

Thornburg International Growth ADR Strategy - Wrap

Portfolio Manager Commentary

31 December 2023

Thornburg

Market Review

International equity markets ended the year with a sharp two-month rally that took the MSCI ACWI ex-U.S. Growth Index up more than 16% from its October 26 lows through year-end. For the 4th quarter the Index rose 11.1%, outperforming both the ACWI ex-U.S. Value Index (up 8.4%) and the broad ACWI ex-U.S. Index (up 9.8%). In most equity markets globally growth outperformed value, with the notable exception of Emerging and U.S. markets.

Moderating inflation, major central banks on hold, lower interest rates, decreasing investor concerns about recession and increasing optimism over the possibility of a soft landing helped support the rally with longer-term interest rates in the U.S., Europe, and the UK falling sharply from mid-October through year end. With interest rates falling, the U.S. Dollar (DXY) fell sharply in the 4th quarter and has fallen 10% since reaching a 20-year high in September of last year. Historically, Dollar weakness has been a significant factor in periods where international equities outperform U.S. markets.

In the 4th quarter Europe, Latin America, Japan and Australia outperformed while the UK and China underperformed. Info Tech, Materials and Industrials outperformed while Communication Services, Consumer Staples, and Consumer Discretionary underperformed. For the year Europe, Japan, and Latin America outperformed while China/Hong Kong underperformed. Info Tech and Industrials outperformed while Communication Services, Consumer Staples, and Health Care underperformed. Value outperformed Growth in international markets for the third year in a row, unlike the U.S. where Growth outperformed in 2023.

The ACWI ex-U.S. Growth Index outperformed the S&P 500 Growth Index in the 4th quarter but underperformed the S&P 500 and S&P 500 Growth indices for the year, with almost 2/3 of the S&P's returns coming from the "Magnificent Seven" growth stocks and the equal weighted S&P underperforming the S&P 500 Index by 12.5%. Note that since October 2022's 13-year low in relative performance the MSCI EAFE, MSCI ACWI ex-U.S. and MSCI ACWI ex-U.S. Growth indices have all outperformed the S&P 500 Index.

We're excited about the businesses in our portfolio and international markets in general in the coming year.

Portfolio Managers

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Supported by the entire Thornburg investment team

ANNUALIZED RETURNS (%)

AS OF 31 DECEMBER 2023

	QTR	YTD	1-YR	3-YR	5-YR	10-YR	ITD (1 MAY 10)
Composite (Net)	11.40	15.40	15.40	-7.99	4.86	0.78	4.55
Composite ("Pure" Gross)	12.20	18.82	18.82	-5.20	8.00	3.80	7.68
MSCI ACWI ex-U.S. Growth Index	11.13	14.03	14.03	-2.67	7.49	4.55	5.34

CALENDAR YEAR RETURNS (%)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Composite (Net)	15.40	-27.90	-6.35	32.57	22.78	-20.32	30.87	-6.15	1.65	-14.33
Composite ("Pure" Gross)	18.82	-25.67	-3.53	36.46	26.40	-17.88	34.70	-3.31	4.69	-11.72
MSCI ACWI ex-U.S. Growth Index	14.03	-23.05	5.09	22.20	27.34	-14.43	32.01	0.13	-1.25	-2.65

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 2023 Performance Highlights

- In 4Q23 the portfolio (net of fees) returned 11.4%, 27 basis points ahead of the of the MSCI ACWI ex-U.S. Growth Index. Year to date the portfolio (net of fees) returned 15.4%, 137 basis points ahead of the of the MSCI ACWI ex-U.S. Growth Index.
- In the 4th quarter leading contributors to the strategy's outperformance from a sector perspective were Information Technology, Consumer Discretionary, and Health Care, all due primarily to stock selection. The largest detractors were Materials, Financials, and Industrials.
- Principal contributors to outperformance from a region or country standpoint were the Eurozone, Emerging Asia (primarily China, where we are underweight but had positive stock selection), and Japan. The primary detractors were Switzerland and the UK.
- Bottom-up stock selection continues to be the primary driver of strategy performance, as it has been all year. In the fourth quarter the strategy's Emerging Growth basket outperformed Growth Industry Leaders and Consistent Growers by a wide margin and was the second largest contributor to the strategy's performance, right behind Growth Industry Leaders, despite its lower 21% average allocation as growthier companies outperformed in November and December.

Current Positioning and Outlook

In the 4th quarter we reduced exposure to Consistent Growers and increased exposure to the Emerging Growth basket. At year end our basket allocations were 36% Growth Industry Leaders, 33% Consistent Growers, 24% Emerging Growth, and 7% Cash. We added to Information Technology and reduced exposure to Consumer Staples, added to Japan while trimming the UK, and reduced exposure to China. At year end we were overweight developed markets, mostly the Eurozone and global companies domiciled in the U.S., and underweight emerging markets, mostly China, India, Korea and Emerging EMEA.

We're excited about the businesses in our portfolio and international markets in general in the coming year. While we think the U.S. is likely to continue slowing, we see the potential for improved growth in a number of markets like Europe, the UK, India, and Brazil. We remain cautious about China given the lack of visibility around macro stimulus and low consumer confidence in general but are watching it closely for opportunities. Japan is particularly interesting given pockets of growth and improving corporate governance which we observed firsthand in 2023 and will be following in 2024. We continue to find areas of opportunity in the pharma and medical tools space, where the pull forward in demand from COVID and the resulting inventory glut is creating interesting buying opportunities. While we think AI is truly transformational and its runway is long, we've adjusted some of our holding weights to account for their elevated valuations.

TEN LARGEST EQUITY HOLDINGS (%)

AS OF 30 NOVEMBER 2023	PORTFOLIO
Novo Nordisk A/S	5.9
Nestle S.A.	5.6
ASML Holding N.V.	4.6
Taiwan Semiconductor Manufacturing Co. Ltd.	3.8
AstraZeneca plc	3.5
L'Oreal S.A.	3.2
Mastercard, Inc.	3.0
Ferrari N.V.	2.9
Beiersdorf AG	2.9
Tencent Holdings Ltd.	2.8

TOP 5 CONTRIBUTORS (%)

4Q23	AVERAGE WEIGHT	CONTRIB. TO RETURN
ASML Holding NV	4.54	1.27
Novo Nordisk A/S	5.95	0.80
Taiwan Semiconductor Manufacturing Co Ltd	3.91	0.77
Advanced Micro Devices Inc	1.82	0.77
BE Semiconductor Industries NV	1.32	0.60

BOTTOM 5 DETRACTORS (%)

4Q23	AVERAGE WEIGHT	CONTRIB. TO RETURN
Lonza Group AG	1.91	-0.20
Yum China Holdings Inc	0.34	-0.19
Aon PLC	1.74	-0.16
Cellnex Telecom SA	0.04	-0.13
SIG Group AG	1.15	-0.11

Source: FactSet

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

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THORNBURG INTERNATIONAL GROWTH ADR STRATEGY - WRAP

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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 31 December 2023

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.

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 All Country (AC) World ex-U.S. Value Index 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 constructed using an approach that provides a precise definition of style using eight historical and forward-looking fundamental data points for every security. The index returns reflect the reinvestment of dividends and other earnings, are net of withholding taxes, and do not include any trading costs, management fees or other expenses.

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

The S&P 500 Growth Index is a market capitalization weighted index designed to measure the performance of growth stocks in the S&P 500 Index. The S&P U.S. Style Indices measure Growth and Value in separate dimensions across six risk factors at the stock level.

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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**Includes assets under management (\$40.7B) and assets under advisement (\$1.0B).

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