

QUARTERLY INVESTMENT REVIEW

Climate Change Trust

RETURNS (%) (LOCAL)	Cumulative (%)		Annualized (%)				
	QTD	YTD	1 Year	3 Years	5 Years	10 Years	ITD
Net of Fees	-1.33	-5.74	-5.74	-	-	-	-3.74
MSCI ACWI	5.02	21.45	21.45	-	-	-	5.78
Value Added (vs. MSCI ACWI)	-6.35	-27.19	-27.19	-	-	-	-9.52

Major Performance Drivers

The fourth quarter ended with yet another reversal in equity and bond markets, closing out a year where the only constant was change. Bond yields fell after the U.S. Federal Reserve indicated the rate hiking cycle is likely to have peaked. Equity markets rose significantly on "soft landing" sentiment and those sectors with a perceived high delta to rate cuts rose even higher. Across commodity markets, oil prices fell despite the outbreak of conflict in Gaza and copper prices rose as supply concerns increased. In December at the COP28 Climate summit, world leaders pledged to triple global clean energy capacity by 2030. However, when the dust settled, it was still the same story from other quarters in 2023 of larger-cap tech driving any relevant indices closer to bull market territory. Against this backdrop, the GMO Climate Change portfolio down for the quarter and underperformed the MSCI ACWI index.

Clean Energy, still the largest segment by weight, had a better quarter after a significant reversal in sentiment reflecting a potential peak in U.S. interest rates and greater clarity on government incentives. A timely reminder that performance can turn ahead of a re-rating in earnings if sentiment swings are a big enough driver. We have been adding to a broad basket of higher-quality clean energy companies over the past six months, anticipating a reversal of some of the cyclical trends and poor sentiment that have driven many otherwise structurally strong companies to significantly sell off. It was comforting to see some of this work pay off as the fourth quarter progressed. Our two strongest contributors this quarter came from solar and wind respectively (SunRun and Vestas), highlighting SunRun's ability to navigate in a high interest rate environment and Vestas's ability to come out as the winner from broader turmoil in the wind market. But sentiment swings may not be efficient capital drivers as other high-quality names within Clean Energy are yet to reprice in a material way, meaning there continues to be upside left on the table.

Conversely, we have a long-held allocation to copper, a key energy transition metal, and that sector faced some challenges this quarter. First Quantum's operations in Panama were closed by the government, also closing off a significant supply source into global markets as this was due to be one of the biggest producers in South America. Along with some other supply constraints, copper is now looking increasingly like a pinch point in many clean technology supply chains. First Quantum's drawdown was at least partly offset by our other copper positions, like Ivanhoe Mines, as many expect remaining suppliers to benefit from an increased scarcity premium.

Our Agriculture segment has been a source of funding this year, as we trimmed many of these positions after strong performance. This quarter the Agriculture segment also fell, but the effect was muted due to the smaller position. Water, conversely, had another strong quarter with Ebara Corp one of our strongest performers.

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. Despite some green shoots of better sentiment peeking through the climate sector this quarter, the Climate Change portfolio continues to trade at a significant discount to broader global equities and its benchmark, indicating substantial upside to come for patient capital.

Portfolio weights, as a percent of equity, for the positions mentioned were: SunRun (7.1%), Vestas (3.2%), First Quantum (0.6%), Ivanhoe Mines (4.2%), and Ebara Corp (1.6%).

Inception Date: 5-Oct-21

Risks: Risks associated with investing in the Trust are as follows: (1) Focused Investment Risk: Because the Trust focuses its investments in securities of companies involved in climate change-related industries, the Trust 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 trusts 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 Trust's shares. (3) Management and Operational Risk: The Trust 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 Trusts Information Memorandum or Product Disclosure Statement. 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.

Net returns are presented after the deduction of management fees and incentive fees 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.

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. The GMO Climate Change Trust ARSN 696 030 896 ("the Trust") is issued by GMO Australia Limited ABN 30 071 502 639, AFS Licence No. 236 656.

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PRODUCT OVERVIEW

The Trust seeks to generate 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 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.

We are seeing 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, diversifying source of return, historically available at attractive valuations given the secular tailwinds of change.

IMPORTANT INFORMATION

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 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.

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.

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