

CLIMATE CHANGE TRUST

Investment Review: Quarter Ending December 31, 2022

OVERVIEW

The GMO Climate Change Trust 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 improve the efficiency of resource consumption.

PERFORMANCE (%)

| | |
|------------------------|--------------|
| Net of Fees, AUD | +3.71 |
| Gross of Fees, AUD | +3.91 |
| MSCI ACWI ¹ | +4.07 |
| Value Added | -0.16 |

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 with the exception of energy, which fell. Against this backdrop, the GMO Climate Change portfolio performed in line with the MSCI ACWI index.

Clean Energy stocks, roughly half of the portfolio, had a positive quarter despite the two biggest sub-segments (Solar and Biofuels) ending the quarter down. That discrepancy can be explained partly by the biggest individual contributor for the quarter, Vestas Wind Systems, 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 with some of this recognized by the market in Q4. Conversely, the two largest individual detractors were from the Biofuel and Solar sectors – Ameresco and SunRun – as markets largely shrugged off the future growth potential of the Inflation Reduction Act 2022. We continue to see Biofuels and Solar as important parts of our Clean Energy portfolio and a strong fit for our investment thesis. External validation of this view was provided this quarter by BP's takeover of Archaea Energy, a renewable natural gas provider, for a more than 25% upside. This was the second high-profile takeover of a biofuel producer by an oil company this year. Companies like BP continue to look for ways to diversify their energy mix.

Energy Efficiency, the second largest segment in the portfolio, was the biggest contributor to returns this quarter. Performance was strong across sub-segments, but Transportation was the standout in large part due to BorgWarner, a manufacturer of component parts for electric vehicles.

Agriculture and Water both had a positive quarter, driven particularly by Precision Agriculture, Fish Farming, and our largest Water position, Veolia.

Past performance information in the above is historical and is not a reliable indicator of future performance. Returns are shown after the deduction of management fees and other expenses. This information is current as at the date specified and is subject to change.

The Trust accepts investments from wholesale investors only. Retail investors are not able to directly invest in the Trust but may gain exposure to the Trusts by investing with certain investor directed portfolio services, master trusts, wrap accounts or custodians ("services"). GMO Australia Limited, GMO LLC, and their affiliates, do not guarantee the performance of the Trust or the repayment of an investor's capital. This information is of a general nature only and is not advice. It does not take into account the objectives, financial situation or needs of any specific investor. The offer to invest in the Trust for wholesale investors is contained in the current information memorandum. A Product Disclosure Statement ("PDS") is also available solely for use by retail investors gaining exposure to the Trust through a service. A Target Market Determination ("TMD") has also been prepared for the Trust.

The information memorandum, PDS and TMD can be obtained by visiting our website www.gmo.com. Investors should read the information memorandum or PDS, consider their own circumstances, and obtain their own advice before making an investment decision.

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The most significant position changes over the quarter were an increase to SolarEdge, Vestas, and Veolia, along with a decrease to Ameresco, Canadian Solar, and Livent Corp. In terms of sector allocations, we continued to reduce our Clean Power Generation portfolio. The outlook for Power Generation, particularly in Europe, is less appealing under windfall taxes and price caps for clean energy.

As the world makes the transition to clean energy and economies grapple with adapting to climate change, we believe this portfolio is well positioned to benefit.

Portfolio weights, as a percent of equity, for the positions mentioned were: Vestas Wind Systems (4.3%), Ameresco Inc (4.9%), SunRun (5.1%), Archaia Energy (0.0%), BP (0.0%), BorgWarner (3.4%), SolarEdge (6.4%), Veolia (3.1%), Canadian Solar (3.2%), and Livent Corp (1.1%).

¹ 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.