Thornburg International ADR Strategy

Portfolio Manager Commentary
30 September 2024

Thornburg

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 continues to drive performance, with a few AI names but more “boring but beautiful” companies.

Portfolio Managers

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Supported by the entire Thornburg investment team

ANNUALIZED RETURNS (%) AS OF 30 SEPTEMBER 2024	**QTR**	**YTD**	**1-YR**	**3-YR**	**5-YR**	**10-YR**	**ITD (1 AUG 03)**
Composite (Gross)	9.14	21.36	31.62	5.47	10.20	5.83	8.04
Composite (Net)	9.10	20.91	30.98	4.94	9.67	5.29	7.41
MSCI EAFE Index	7.26	12.99	24.77	5.48	8.20	5.71	6.95
MSCI ACWI ex-U.S. Index	8.06	14.21	25.35	4.14	7.59	5.22	7.10

CALENDAR YEAR RETURNS (%)	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Composite (Gross)	15.88	-18.99	6.62	22.08	29.91	-23.13	23.76	-2.41	-0.01	-4.93
Composite (Net)	15.33	-19.41	6.10	21.51	29.33	-23.51	23.11	-2.94	-0.60	-5.44
MSCI EAFE Index	18.24	-14.45	11.26	7.82	22.01	-13.79	25.03	1.00	-0.81	-4.91
MSCI ACWI ex-U.S. Index	15.62	-15.99	7.82	10.65	21.51	-14.20	27.19	4.50	-5.66	-3.87

In US$ terms. **Returns may increase or decrease as a result of currency fluctuations.**
Periods less than one year are not annualized. ITD is inception to date.

Performance data for the International ADR Strategy is from the International ADR Composite, inception date of August 1, 2003. The International ADR Composite includes discretionary institutional and high net worth accounts that are not part of a broker-sponsored or wrap program. Effective January 1, 2014, the composite includes separately managed institutional and high net worth accounts. Prior to January 1, 2014, the composite also included broker-sponsored accounts that paid transaction costs. The composite was redefined to include broker-sponsored accounts in the same composite. Returns are calculated using a time-weighted and asset-weighted calculation including reinvestment of dividends and income. Periods less than one year are not annualized. Individual account performance will vary. The performance data quoted represents past performance; it does not guarantee future results. Gross of fee returns are net of transaction costs. Net of fee returns are net of transaction costs and investment advisory fees. Thornburg Investment Management Inc.'s fee schedule is detailed in Part 2A of its ADV brochure. Performance results of the firm's clients will be reduced by the firm's management fees. For example, an account with a compounded annual total return of 10% would have increased by 159% over ten years. Assuming an annual management fee of 0.75%, this increase would be 142%.

Third Quarter 2024 Performance Highlights

- In 3Q24 the portfolio (net of fees) returned 9.1%, 184 basis points ahead of the MSCI EAFE Index and 104 basis points ahead of the MSCI ACWI ex-U.S. Index. Year to date the portfolio (net of fees) returned 20.91%, 792 basis points ahead of the MSCI EAFE Index and 670 basis points ahead of the MSCI ACWI ex-U.S. Index.
- On a geographic basis, stock selection within the Eurozone and Japan contributed positively to the portfolio's relative outperformance. An underweight allocation in China and stock selection in India were the biggest detractors.
- From a sector perspective, stock selection in Information Technology, Utilities, 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 position.

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.

TEN LARGEST EQUITY HOLDINGS (%) AS OF 31 AUGUST 2024	REP. ACCT.
Hitachi Ltd.	3.6
Linde plc	3.6
TotalEnergies SE	3.4
Taiwan Semiconductor Manufacturing Co. Ltd.	3.3
Sony Group Corp.	3.3
Schneider Electric SE	3.1
Roche Holding AG	3.0
Canadian Pacific Kansas City Ltd.	3.0
ABB Ltd.	2.9
Mitsubishi UFJ Financial Group, Inc.	2.9

TOP 5 CONTRIBUTORS (%) REP. ACCT. | 3Q24	AVERAGE WEIGHT	CONTRIB. TO RETURN
Hitachi Ltd	3.47	0.64
Galaxy Entertainment Group Ltd	0.83	0.54
Seven & i Holdings Co Ltd	1.64	0.50
Roche Holding AG	3.13	0.48
Iberdrola SA	2.21	0.46

BOTTOM 5 DETRACTORS (%) REP. ACCT. | 3Q24	AVERAGE WEIGHT	CONTRIB. TO RETURN
Mitsubishi UFJ Financial Group Inc	2.94	-0.21
Edenred SE	0.49	-0.08
Estee Lauder Cos Inc/The	0.21	-0.05
TotalEnergies SE	3.46	-0.04
Akzo Nobel NV	0.29	-0.04

Source: FactSet

Past performance does not guarantee future results. Please see the Composite Standardized Performance included herein.

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Important Information

The performance data quoted represents past performance; it does not guarantee future results.

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

Investments in the Strategy carry risks, including possible loss of principal. Carefully consider the Strategy's investment objectives, risks, and expenses before investing. There is no guarantee that the portfolio will meet its investment objectives.

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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 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 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.

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