

# Thornburg Developing World Fund

## Portfolio Manager Commentary

31 March 2025



### Market Review

Global markets experienced substantial volatility during the quarter, largely driven by escalating trade tensions initiated by the U.S. Following a year in which U.S. equities outperformed international markets by approximately 20%, optimism from November's election and AI enthusiasm supported expectations for continued U.S. market exceptionalism entering 2025. However, reality diverged significantly, with the S&P 500 Index trailing international equities by its widest margin since 2009.

For the past decade and a half, U.S. equities have taken center stage. But now, international markets—often underappreciated—are revealing compelling potential. As the U.S. contends with persistent inflation, China is addressing deflationary risks and planning a potentially massive stimulus, Japan is moving beyond a decades-long deflationary environment, and Europe is asserting greater economic independence. International markets offer a diverse set of investment conditions worth exploring.

Emerging markets gained nearly 3%, surpassing U.S. equities but trailing developed international markets. China significantly contributed to index gains, with the equity outlook benefitting from the arrival of AI startup DeepSeek, which showcased China's cost-efficient advancements in AI and strengthened investor confidence in its broader tech sector. Brazil also supported emerging market performance due to its more balanced trade relationship with the U.S., offering perceived insulation from global trade disruptions.

Sector performance in emerging markets varied significantly. Information Technology was the weakest sector, impacted by Taiwan's heavy exposure to western semiconductor and electronics demand amid declining global investor enthusiasm for U.S. AI-related hardware investments. Conversely, consumer discretionary was the strongest EM sector, benefiting from China's planned stimulus measures aimed at boosting domestic consumption, coupled with healthy and resilient EM consumer spending trends around the world.

We believe the economic risk to many EM markets remains manageable due the economies' increasing reliance on domestic consumption.

### Portfolio Managers

**Charles Wilson, PhD**

Portfolio Manager

**Josh Rubin**

Portfolio Manager

Supported by the entire Thornburg investment team

#### AVERAGE ANNUAL TOTAL RETURNS (%)

AS OF 31 MARCH 2025

	QTR	YTD	1-YR	3-YR	5-YR	10-YR	ITD
A Shares THDAX (Incep: 16 Dec 09)							
Without sales charge	-0.09	-0.09	1.32	-2.53	5.57	2.62	4.40
With sales charge	-4.58	-4.58	-3.23	-4.02	4.59	2.15	4.09
I Shares THDIX (Incep: 16 Dec 09)	0.00	0.00	1.76	-2.11	5.99	3.04	4.87
MSCI Emerging Markets Index	2.93	2.93	8.09	1.44	7.94	3.71	3.26

#### EXPENSE RATIOS (%)

GROSS	NET
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1.62	1.62
1.29	1.04

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 2026, 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.*

## First Quarter 2025 Performance Highlights

- In 1Q25 the portfolio (I share class) returned 0%, -293 basis points behind the MSCI Emerging Markets Index. Year to date the portfolio (I share class) returned 0%, -293 basis points behind the MSCI Emerging Markets Index.
- On a sector basis, stock selection within consumer discretionary and an underweight allocation to communication services detracted from relative results. Stock selection within industrials contributed positively to relative performance.
- From a geographic perspective, stock selection within China and India detracted from relative results. Stock selection and an overweight allocation to emerging EMEA contributed positively to relative performance.

## Current Positioning and Outlook

Entering 2025, we were mindful of rising economic uncertainty, particularly around tariff risk tied to the Trump administration's 'America First' agenda. We felt confident in our positioning—intentionally limiting exposure to companies we believed were most vulnerable to direct tariff shocks and biasing our bottom-up portfolio to businesses more focused on domestic demand.

Geographically, we de-risked some of our positioning within Latin America, where we saw notably high uncertainty about the changing dynamics for trade with the U.S., and we worried about broader economic ripple effects beyond exporters. Across the rest of the world, our exposure has skewed toward domestic consumption and investment rather than export-related businesses. This includes direct consumption stories in offline retail and e-commerce, consumption beneficiaries like tourism and toll roads and ports, and businesses that reflect the increasing household wealth and sophistication of EM consumers like high-speed fiber internet, insurance and wealth management, and hospital care.

While we remain constructive on the long-term structural drivers of AI, during the quarter's market rotations, we trimmed our positions in Taiwan Semiconductor and Korean leaders Samsung, and SK Hynix. The emergence of China's DeepSeek LLM altered expectations for future capital and energy intensity in AI buildout, prompting a recalibration in our exposure to the tech supply chain.

Recent tariff announcements have injected a level of uncertainty and equity price volatility like we have not seen since the early days of the pandemic. We were not making a bet on any single definitive policy endpoint. As proposed, the tariffs represent a 'worse-than-feared' scenario, posing clear risks for both global growth and equity valuations, and we have been actively incorporating their evolving impact into our company-specific forecasts.

That said, we believe the direct economic risk to many emerging markets remains manageable due the economies' increasing reliance on domestic consumption and increasing trade between emerging countries, rather than with the U.S. Our investment process focuses on notably strong businesses, whose defining characteristics are leadership in their value chain and best-in-class management teams (who can adapt to a changing environment). Combining these elements with our investments' healthy balance sheets and strong free cash flow should allow our holdings to survive and thrive in the current environment—even if equity markets remain volatile for longer than we would wish.

### TEN LARGEST HOLDINGS

AS OF 28 FEBRUARY 2025	% FUND
Taiwan Semiconductor Manufacturing Co. Ltd.	11.8
Naspers Ltd.	6.2
Alibaba Group Holding Ltd.	3.5
SK Hynix, Inc.	3.4
China Construction Bank Corp.	3.3
Samsung Electronics Co. Ltd.	2.2
Tata Consultancy Services Ltd.	2.0
ICICI Bank Ltd.	2.0
Fubon Financial Holding Co. Ltd.	1.8
Converge Information and Communications Technology Solutions, Inc.	1.8

### TOP 5 CONTRIBUTORS (%)

1Q25	AVERAGE WEIGHT	CONTRIB. TO RETURN
Alibaba Group Holding Ltd	2.96	1.15
Naspers Ltd	6.22	0.67
Itau Unibanco Holding SA	1.49	0.38
LIG Nex1 Co Ltd	1.27	0.35
Converge Information and Communications Technology Solutions Inc	1.88	0.35

### BOTTOM 5 DETRACTORS (%)

1Q25	AVERAGE WEIGHT	CONTRIB. TO RETURN
Taiwan Semiconductor Manufacturing Co Ltd	12.03	-1.91
Kalyan Jewellers India Ltd	1.34	-0.68
Lotes Co Ltd	1.09	-0.38
China Resources Gas Group Ltd	1.18	-0.34
Zomato Ltd	1.00	-0.33

Source: FactSet

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### Important Information

Unless otherwise noted, the source of all data, charts, tables and graphs is Thornburg Investment Management, Inc., as of 31 March 2025.

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.

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

The S&P 500 Index (S&P 500 TR) is an unmanaged broad measure of the U.S. stock market.

The MSCI Emerging Markets Index (MSCI Emerging Markets NTR) is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets.

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 \$46.6\* billion in total assets across mutual funds, institutional accounts, separate accounts and UCITS.

\*Includes assets under management (\$45.5B) and assets under advisement (\$1.2B).

