

Thornburg Emerging Markets Equity Strategy

Portfolio Manager Commentary

31 December 2023



Market Review

Emerging markets (EM) rallied during the fourth quarter as investors reacted to the increasing probability of a sooner-than-expected rate pivot by the U.S. Fed and other global central banks. While many EM countries posted double-digit gains during the quarter, China continued to be a drag on broader EM performance. While Chinese authorities have announced various policy support measures during the course of the year, a weaker-than-expected COVID recovery and ongoing concerns over the real estate market continue to weigh on investor sentiment.

Latin American equities led all regions globally, driven by expectations of accelerating economic growth on the back of falling interest rates. Tech-oriented exporters, Taiwan and Korea, also saw strong gains as enthusiasm for AI adoption gathered momentum.

While EM has lagged developed markets since COVID, we believe the long-term potential of EM has been delayed but not cancelled.

Portfolio Managers

Ben Kirby, CFA

Co-Head of Investments

Charles Wilson, PhD

Portfolio Manager

Josh Rubin

Portfolio Manager

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 JAN 10)
Composite (Gross)	7.17	7.68	7.68	-7.25	5.38	3.07	5.99
Composite (Net)	6.92	6.67	6.67	-8.13	4.39	2.14	5.00
MSCI Emerging Markets Index	7.86	9.83	9.83	-5.08	3.68	2.66	2.70

CALENDAR YEAR RETURNS (%)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Composite (Gross)	7.68	-24.69	-1.61	24.44	30.88	-13.94	37.26	4.20	-14.17	-1.45
Composite (Net)	6.67	-25.41	-2.53	23.29	29.67	-14.72	36.12	3.28	-14.91	-2.30
MSCI Emerging Markets Index	9.83	-20.09	-2.54	18.31	18.42	-14.58	37.28	11.19	-14.92	-2.19

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 Emerging Markets Equity Strategy is from the Emerging Markets Equity Composite, inception date of 1 January 2010. The Emerging Markets Equity Composite includes discretionary accounts invested in the Emerging Markets Equity 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. Gross of fee returns are net of transaction costs. Net of fee returns are net of transaction costs and investment advisory fees. For periods prior to 2011, net returns for some accounts in the composite also reflect the deduction of administrative expenses. 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%.

Fourth Quarter 2023 Performance Highlights

- In 4Q23 the portfolio (net of fees) returned 6.92%, -94 basis points behind the MSCI Emerging Markets Index. Year to date the portfolio (net of fees) returned 6.67%, -316 basis points behind the MSCI Emerging Markets Index.
- On a sector basis, Consumer Staples and Real Estate contributed positively to the portfolio's relative performance, driven by stock selection. Meanwhile, stock selection and an overweight allocation to Consumer Discretionary detracted from relative performance.
- From a geographic perspective, stock selection within India and Poland, as well as an overweight allocation to Latin America, contributed positively to relative results. Stock selection within Hong Kong, as well as stock selection and an overweight allocation to the UAE detracted from relative results.

TEN LARGEST EQUITY HOLDINGS (%)

AS OF 30 NOVEMBER 2023	PORTFOLIO
Taiwan Semiconductor Manufacturing Co. Ltd.	6.9
Samsung Electronics Co. Ltd.	4.8
Varun Beverages Ltd.	3.7
Naspers Ltd.	3.4
Dino Polska S.A.	3.4
Max Healthcare Institute Ltd.	3.3
Tencent Holdings Ltd.	3.2
PRIO SA/Brazil	3.1
SK Hynix, Inc.	3.1
AIA Group Ltd.	3.0

TOP 5 CONTRIBUTORS (%)

4Q23	AVERAGE WEIGHT	CONTRIB. TO RETURN
Taiwan Semiconductor Manufacturing Co Ltd	6.64	1.28
Dino Polska SA	3.05	1.21
Samsung Electronics Co Ltd	4.59	0.94
Varun Beverages Ltd	3.20	0.90
SK Hynix Inc	2.67	0.70

Current Positioning and Outlook

While emerging markets have lagged developed markets since COVID, we believe the long-term potential of the asset class has been delayed but not cancelled. We are aware of the economic and geopolitical challenges facing China. But, we see several factors converging to potentially drive EM outperformance after several years of subpar relative results. These include attractive valuations, stable to accelerating GDP growth trends while developed markets slows, the prospect of U.S. rates cuts, and the possibility of a stable or even weaker U.S. dollar. While none alone are a catalyst, they collectively provide a fertile backdrop for green shoots.

Though we are constructive on the opportunity in emerging markets entering 2024, we remain cognizant of the broader macro risks and elevated levels of uncertainty. As always, we are anchoring to bottom-up fundamentals and are targeting durable businesses we believe can perform across a variety of macro scenarios.

BOTTOM 5 DETRACTORS (%)

4Q23	AVERAGE WEIGHT	CONTRIB. TO RETURN
Yum China Holdings Inc	1.97	-0.90
Americana Restaurants International PLC	1.88	-0.69
First Quantum Minerals Ltd	0.37	-0.63
Meituan	0.76	-0.30
Alibaba Group Holding Ltd	1.96	-0.28

Source: FactSet

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

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THORNBURG EMERGING MARKETS EQUITY STRATEGY

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Important Information

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

Gross Domestic Product (GDP) – A country's income minus foreign investments: the total value of all goods and services produced within a country in a year, minus net income from investments in other countries.

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 MSCI Emerging Markets Index consists of the following 24 emerging market country indexes: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Pakistan, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey and United Arab Emirates.

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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