.33	56.24	1.88	-0.07	-	8.53
Climate Change Fund (gross)	5.27	16.77	57.41	2.68	0.71	-	9.37
MSCI ACWI	14.93	11.25	23.67	19.69	10.98	-	12.35
Value Add	-9.86	+5.08	+32.56	-17.81	-11.05	-	-3.81

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. Gross of fees, expenses and transaction costs, if any. If these fees, expenses and costs were included, performance would be lower. **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. To obtain performance information to the most recent month-end, visit www.gmo.com.** The portfolio is actively-managed, is not managed relative to a benchmark and uses an index for performance comparison purposes only and, where applicable, to compute a performance fee.

Inception Date: 5-Apr-17

Performance for the year of inception is less than a full calendar year. Returns shown for periods greater than one year are on an annualized basis.

Risks: Risks associated with investing in the Fund may include: (1) Focused Investment Risk: the Fund invests its assets in the securities of a limited number of issuers, and a decline in the market price of a particular security held by the Fund may affect the Fund's performance more than if the Fund invested in the securities of a larger number of issuers; (2) Market Risk - Equities: the market price of equities may decline due to factors affecting the issuer, its industries, 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; and (3) Management and Operational Risk: the risk that GMO's investment techniques will fail to produce desired results, including annualized returns and annualized volatility. For a more complete discussion of these and other risks, please consult the Fund's Prospectus.

Performance Returns: Annualized Returns may include the impact of purchase premiums and redemption fees. The GMO Trust funds are distributed in the United States by Funds Distributor LLC. GMO and Funds Distributor LLC are not affiliated.

Net Expense Ratio: 0.78%; Gross Expense Ratio: 0.81% Net Expense Ratio reflects the reduction of expenses from fee reimbursements. The fee reimbursements will continue until at least 30 June 2026. 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 30 June 2025.

IMPORTANT INFORMATION

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.

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.

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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
**Representative Office