

# Thornburg International Equity Fund

## Portfolio Manager Commentary

30 September 2024



### Market Review

Global equities rallied during the third quarter despite a significant spike in volatility following an unwinding of the Japanese yen carry trade and a weaker-than-expected jobs report that sparked recessionary fears in the U.S. After selling off more than 6% over the first three trading days of August, global equities ultimately recovered as declining inflation indicators boosted hopes that Fed rate cuts were likely on the horizon, with the Fed eventually cutting by 50 basis points in September. As a result, market breadth widened in the U.S. with rate sensitive segments recording especially strong performance.

The European Central Bank cut rates by 25 basis points in September, but regional returns broadly lagged compared to the U.S. and Asia. Economic activity in the Eurozone remained mixed, with year-over-year inflation continuing to decline, but manufacturing activity showing signs of softening. In Japan, a July rate hike coupled with a strengthening yen, negatively impacted Japanese exports, and pressured select stocks that had previously benefitted from lower borrowing costs.

Emerging market equities produced another strong quarter, outpacing developed market equities for the second period in a row. Chinese equities performance was especially strong, returned more than 20%, as investors responded positively to a series of stimulus measures aimed at reviving a lagging economic recovery.

Bottom-up stock selection should continue to drive performance. We feel “boring but beautiful” companies will continue to do well.

### Portfolio Managers

#### Lei Wang, CFA

Portfolio Manager

#### Matt Burdett

Head of Equities

Supported by the entire Thornburg investment team

#### AVERAGE ANNUAL TOTAL RETURNS (%)

AS OF 30 SEPTEMBER 2024

	QTR	YTD	1-YR	3-YR	5-YR	10-YR	ITD
A Shares TGVAX (Incep: 28 May 98)							
Without sales charge	8.93	20.90	31.94	6.19	10.57	7.12	7.63
With sales charge	4.01	15.47	26.01	4.58	9.55	6.63	7.45
I Shares TGVIX (Incep: 30 Mar 01)*	9.03	21.19	32.37	6.49	10.91	7.47	8.07
MSCI ACWI ex-U.S. Index	8.06	14.21	25.35	4.14	7.59	5.22	5.08

#### EXPENSE RATIOS (%)

	GROSS	NET
A Shares TGVAX (Incep: 28 May 98)		
Without sales charge	--	--
With sales charge	1.23	1.23
I Shares TGVIX (Incep: 30 Mar 01)*	1.01	0.90

\*Prior to inception of this share class, performance is hypothetical and was calculated from actual returns of the class A shares adjusted for the expenses of the newer share class.

Returns for less than one year are not annualized. ITD is inception to date.

Class I shares may not be available to all investors. Minimum investments for the I share class may be higher than those for other classes.

*Performance data shown represents past performance and is no guarantee of future results. Investment return and principal value will fluctuate so shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than quoted. For performance current to the most recent month end, visit [thornburg.com](http://thornburg.com) or call 877-215-1330. The maximum sales charge for the Fund's A shares is 4.50%. There is no up-front sales charge for class I shares. Thornburg Investment Management and/or Thornburg Securities LLC have contractually agreed to waive fees and reimburse expenses through at least 1 February 2025, for some of the share classes; these are reflected in the net expense ratio. For more detailed information on fund expenses and waivers/reimbursements, please see the fund's prospectus.*

# THORNBURG INTERNATIONAL EQUITY FUND

## Portfolio Manager Commentary

30 September 2024



### Third Quarter 2024 Performance Highlights

- In 3Q24 the portfolio (I share class) returned 9.03%, 97 basis points ahead of the MSCI ACWI ex-U.S. Index and 903 basis points ahead of the MSCI EAFE Index. Year to date the portfolio (I share class) returned 21.19%, 698 basis points ahead of the MSCI ACWI ex-U.S. Index and 2119 basis points ahead of the MSCI EAFE Index.
- On a geographic basis, stock selection within Japan, Europe, and Hong Kong contributed positively to the portfolio's relative outperformance. An underweight allocation in China and stock selection in South Korea were the biggest detractors.
- From a sector perspective, stock selection in Utilities, Consumer Staples, and Industrials contributed positively to relative performance. Stock selection in Financials and a zero-weight allocation to Real Estate were the largest drags along with the portfolio's cash and currency forwards.

### Current Positioning and Outlook

In the third quarter we moderately increased exposure to domestic-oriented names in China and Hong Kong as recent stimulus measures should support economic activity. We modestly trimmed Consistent Earners, adding to Basic Value and Emerging Franchises (mostly in China and Hong Kong). We added to Consumer Discretionary and Communication Services, reducing our exposure to Health Care and Financials. At September 30, we remain overweight developed markets and underweight emerging, with our biggest overweight in the Eurozone and our largest underweight in Emerging Asia. We remain overweight Industrials and Utilities and are most underweight Financials and Health Care.

Moving forward, the portfolio's performance continues to be positioned as a balanced mix of beneficiaries of long-term trends and core "boring but beautiful" stalwarts. This approach has provided strong performance over the past years, offering performance and stability amidst market volatility. While the market is increasingly dominated by headlines, our longer-term focus allows us to capitalize on diverse opportunities. Our sector allocation demonstrates this approach and should provide a good diversifier versus an increasingly concentrated market.

