



YEAR-END LETTER FOR 2025

Focused Equity Team: Resources Strategy

Dear Client,

After a slow start to the year, the GMO Resources Strategy came roaring back, delivering a solid 23.3% return, net of fees, in 2025. There were many areas of strength in our portfolio. Buoyed by historically cheap valuations and strong metals prices, our overweight industrial metals position rose almost 60%. Our copper, lithium, iron ore, uranium, and platinum group metal positions all generated strong returns.

Copper hit all-time highs toward the end of the year and continues to be an intriguing commodity. Data centers, renewables, electric vehicles, robotics, and other copper-intensive growth areas continue to pile on to what was already expected to be an undersupplied market. Mining companies have been scrambling in recent years to add to their copper exposure in an effort to capitalize on the growing demand and expected higher prices. Supply rarely seems to be able to keep up with projections, though. Dam collapses, mine flooding, squabbles with local governments, accidents, and seismic activity have all impacted copper supply in recent years.

After two and a half tough years for lithium, our lithium positions benefited from a rebound in lithium pricing in the second half of last year. Strong demand for lithium-ion batteries for energy storage systems (ESS) caught the market off guard, as did constraints to Chinese supply. Global supply was already expected to fall short by the end of this decade due to electric vehicle (EV) battery demand growth. Increased expectations for ESS and batteries for robotics have exacerbated the projected shortages.

Clean energy bounced back in 2025 as well. In recent years, our out-of-index clean energy exposure has been a substantial drag on performance. However, strong fundamentals and solidification of U.S. public policy support helped clean energy charge to a strong year. Our wind positions more than doubled, and our solar positions weren't far behind. While our clean energy exposure creates a mismatch with the index, the diversification benefits are clear, and clean energy has generally been a positive contributor since the inception of the strategy in 2011.

In a testament to how cheap fossil fuel companies have been, the industry rose around 15% despite oil prices falling from \$77 to below \$63 over the course of the year. Unfortunately, our fossil fuel positions lagged considerably, primarily due to very difficult performance from one of our favorite oil and gas companies, Kosmos Energy. Kosmos is a small-cap Exploration & Production company with significant leverage to the price of oil. As oil dropped, the market also punished Kosmos for some short-term operational issues. We believe the company has been deeply undervalued by the market and took advantage of the price drop to add to our position. We expect Kosmos to be a source of strong returns in the years to come.

Though our portfolio delivered strong returns last year, the MSCI ACWI Commodity Producers Index performed even better, driven by the explosive performance of gold and silver. We don't invest in these commodities, as we target commodities where we see secular demand growth and challenged supply, and the demand for gold and silver can be quite volatile. With gold and silver miners comprising almost a fifth of the index and up over 150% last year, it was a painful year to exclude them from our universe. Even if they had been part of our universe, we likely would have had minimal exposure, as the companies generally looked expensive, and that became a bigger issue as the year wore on.

As data centers and AI mesmerized the market last year, there was a growing awareness that energy may be a critical bottleneck. Data centers, manufacturing/industrial demand, and electrification (EVs, electric hot water heaters, heat pumps, etc.) are pushing electricity demand growth to levels the U.S. hasn't seen since the 1960s. President Trump declared a National Energy Emergency in January 2025, and throughout the year, Nvidia and the hyperscalers noted the crucial need to expand power generation. These dynamics extend beyond the U.S. borders as well, of course.

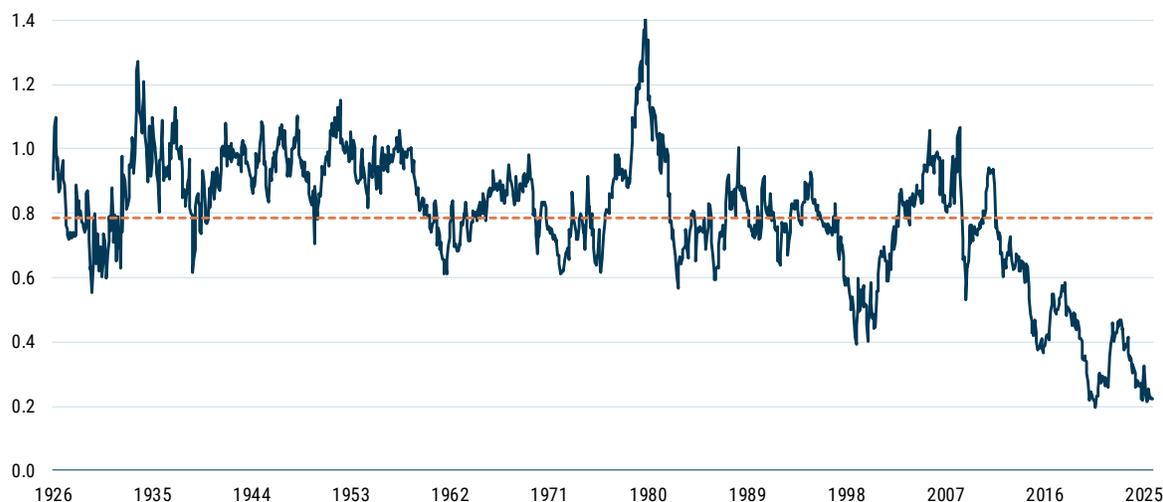
The seemingly insatiable demand for electricity produces tailwinds throughout the resources landscape. Renewables will be critical to meeting the growing demand because they're cheap, clean, and readily deployable. Lithium-driven energy storage

