

# QUARTERLY INVESTMENT REVIEW

## Climate Change Select Transition Investment Fund EUR Class A

### Performance returns (EUR)

| ANNUALIZED RETURNS (QUARTER-END)                                     | Quarter-End | YTD    | 1-Year | 3-Year | 5-Year | 10-Year | Since Inception |
|--|-------------|--------|--------|--------|--------|---------|-----------------|
| Climate Change Select Transition Investment Fund EUR Class A (net)   | 8.20        | 21.41  | 21.41  | -4.74  | -      | -       | -6.83           |
| Climate Change Select Transition Investment Fund EUR Class A (gross) | 8.43        | 22.44  | 22.44  | -3.91  | -      | -       | -6.03           |
| MSCI ACWI  | 3.34        | 7.86   | 7.86   | 16.86  | -      | -       | 10.09           |
| Value Add  | +4.86       | +13.55 | +13.55 | -21.60 | -      | -       | -16.92          |

Data Source: GMO

### MAJOR PERFORMANCE DRIVERS

Over 2025, pessimism surrounding clean energy festered in the wake of Donald Trump's election, with widespread fear that the Inflation Reduction Act, President Biden's landmark energy legislation, would be repealed. We believed that the dismal sentiment had exacerbated substantial dislocations in some of the industries that we invest heavily in and that the strategy was poised to deliver strong returns. Valuations had fallen to such low levels that a sliver of good news likely would have driven a re-rating. As it turned out, good news arrived in quantities substantially larger than slivers. From a fundamental perspective, the companies we held generally reported very strong revenue and earnings growth over the course of the year. Areas of particular strength included solar, wind, geothermal, lithium, and automotive suppliers for the EV industry. The Climate Change Select portfolio was up for the fourth quarter and also for the year, significantly outperforming the MSCI ACWI Index over both time periods.

The market has started to recognize the burgeoning growth in energy demand and the challenges in meeting this demand. Data centers, industrial demand, EVs, heat pumps, and other factors are driving electricity demand growth at a pace not seen since the 1960s. With natural gas turbines sold out for the next few years, nuclear for an even longer timeframe, and new coal a non-starter in almost all countries, renewables are set to continue to dominate new power capacity additions. Renewables (primarily solar, wind, and storage) accounted for 94% of U.S. power capacity additions in 2024 and are expected to have registered a similar level for 2025. Renewables are cheap, clean, and rapidly deployable, an extremely competitive combination.

### 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.

Inception Date: 23-Mar-22

**Performance Returns:** 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. 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 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.** 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. A dilution adjustment may be applied on a subscription or redemption of shares to reflect the costs of dealing in the Fund's assets. The return on investment in the Fund may increase or decrease as a result of currency fluctuations if an investor's investment is made in a currency other than that used in the past performance calculation. If the Fund holds assets in currencies other than the base currency of the Fund and/or you invest in a share class that is denominated in a different currency than the base currency of the Fund, subject to any hedging at share class or Fund level, the value of your investment may be impacted by changes in the relative prices of the relevant currencies. The use of financial derivative instruments by the Fund may result in increased gains or losses within the Fund. Formerly Climate Change Select Investment Fund. 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.

# QUARTERLY INVESTMENT REVIEW

## MAJOR PERFORMANCE DRIVERS CONT.

Beyond renewables, our portfolio stands to benefit from growing electricity demand in a variety of ways. Our grids will need to be expanded and updated to handle a far greater load. Energy storage will increasingly be relied upon to help balance electricity supply and demand and help iron out the intermittency of renewables. Electricity price spikes as demand grows create tailwinds for energy efficiency efforts. Our positions in grid equipment, energy storage, copper, lithium, and energy efficiency stand to benefit from this activity.

Despite the plentiful good news, valuations continue to be subdued, with many companies in our universe trading at significant discounts to the broad equity market despite superior growth prospects. From its February 2021 peak through its April 2025 trough, the WilderHill Clean Energy Index dropped an astounding 89%. While the WilderHill rallied to finish the year strong, the index still sat 75% below its 2021 peak. When major market dislocations form, they typically take years to develop and years to correct. We suspect that last year's strong performance was the beginning of a rebound that will take years to play out.