Looking ahead, we see a landscape characterized by heightened volatility and risk. The U.S. election cycle and geopolitical tensions will keep risk premiums elevated, while earnings expectations leave little tolerance for misses. We believe our high-conviction, bottom-up investment approach is well-positioned to navigate these challenges. We are closely watching the situation in China, where a mix of challenges continue to create a complex picture. While recent policy discussions have sparked dramatic market reactions, we're carefully assessing the situation, ready to act on opportunities that arise while avoiding the risk of reacting prematurely.

Against this backdrop, we continue to favor companies with idiosyncratic growth stories and control over their own destinies. We find value in AI-adjacent businesses that stand to benefit from transformative trends, without the sky-high valuations of the headline-grabbing frontrunners. Simultaneously, we maintain core positions in steady, "boring is beautiful" companies that have consistently delivered strong results regardless of market conditions.

We believe that the portfolio offers a balanced solution, combining exposure to long-term growth trends with proven, stable businesses. We aim to provide a diversified solution that can weather uncertainties while capitalizing on opportunities in an ever-changing global market.

*Past performance does not guarantee future results.*

#### TEN LARGEST HOLDINGS

AS OF 31 AUGUST 2024	% FUND
Sony Group Corp.	3.4
TotalEnergies SE	3.4
Hitachi Ltd.	3.3
Linde plc	3.1
Schneider Electric SE	3.1
ABB Ltd.	2.9
Canadian Pacific Kansas City Ltd.	2.9
Roche Holding AG	2.9
NN Group N.V.	2.8
Taiwan Semiconductor Manufacturing Co. Ltd.	2.7

#### TOP 5 CONTRIBUTORS (%)

3Q24	AVERAGE WEIGHT	CONTRIB. TO RETURN
Hitachi Ltd	3.29	0.62
Kweichow Moutai Co Ltd	0.14	0.59
Galaxy Entertainment Group Ltd	0.78	0.56
Sony Group Corp	3.18	0.50
Roche Holding AG	2.99	0.47

#### BOTTOM 5 DETRACTORS (%)

3Q24	AVERAGE WEIGHT	CONTRIB. TO RETURN
Samsung Electronics Co Ltd	2.72	-0.63
Mitsubishi UFJ Financial Group Inc	2.81	-0.15
Shell PLC	1.22	-0.09
Mitsubishi Electric Corp	0.90	-0.08
Estee Lauder Cos Inc/The	0.26	-0.07

Source: FactSet

#### BASKET ALLOCATION

	% FUND
Basic Value	45.1
Consistent Earner	41.5
Emerging Franchise	8.8
Cash	4.6

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## Portfolio Manager Commentary | 30 September 2024

### Important Information

Unless otherwise noted, the source of all data, charts, tables and graphs is Thornburg Investment Management, Inc., as of 30 September 2024.

Investments carry risks, including possible loss of principal. Additional risks may be associated with investments outside the United States, especially in emerging markets, including currency fluctuations, illiquidity, volatility, and political and economic risks. Investments in small- and mid-capitalization companies may increase the risk of greater price fluctuations. Investments in the Fund are not FDIC insured, nor are they bank deposits or guaranteed by a bank or any other entity.

The views expressed are subject to change and do not necessarily reflect the views of Thornburg Investment Management, Inc. This information should not be relied upon as a recommendation or investment advice and is not intended to predict the performance of any investment or market.

Funds invested in a limited number of holdings may expose an investor to greater volatility.

There is no guarantee that the Fund will meet its investment objectives.

Any securities, sectors, or countries mentioned are for illustration purposes only. Holdings are subject to change. Under no circumstances does the information contained within represent a recommendation to buy or sell any security.

**Basic Value:** Companies generally operating in mature industries and which generally exhibit more economic sensitivity and/or higher volatility in earnings and cash flow.

**Consistent Earners:** Companies which generally exhibit predictable growth, profitability, cash flow and/or dividends.

**Emerging Franchises:** Companies with the potential to grow at an above average rate because of a product or service that is establishing a new market and/or taking share from existing participants.

**Basis Point (bp)** – A unit equal to 1/100th of 1%. 1% = 100 basis points (bps).

The MSCI ACWI ex-U.S. Index (MSCI ACWI ex US NTR) is a market capitalization weighted index representative of the market structure of 46 developed and emerging market countries in North and South America, Europe, Africa, the Middle East, and the Pacific Rim, excluding securities of United States' issuers. The index is calculated with net dividends reinvested in U.S. dollars.

The MSCI EAFE Index (MSCI EAFE NTR) is an unmanaged index. It is a generally accepted benchmark for major overseas markets. Index weightings represent the relative capitalizations of the major overseas developed markets on a U.S. dollar adjusted basis. The index is calculated with net dividends reinvested in U.S. dollars.

The performance of any index is not indicative of the performance of any particular investment. Unless otherwise noted, index returns reflect the reinvestment of income dividends and capital gains, if any, but do not reflect fees, brokerage commissions or other expenses of investing. Investors may not make direct investments into any index.

### **Not FDIC Insured. May lose value. No bank guarantee.**

*Before investing, carefully consider the Fund's investment goals, risks, charges and expenses. For a prospectus or summary prospectus containing this and other information, contact your financial advisor or visit [thornburg.com](http://thornburg.com). Read them carefully before investing.*

Thornburg is a global investment firm delivering on strategy for institutions, financial professionals and investors worldwide. The privately held firm, founded in 1982, is an active, high-conviction manager of fixed income, equities, multi-asset solutions and sustainable investments with \$46.8\* billion in total assets across mutual funds, institutional accounts, separate accounts and UCITS.



\*Includes assets under management (\$45.6B) and assets under advisement (\$1.2B).