Thornburg International Growth ADR Strategy - Wrap

Portfolio Manager Commentary
31 December 2024

Thornburg

Market Review

The U.S. Federal Reserve began its well-telegraphed monetary loosening in September with a hefty 50-basis point cut to its target range, following up with two more 25-basis point reductions in November and December. Yet monetary policymakers' rather hawkish rhetoric tempered expectations for faster easing, bolstering the U.S. dollar and weighing on international and emerging market equities.

Interestingly, yields on longer-term U.S. Treasuries rose around as much as the Fed cut its benchmark rate, as U.S. sovereign bond prices fell. The re-election of former president Donald Trump boosted U.S. equities amid expectations of a business-friendly administration taking over in Washington. A new de-regulation drive and potential tax cuts may help sustain U.S. economic resilience, but tariffs and a gaping fiscal deficit make fixed income markets nervous.

China's recovery in domestic consumption proved elusive as weakness in its property sector lingered. While Beijing's fiscal and monetary stimulus helped, structural reforms remain pending. Tensions with the incoming Trump administration also weighed on sentiment. In Europe, elevated energy costs continued to hit industry and contributed to somewhat sticky inflation. Nonetheless, the European Central Bank lowered its key rate 25 basis points last summer and again in the fall.

The Bank of Japan (BOJ), meanwhile, ended its negative rate policy last spring, hiking its key rate for the first time in 17 years, as inflationary pressures simmered. The BOJ lifted it again in July but held it steady at 0.25% in December, given the volatility unleashed by the unwinding of the yen carry trade and economic uncertainties more generally.

The AI theme continued to buoy the tech sector not just in the U.S., but in Japan, China, South Korea and Taiwan as well. Demand for AI infrastructure-related hardware and software continued to run strong as the hyperscalers devote massive capex for the buildout, which promises real productivity enhancements down the road. But it's not a smooth ride, as some semiconductor stocks showed toward the end of 2024. There's always turbulence within long-term structural tailwinds.

Deep research of transformative themes helps us discover unique opportunities that are critical components of global value chains.

Portfolio Managers

Sean Koung Sun, CFA
Portfolio Manager

Emily Leveille, CFA
Portfolio Manager

Nicholas Anderson, CFA
Portfolio Manager

Supported by the entire Thornburg investment team

ANNUALIZED RETURNS (%) AS OF 31 DECEMBER 2024	QTR	YTD	1-YR	3-YR	5-YR	10-YR	ITD (1 MAY 10)
Composite (Net)	-9.12	0.40	0.40	-5.82	0.72	2.39	4.26
Composite ("Pure" Gross)	-8.42	3.41	3.41	-2.98	3.75	5.46	7.38
MSCI ACWI ex-U.S. Growth Index	-7.88	5.07	5.07	-2.67	3.43	5.35	5.32

CALENDAR YEAR RETURNS (%)	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Composite (Net)	0.40	15.40	-27.90	-6.35	32.57	22.78	-20.32	30.87	-6.15	1.65
Composite ("Pure" Gross)	3.41	18.82	-25.67	-3.53	36.46	26.40	-17.88	34.70	-3.31	4.69
MSCI ACWI ex-U.S. Growth Index	5.07	14.03	-23.05	5.09	22.20	27.34	-14.43	32.01	0.13	-1.25

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 Growth ADR Strategy - Wrap is from the International Growth ADR Wrap Composite, inception date of May 1, 2010. The International Growth ADR Wrap Composite includes discretionary wrap accounts invested in the International ADR Growth Strategy. 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. "Pure" Gross returns do not reflect the deduction of any expenses, including trading costs and are supplemental to net returns. Beginning January 1, 2009, net returns reflect the deduction of the maximum total wrap fee which is currently 3% per annum. Net returns are derived from subtracting 1/12th of 3% from each account's monthly gross return. The total wrap fee includes all charges for the trading costs, portfolio management, custody and other administrative fees. Prior to January 1, 2009 net returns reflect actual wrap fees for each account in the composite. Beginning January 1, 2014 returns reflect the deduction of transaction costs for some accounts in the composite. The standard fee schedule currently in effect is: 1% to 3% on all assets. Fees may be negotiated in lieu of the standard fee schedule. Actual fees may vary depending on, among other things, the applicable fee schedule and portfolio size. The firm's fees are available upon request and also may be found in Part II of its Form ADV.

Fourth Quarter 2024 Performance Highlights

- In 4Q24 the portfolio (net of fees) returned -9.12%, -124 basis points behind the MSCI ACWI ex-U.S. Growth Index. Year to date the portfolio (net of fees) returned 0.4%, -467 basis points behind the MSCI ACWI ex-U.S. Growth Index.
- By sector our overweight position and especially stock selection in communication services drove relative results for the quarter. The overweight allocation to information technology and cash also contributed positively to relative performance. Stock selection and overweight allocations to utilities and healthcare detracted from relative results.
- For the full year, top sector contributors to relative results were communications services, thanks largely to strong stock selection, an overweight to information technology and materials, where both allocation and selection effects helped. On the downside, overweight allocations and stock selection in health care and financials comprised the biggest drags on relative performance.
- By geography, allocation and selection effects in Switzerland and Singapore, not to mention zero-weight to Korea and our cash allocation, led the relative performance in the last quarter of the year, while the biggest detractors came from stock selection in Japan, Germany and Denmark. For the full year, the zero weight in Korea along with strong stock picking in Taiwan and Brazil were leading contributors to relative results, while stock selection in Germany, Japan and the U.K. produced the largest drags on relative results in 2024.