Heading into 2025, we had substantial positions in solar, biofuels, and energy storage. Despite a great run in 2025, we still see significant upside in our top solar positions. Biofuels and energy storage delivered strong performance last year, but we largely believe these investments have yet to play out. Hence, we continue to maintain substantial exposure to all three industries. We also see significant electric grid and energy efficiency opportunities.

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 Select portfolio continues to trade at a discount to broader global equities, indicating substantial upside to come for patient capital.

# QUARTERLY INVESTMENT REVIEW

## PRODUCT OVERVIEW

The GMO Climate Change Select Transition Investment Fund seeks to generate high total return. The Fund measures its performance against the MSCI All Country World Index for performance comparison purposes. GMO's Focused Equity team believes that climate change is having a dramatic impact on the world and significant investments are (and will be) needed to head off its effects. Using a disciplined, value-oriented approach, the Fund seeks to invest in companies that are positioned to benefit from climate change mitigation or adaptation efforts.

**This is a marketing communication and a financial promotion. Past performance does not predict future returns.**

## IMPORTANT INFORMATION

**This is a marketing communication and a financial promotion. This is not a contractually binding document. An investor should consider all of the Fund's characteristics including the investment objectives, risks, charges and expenses before investing. This and other important information can be found in the Fund's prospectus and the KIID/PRIIPs KID. To obtain a prospectus and the KIID/PRIIPs KID please visit [www.gmo.com](http://www.gmo.com). Read the prospectus and the KIID/PRIIPs KID carefully before investing and do not base any final investment decision on this communication alone.**

**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 Fund is a sub-fund of GMO Investments ICAV, an umbrella fund with segregated liability between sub-funds, which is authorised by the Central Bank of Ireland (the "Central Bank") as a UCITS pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011, as amended. The authorisation of the ICAV is not an endorsement or guarantee of the ICAV by the Central Bank. Neither the Central Bank nor the UK's Financial Conduct Authority has approved and or takes responsibility for the contents of this document or for the financial soundness of the Fund or for the ICAV. THE ICAV is an EEA UCITS scheme which is recognised under Part 6 of The Collective Investment Schemes (Amendment etc.) (EU Exit) Regulations 2019, as amended.

GMO UK Limited Authorised and Regulated by the Financial Conduct Authority Registered no 4658801 England. GMO Netherlands is registered with the AFM.

The Fund has not been registered under the United States Investment Company Act of 1940, as amended, nor the U.S. Securities Act of 1933, as amended. None of the shares may be offered or sold, directly or indirectly, in the U.S. or to any U.S. Person, unless the securities are registered under the Act or an exemption from the registration requirements of the Act is available. A U.S. Person is defined as (a) any individual who is a citizen or resident of the U.S. for federal income tax purposes; (b) a corporation, partnership, or other entity created or organized under the laws of or existing in the U.S.; (c) an estate or trust the income of which is subject to U.S. federal income tax regardless of whether such income is effectively connected with a U.S. trade or business.

Investors and potential investors can also obtain the prospectus and key investor information, and a summary of investor rights and information on access to collective redress mechanisms, in English and local languages where the Fund is registered, under the Literature section at the following website:

<https://www.gmo.com/europe/product-index-page/equities/climate-change-strategy/climate-change-select-investment-fund/>

Please note that the management company of the Fund may decide to terminate the arrangements made for the marketing of the Fund in one or more EU member states pursuant to the UCITS marketing passport in accordance with the procedure provided for under the applicable laws that implement Article 93a of Directive 2009/65/EC (the UCITS Directive).

A full list of fees and charges applied to investment can be found in the prospectus and in the KIID/PRIIPs KID, available at: <https://www.gmo.com/europe/product-index-page/equities/climate-change-strategy/climate-change-select-investment-fund/>

This advertisement has not been reviewed by the Monetary Authority of Singapore. For private bank intermediaries in Singapore and Hong Kong, these materials are intended for institutional and Accredited/Professional Investors Use Only. THIS IS MARKETING MATERIAL. UCITS HAVE NO GUARANTEED RETURN AND PAST PERFORMANCE DOES NOT GUARANTEE FUTURE PERFORMANCE. YOUR CAPITAL IS AT RISK.

## 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.

AMSTERDAM

BOSTON

LONDON

SAN FRANCISCO\*

SINGAPORE

SYDNEY

TOKYO\*\*

\*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