

# QUARTERLY INVESTMENT REVIEW

## Climate Change Transition Investment Fund

### Performance returns (GBP)

ANNUALIZED RETURNS (QUARTER-END)	Quarter-End	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
Climate Change Transition Investment Fund (net)	8.49	-5.81	-16.87	-11.39	0.41	-	1.14
Climate Change Transition Investment Fund (gross)	8.71	-5.40	-16.15	-10.64	1.27	-	2.02
MSCI ACWI	5.05	0.58	7.16	12.72	11.32	-	10.18
Value Add	+3.44	-6.39	-24.03	-24.11	-10.91	-	-9.04

Data Source: GMO

### MAJOR PERFORMANCE DRIVERS

The second quarter held no shortage of drama. It was really four seasons in one day as the quarter shrugged off a "liberation day"/tariff bear market, then potential spreading of conflict in the Middle East, and moved into a risk-on rally. Commodity markets also oscillated wildly on geopolitics and tariffs, copper and uranium both rising while oil ended slightly down. In addition, the climate sector dealt with "will they, won't they" volatility created by the passage of President Trump's landmark piece of legislation – the One Big Beautiful Bill Act (OBBBA). Many initially feared the bill would mean a full unwind of the Biden Administration's Inflation Reduction Act (IRA) and repriced companies in the sector accordingly. Yet as we have pointed out previously, including in this paper The Future of the Inflation Reduction Act[1] and on lead portfolio manager Lucas White's last webcast, there was upside risk that few in the long-only asset management community were positioned for. Specifically, if the worst-case scenario did not come to pass and some level of federal funding remained in place, we could see many names re-rate. Against this backdrop, the Climate Change portfolio was up, outperforming the MSCI ACWI Index by a significant margin.

### 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: 14-Mar-18

**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 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.

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## MAJOR PERFORMANCE DRIVERS CONT.

This result was strong enough that it warrants a different type of commentary this quarter. Below are three key reasons why we believe now is the time to stay invested in the Climate Change portfolio.

- Momentum is building: Our companies generally reported strong results over the quarter. From our top 15 positions, the majority reported both revenue and earnings beats and were rewarded by significant outperformance. Our Clean Energy segment was up around 16% for the quarter, underscoring the improving fundamentals of the higher quality companies.

- Policy headwinds are easing. With the uncertainty around the OBBBA largely behind us, investor sentiment is beginning to improve. Safe harboring provisions seem better for solar and wind projects than feared, although still a little murky due to a subsequent executive order. This is broadly positive for our solar inverter names (SolarEdge, Enphase), including our utility scale solar names (NEXTracker, Array), residential solar installer SunRun, thin film solar panel manufacturer First Solar, and our wind turbine producer (Vestas). Energy storage tax credits have not changed structure meaning there will be substantial federal support for the battery industry and potentially for solar + battery solutions. The bill also makes it harder for Chinese produced batteries to be sold in the U.S. and that may slightly benefit our Korean battery manufacturers (LG Chem, Samsung). Carbon capture, nuclear, geothermal, hydro and clean fuel provisions saw no material change or, if anything, an improvement under the bill, meaning there will continue to be a supportive tax credit environment. In addition to the implicit support from the new bill, the Biofuels portfolio also had one of its strongest quarters as two significant catalysts came to pass. First, the U.S. EPA is increasing its biomass-based biofuels demand by 67%, with a bias toward domestically produced biomass. Second, the California Air Resources Board (CARB) announced amendments to the Low Carbon Fuel Standards (LCFS) on July 1, 2025. The amendments require further decarbonization of transportation in California, either by using lower carbon intensity fuels like biofuels or through buying credits. This will create a tailwind for LCFS credit prices and that will significantly help biofuel margins.

- Valuations are attractive and returns don't hinge on a re-rating: Many of our companies are growing rapidly yet trade at historically attractive valuations – opportunities like this are rare. Importantly, expected free cash flow yields remain high (mid-teens to mid-twenties) even without multiple expansion. This includes mitigation and adaptation leaders such as lithium producer SQM, timber company Suzano, and biofuels producer Darling Ingredients.

Despite wavering federal support in the U.S., many states – and much of the world – remain committed to clean energy and decarbonization of economies. As growth continues in the climate change sector, we continue to believe this portfolio is well positioned to benefit. The Climate Change portfolio continues to trade at a historically sized discount to broader global equities, indicating substantial upside to come for patient capital.

[1]: The Future of the Inflation Reduction Act: [https://www.gmo.com/americas/research-library/the-future-of-the-inflation-reduction-act\\_insights/](https://www.gmo.com/americas/research-library/the-future-of-the-inflation-reduction-act_insights/)

Portfolio weights, as a percent of equity, for the positions mentioned were: SolarEdge (4.2%), Enphase (0.9%), NEXTracker (1.4%), Array (2.7%), Sunrun (4.3%), LG Chem (4.3%), Samsung (1.7%), Suzano (1.5%), Darling Ingredients (5.1%), SQM (2.0%).

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## PRODUCT OVERVIEW

The GMO Climate Change Transition Investment Fund 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 unique, diversifying source of return, historically available at attractive valuations given the secular tailwinds of change.

**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-investment-fund---ccuf/>

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-investment-fund---ccuf/>

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## 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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\*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

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