will be needed in large quantities in order to smooth out the intermittency of renewables and manage supply and demand in an increasingly stressed grid. Natural gas and nuclear generation will be needed to provide baseload power, underpinning growth in natural gas and uranium demand. Sitting at the heart of it all is copper, the key material for electrical applications.

Despite the tailwinds and last year's strong performance, valuations for resource companies continue to hover around all-time lows relative to the broad equity market (see Exhibit 1). Remarkably, resource companies are trading at almost an 80% discount, a level almost never approached in the last 100 years. We've seen some data points recently that indicate renewed interest in commodities. It will be interesting to see if valuations move upward, but if they don't, investors should benefit from significantly higher yields than the broad equity market.

EXHIBIT 1: VALUATIONS ARE ATTRACTIVE RELATIVE TO THE S&P

Valuation of Energy/Metals Companies Relative to the S&P 500



As of 12/31/25 | Source: S&P, MSCI, Moodys, GMO

Valuation metric is a combination of P/E (Normalized Historical Earnings), Price to Book Value, and Dividend Yield.

Growing energy demand is going to be a major factor in markets over the coming decades and has implications beyond fossil fuels. New energy solutions revolve around metals like copper, lithium, nickel, and uranium. Yet valuations are historically attractive. We appreciate the trust you've placed in us to navigate the swings of the resources sector on your behalf and believe the future is bright. We wish you the best in 2026!

Sincerely,

Lucas White

Lead Portfolio Manager, Resources Strategy

<i>Annualized Returns as of 12/31/2025 (Net, USD)</i>	<i>Inception</i>	<i>1-Year</i>	<i>3-Year</i>	<i>5-Year</i>	<i>10-Year</i>	<i>ITD</i>
Resources Composite	12/31/2011	23.31%	-0.05%	4.09%	12.00%	6.12%
MSCI ACWI Commodity Producers Index		32.48%	9.04%	15.01%	10.23%	4.15%

Performance data quoted represents past performance and is not predictive of future performance.

Net returns are presented after the deduction of a model advisory fee and incentive fee if applicable. These returns include transaction costs, commissions and withholding taxes on foreign income and capital gains and include the reinvestment of dividends and other income, as applicable. Fees paid by accounts within the composite may be higher or lower than the model fees used. GMO LLC claims compliance with the Global Investment Performance Standards (GIPS®). A Global Investment Performance Standards (GIPS®) Composite Report is available on GMO.com by clicking the GIPS® Composite Report link in the documents section of the strategy page. GIPS® is a registered trademark owned by CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein. Actual fees are disclosed in Part 2 of GMO's Form ADV and are also available in each strategy's Composite Report. The portfolio is not managed relative to a benchmark. References to an index are for informational purposes only.

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.

S&P does not guarantee the accuracy, adequacy, completeness or availability of any data or information and is not responsible for any errors or omissions from the use of such data or information. Reproduction of the data or information in any form is prohibited except with the prior written permission of S&P or its third-party licensors. Please visit <https://www.gmo.com/americas/benchmark-disclaimers/> to review the complete benchmark disclaimer notice.

Disclaimer

The views expressed are the views of Lucas White through the period ending December 2025 and are subject to change at any time based on market and other conditions. This is not an offer or solicitation for the purchase or sale of any security and should not be construed as such. References to specific securities and issuers are for illustrative purposes only and are not intended to be, and should not be interpreted as, recommendations to purchase or sell such securities.

Copyright © 2026 by GMO LLC. All rights reserved.