

# QUARTERLY INVESTMENT REVIEW

## Climate Change Select Transition Investment Fund EUR Class A

### Performance returns (EUR)

ANNUALIZED RETURNS (QUARTER-END)	Quarter-End	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
Climate Change Select Transition Investment Fund EUR Class A (net)	-14.04	-14.04	-29.15	-18.56	-	-	-18.34
Climate Change Select Transition Investment Fund EUR Class A (gross)	-13.85	-13.85	-28.53	-17.84	-	-	-17.63
MSCI ACWI	-5.41	-5.41	7.19	7.97	-	-	7.97
Value Add	-8.63	-8.63	-36.34	-26.53	-	-	-26.31

Data Source: GMO

### MAJOR PERFORMANCE DRIVERS

The first quarter of 2025 saw a significant shift across global markets. There was a reversal of many of the themes driving the fourth quarter, with the "Trump trade" primarily unwinding. "Liberation Day" signaled the start of Trump's tariff war in earnest, but the tariff announcements and resulting volatility had already begun in February and March. Commodity prices whipsawed as traders tried to price in the new geopolitical landscape. "DeepSeek Monday" brought a sell-off in NASDAQ/AI related tech companies as the market questioned the real requirements of AI. Companies involved in the datacenter buildout and resulting energy needs had a tough quarter. Bond yields fell significantly at the 10-year part of the curve, reducing longer-term borrowing costs. But this brought little tailwind for long-duration projects like those in Clean Energy. Against this backdrop, the Climate Change Select portfolio was down, underperforming ACWI, which was also down, but outperforming the more sector relevant Wilderhill Clean Energy index by about 12%.

Within the broader climate change sector, two places we have avoided were obvious "Trump trades" like Tesla and AI/datacenter linked energy names that have the most hype. Both have had lofty valuations, difficult to justify under any reasonable assumptions. This quarter that helped, particularly as Tesla fell 35%, its sales volumes falling significantly.

Turning to our Clean Energy positions, much of the drawdown in that segment can be explained by our approximately 15% position in biofuel producers. The sector faced pressure after major biofuel producers lowered their revenue guidance, partly due to uncertainty around the 45Z tax credit in the U.S. Despite these challenges, biofuels have bipartisan support and a significant growth trajectory. The share price reactions, while understandable, were stronger than warranted. The most negative reactions were due to short-term uncertainties rather than structural business model issues. Biofuels were not alone in this as results and guidance across our Clean Energy book generally indicated continued improvement in fundamentals. For example, Nextracker, a producer of utility scale solar equipment, reported a 33% beat on earnings and raised its profit guidance. Yet this is a company trading at 11x next year's earnings.

### 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: 23-Mar-22

**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 Select Investment Fund. The portfolio is actively-managed, is not managed relative to a benchmark and uses the Index for performance comparison purposes only and, where applicable, to compute a performance fee.

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## MAJOR PERFORMANCE DRIVERS CONT.

Across other segments of the portfolio, copper has been interesting. Copper prices, particularly in the U.S., rose a lot in the first quarter, as stockpiling occurred to beat expected copper tariffs. The copper miners didn't particularly benefit from the higher copper prices, implying that the equity market viewed the high copper prices as temporary. Despite the fact that copper miners hadn't benefitted much from the rise in copper prices, our thesis was that copper miners would be hurt as copper prices deflated, so we started to substantively trim our copper exposure. Once President Trump announced the tariffs, copper prices collapsed, and the copper miners have been hit. As a result, copper miners are attractively valued. In terms of other positioning changes over the quarter, we have been modestly adding to Clean Energy names - electric grid companies and autopart manufacturers (including battery suppliers) - as valuations have either continued to look attractive or become more attractive again. Our agriculture portfolio, notably Corteva, has been an area to take profit as it has continued to ramp up its earnings.

More generally on the tariff war, we expect it to negatively affect sentiment in industries with global supply chains like solar, wind, and batteries, particularly those located in China and Southeast Asia countries. However, tariff barriers and trade frictions are not new to the Clean Energy sector. The Biden administration had been pushing for domestic manufacturing, and the U.S. solar industry has stockpiled Asian-produced solar modules, providing a buffer before tariffs take effect. Lithium-ion battery manufacturers, potentially big losers from any tariff war, have already been ramping up efforts to build U.S. domestic bases (e.g., LG Chem building out a stationary storage facility in Michigan this year).

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. The Climate Change Select portfolio continues to trade at a historically sized discount to broader global equities, indicating substantial upside to come for patient capital.

Portfolio weights, as a percent of equity, for the positions mentioned were: Tesla (0.0%), Nextracker (2.0%), LG Chem (5.2%), Corteva (1.2%).

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## PRODUCT OVERVIEW

The GMO Climate Change Select Transition Investment Fund seeks to generate high total return. The Fund measures its performance against the MSCI All Country World Index for performance comparison purposes. GMO's Focused Equity team believes that climate change is having a dramatic impact on the world and significant investments are (and will be) needed to head off its effects. Using a disciplined, value-oriented approach, the Fund seeks to invest in companies that are positioned to benefit from climate change mitigation or adaptation efforts.

**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](https://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.

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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, at the following website:

<https://www.gmo.com/europe/product-index-page/equities/climate-change-strategy/climate-change-select-investment-fund/>

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-select-investment-fund/>

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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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