

# QUARTERLY INVESTMENT REVIEW

## Resources UCITS Fund

### RETURNS (%) (LOCAL)

	Cumulative (%)		Annualized (%)				
	QTD	YTD	1 Year	3 Years	5 Years	10 Years	ITD
Net of Fees Fund (USD Class A)	1.09	-2.55	-2.55	–	–	–	2.50
Gross of Fees Fund (USD Class A)	1.28	-1.80	-1.80	–	–	–	3.28
MSCI ACWI Commodity Producers	-0.02	3.64	3.64	–	–	–	13.10
Value Added (vs. MSCI ACWI Commodity Producers)	1.11	-6.19	-6.19	–	–	–	-10.60

### 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. Against this backdrop, the Resources portfolio was up for the quarter, outperforming the MSCI Commodity Producers index, which was flat.

Our Energy segment, at just over half the portfolio, detracted in absolute terms but held up well versus broader energy markets as security selection within Fossil Fuels continued to be strong while our off benchmark allocation to Clean Energy was additive. Our focus on valuation opportunities within the Fossil Fuel sector has long steered us away from the richly valued U.S. majors like Exxon and Chevron, and toward names in emerging markets like Petrobras or in Europe like Galp and Eni Spa. Last year that was a headwind for performance but this quarter and over the long term, focusing on valuations has led to much better return outcomes. Within Clean Energy, the better quarter resulted from a significant reversal in sentiment reflecting a potential peak in U.S. interest rates and greater clarity on government incentives. 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.

Our Industrial Metals segment delivered strong absolute returns and our continued decision to have a significant allocation (>30%) to the space was rewarded. Within the segment, our long-held allocation to copper, a key energy transition metal, faced some challenges this quarter. The closure of First Quantum’s Panama operations and the reduction of Anglo American’s supply means copper is now looking increasingly like a pinch point in many clean technology and industrial supply chains. Those remaining suppliers, including some held in this portfolio like Ivanhoe Mines, are expected to benefit.

The Agriculture segment had tougher performance this quarter but has been an area we have been trimming after strong returns in previous quarters.

The long-term supply/demand dynamics in natural resource markets favor high and rising prices. But the deeply discounted valuations still available in some parts of this sector mean that investors don’t need commodity prices to rise in order to expect strong returns. Flat commodity prices could still lead to a healthy return from a resource equity portfolio. In addition, valuations within the Clean Energy sector are now increasingly attractive.

Portfolio weights, as a percent of equity, for the positions mentioned were: Galp (3.2%), Petrobras (3.6%), Eni Spa (1.8%), First Quantum (0.6%), and Ivanhoe Mines (4.2%).

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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.

**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.

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## PRODUCT OVERVIEW

The GMO Resources UCITS Fund seeks to generate total return by investing in equities in the natural resources sector.

GMO's Focused Equity team believes that the increasing demand for natural resources, driven primarily by population growth in and industrialization of emerging markets, coupled with the limited supply of these resources, favors an upward trend in resource prices over time. The Fund seeks to invest in the securities of companies that we believe will benefit from this expected long-term rise in natural resource prices.

## IMPORTANT INFORMATION

**Comparator Index(es):** The MSCI ACWI (All Country World) Commodity Producers Index (MSCI Standard Index Series, net of withholding tax) is an independently maintained and widely published index comprised of listed large and mid capitalization commodity producers within the 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.

**An investor should consider the fund's investment objectives, risks, charges and expenses before investing. This and other important information can be found in the funds prospectus. To obtain a prospectus please visit [www.gmo.com](http://www.gmo.com). Read the prospectus carefully before investing.**

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The above 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.

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Investors and potential investors can also obtain the prospectus and key investor information, in English and other languages, and a summary of investor rights and information on access to collective redress mechanisms at the following website: <https://www.gmo.com/europe/product-index-page/equities/resources-strategy/resources-ucits-fund/>

Please note that GMO Investments ICAV and GMO Funds PLC may decide to terminate the arrangements made for the marketing of the sub-funds 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/resources-strategy/resources-ucits-fund/>

This advertisement has not been reviewed by the Monetary Authority of Singapore.

## 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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