Current Positioning and Outlook

Share prices often deviate sharply from business fundamentals. The market celebrates "beats" in expected quarterly earnings or guidance. It punishes stocks when expected outcomes fall short. It whipsaws industries and investing styles, including international growth stocks, based on second- or third-order effects. As we saw in 2024, major central banks shifting monetary policy amid tricky inflation dynamics impact currency, fixed income and equity markets.

Big swings in share prices can be tactically helpful for capitalizing on opportunities. As long-term, bottom-up investors, we focus on business fundamentals. Despite the inevitable volatility, we consider our holdings well positioned to benefit from technological innovation, demographic shifts and emerging trends driving long-term consumer and corporate demand.

This is why we remained measured through the first half of 2024 even as the portfolio exceeded its index by more than 3.6 percentage points. And we maintained that perspective when the portfolio and its index hit a rough patch in the fourth quarter, as expectations for more monetary easing in the U.S. were questioned due to President Trump's re-election and resilient U.S. labor market and inflation data.

A handful of top holdings in the semiconductor and pharmaceutical spaces fell in late 2024 but have been positive investments since inception. Results from an important drug candidate trial revealed major improvement in weight-loss efficacy, but marginally less than the market had expected. The shares sold off. But we think we're in the early stages of addressing diseases that emanate from obesity in huge addressable markets.

AI is transforming nearly all industries. The AI ecosystem buildout—from data center infrastructure to AI chips and software development—involves hundreds of billions of dollars over the next few years. While most mega-cap tech stocks are U.S. based, key companies that serve as "AI enablers" are based abroad. Spending on AI is expected to continue evolving, as will the beneficiaries, particularly with the increasing demand for test-time compute driven by the growing complexity and reasoning requirements of AI models. Networking is also poised to see a notable increase in demand as AI drives demand for both scale up and scale out of networking architectures.

TEN LARGEST EQUITY HOLDINGS (%) AS OF 30 NOVEMBER 2024	REP. ACCT.
Taiwan Semiconductor Manufacturing Co. Ltd.	6.1
Novo Nordisk A/S	5.3
Tencent Holdings Ltd.	5.0
Mastercard, Inc.	4.4
ASML Holding N.V.	4.3
MercadoLibre, Inc.	4.1
Hong Kong Exchanges & Clearing Ltd.	3.4
AstraZeneca plc	3.4
Shopify, Inc.	3.4
Nomura Research Institute Ltd.	2.9

TOP 5 CONTRIBUTORS (%) REP. ACCT. | 4Q24	AVERAGE WEIGHT	CONTRIB. TO RETURN
Shopify Inc	2.66	0.76
Taiwan Semiconductor Manufacturing Co Ltd	6.62	0.71
Sea Ltd	2.38	0.25
Mastercard Inc	4.26	0.25
Flutter Entertainment PLC	2.08	0.17

BOTTOM 5 DETRACTORS (%) REP. ACCT. | 4Q24	AVERAGE WEIGHT	CONTRIB. TO RETURN
Novo Nordisk A/S	5.31	-1.62
ASML Holding NV	4.42	-0.77
ICON PLC	2.39	-0.73
MercadoLibre Inc	3.99	-0.69
Nomura Research Institute Ltd	2.94	-0.65

Source: FactSet

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

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BASKET ALLOCATION (%)	REP. ACCT.
Growth Industry Leaders	40.7
Consistent Grower	34.1
Emerging Growth	21.6
Cash	3.6

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 31 December 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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Growth Industry Leaders: often have leadership positions in growing markets. These firms tend to be larger, more established, and have dominant market share.

Consistent Growers: generally exhibit steady earnings and revenue growth, often with subscription or other recurring revenue profiles. These firms tend to buoy the portfolio in weak markets.

Emerging Growth Companies: are often addressing a new market or carving out a niche in an existing market. Companies in this basket tend to be smaller, earlier-stage companies. Successful emerging growth companies are often reclassified as their businesses mature.

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

The MSCI ACWI ex-U.S. Growth Index (MSCI ACWI ex US Growth NTR) is a market capitalization weighted index that includes growth companies in developed and emerging markets throughout the world, excluding the United States.

Portfolio construction will have significant differences from that of a benchmark index in terms of security holdings, industry weightings, asset allocations and number of positions held, all of which may contribute to performance, characteristics and volatility differences. The index shown is unmanaged, reflect total returns and assume the reinvestment of all income in U.S. dollars. It does not reflect any management fees or brokerage expenses associated with a portfolio's returns. Returns for an actual portfolio may differ from those of an index due to (among other things) differences in timing and the amount invested and fees and expenses. Investors may not make direct investments into any index.

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