

RESOURCES UCITS FUND

Investment Review: Quarter Ending December 31, 2022

OVERVIEW

The GMO Resources UCITS Fund seeks to generate total return by investing in equities in the natural resources sector. The Fund's benchmark is the MSCI All Country World Commodities Index.

PERFORMANCE (%)

Net of Fees, USD	+14.55
Gross of Fees, USD	+14.76
MSCI ACWI Commodity Producers ¹	+18.35
Value Added	-3.59

Major Performance Drivers

The fourth quarter of 2022 saw either a relief rally or bear market bounce, depending on your perspective, across most asset classes. Some very early signs of softening inflation across developed economies gave rise to hopes of slower monetary policy tightening. In the latter part of the quarter, China decided to end its zero Covid policy, a move that essentially reopened one of the world's biggest economies. Global equity markets ended the quarter up for the first time in 2022. Bond markets also rose (yields falling), and commodities were predominantly higher. The notable exceptions to that trend were lithium prices, which have fallen from absolute highs, and natural gas prices, which have fallen due to a warmer than expected winter. The GMO Resources portfolio ended the quarter lagging the MSCI ACWI Commodity Producers index, which was up 18.3%.

Energy continued to be around half of the portfolio by weight and accounted for just under half of the total return this quarter. Fossil Fuel producers, roughly two-thirds of the Energy allocation, were responsible for most of the return as Clean Energy, an essentially off-benchmark allocation, had a negative quarter as sentiment reversed post Q3's Inflation Reduction Act tailwind. The two standout Energy producers this quarter were Galp Energia, a Portuguese listed company with significant exposure to Brazilian offshore, and Kosmos Energy, a frequent member of our top 5 positions. Both are examples of being rewarded for our willingness to hunt globally for value and think more laterally than the usual big oil producers. Within Clean Energy, the performance of Vestas Wind Systems is worth highlighting as one of the few remaining pure play wind turbine providers and a long-term holding. Vestas' share price had come under pressure over 2022 as the market priced in short-term headwinds from issues like supply chain hold-ups. We added to the position over the year as we continued to see long-term upside, and in Q4 the share price outperformed most Fossil Fuel producers.

Industrial Metals, around one-third of the portfolio, was the best performing segment this quarter thanks to strong returns across most metals producers. Lithium producers were the notable exception and, specifically, our second largest exposure, Livent Corporation, ended as our biggest detractor for the quarter. By contrast, our Diversified Metals & Mining and Copper producers had a strong quarter as many metals prices ended higher, in part thanks to the reopening of China. Our Vale/Bradespar position was the stand-out contributor, also benefitting from the conclusion of the Brazilian presidential elections.

Agriculture and Water both had a positive quarter, driven particularly by Precision Agriculture. Our largest position within Precision Ag is AGCO Corporation, an agricultural machinery manufacturer, which is benefitting from strong demand for its products.

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. Attribution figures reflect that of the base currency of the portfolio which may differ from that of the hedged currency share class.

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The long-term supply/demand dynamics in natural resource markets favor high and rising prices. But the deeply discounted valuations still available in some parts of this sector mean that investors don't need commodity prices to continue to rise in order to expect strong returns. Flat commodity prices could still lead to a healthy return from a resource equity portfolio.

Portfolio weights, as a percent of equity, for the positions mentioned were: Galp Energia (4.2%), Kosmos Energy (4.9%), Vestas Wind Systems (2.2%), Livent (1.1%), Vale (1.1%), Bradespar (5.3%), and AGCO (2.6%).

Important Information

This is a marketing communication. This is not a contractually binding document. Please refer to the prospectus and to the KIID and do not base any final investment decision on this communication alone. Investors and potential investors can also obtain the prospectus and key investor information, in English and other languages, and a summary of investor rights and information on access to collective redress mechanisms at the following website: <https://www.gmo.com/europe/product-index-page/equities/resources-strategy/resources-ucits-fund/>. Please note that GMO Investments ICAV and GMO Funds PLC may decide to terminate the arrangements made for the marketing of the sub-funds 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 Fund Supplement or KIID, available at <https://www.gmo.com/europe/product-index-page/equities/resources-strategy/resources-ucits-fund/>.

¹ The MSCI ACWI (All Country World) Commodity Producers Index (MSCI Standard Index Series, net of withholding tax) is an independently maintained and widely published index comprised of listed large and mid capitalization commodity producers within the 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.

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