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)	-15.50	-10.28	-1.41	6.16	7.56	–	8.55
Gross of Fees (Class III)	-15.32	-9.75	-0.64	6.99	8.39	–	9.38
MSCI ACWI	-3.40	10.06	20.80	6.90	6.46	–	8.03
Value Added (vs. MSCI ACWI)	-12.10	-20.33	-22.21	-0.73	1.10	–	0.52

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 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.

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: 0.82% Net Expense Ratio reflects the reduction of expenses from fee reimbursements. The fee reimbursements will continue until at least June 30, 2024. 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, 2023.

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.

QUARTERLY INVESTMENT REVIEW

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 Fund 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.