

# Thornburg Emerging Markets Equity Strategy

## Portfolio Manager Commentary

30 September 2024



### 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, returning more than 20%, as investors responded positively to a series of stimulus measures aimed at reviving a lagging economic recovery.

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

### Portfolio Managers

**Charles Wilson, PhD**

Portfolio Manager

**Josh Rubin**

Portfolio Manager

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 JAN 10)
Composite (Gross)	2.88	12.10	20.14	-3.65	4.64	4.21	6.50
Composite (Net)	2.64	11.32	19.03	-4.56	3.66	3.26	5.50
MSCI Emerging Markets Index	8.72	16.86	26.05	0.40	5.75	4.02	3.65

#### 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%.

# THORNBURG EMERGING MARKETS EQUITY STRATEGY

## Portfolio Manager Commentary

30 September 2024



### Third Quarter 2024 Performance Highlights

- In 3Q24 the portfolio (net of fees) returned 2.64%, -608 basis points behind the MSCI Emerging Markets Index. Year to date the portfolio (net of fees) returned 11.32%, -554 basis points behind the MSCI Emerging Markets Index.
- On a sector basis, stock selection within Information Technology and Consumer Staples detracted from the fund's relative performance. Stock selection within Energy, as well as an overweight allocation to Consumer Discretionary, one of best performing sectors within the index, contributed positively to relative performance.
- From a geographic perspective, stock selection within China and Korea detracted from relative results. Stock selection within EMEA contributed positively to relative results.

### Current Positioning and Outlook

While emerging markets have lagged developed markets since COVID, we remain optimistic about the longer-term potential of the asset class. Although economic and geopolitical challenges create headwinds for China, we view the economic stimulus package announced in September—which included interest rate cuts, reduced bank reserve requirement, and enhanced liquidity support—as a positive signal that officials in Beijing are taking a more serious approach to the economic malaise the country has experienced over the past couple years. Additionally, we see several other factors converging to potentially drive EM outperformance after several years of subpar relative results. These include attractive valuations, stable to accelerating GDP growth trends, recent U.S. rates cuts, and the possibility of a fading U.S. dollar. While none alone are a catalyst, they collectively provide a fertile backdrop for green shoots.

Although we are constructive on the current and longer-term opportunity in emerging markets, we acknowledge the broader macroeconomic risks and currently elevated levels of uncertainty. We continue to anchor to bottom-up fundamentals and are targeting strong and durable businesses across our three style baskets, which we believe can perform across a variety of macro scenarios.

#### TEN LARGEST EQUITY HOLDINGS (%)

AS OF 31 AUGUST 2024	REP. ACCT.
Taiwan Semiconductor Manufacturing Co. Ltd.	11.3
Naspers Ltd.	5.8
Samsung Electronics Co. Ltd.	5.1
SK Hynix, Inc.	3.5
Max Healthcare Institute Ltd.	2.6
Varun Beverages Ltd.	2.5
Dino Polska S.A.	2.1
ICICI Bank Ltd.	2.0
Adani Ports & Special Economic Zone Ltd.	1.9
PRIO SA/Brazil	1.8

#### TOP 5 CONTRIBUTORS (%)

REP. ACCT.   3Q24	AVERAGE WEIGHT	CONTRIB. TO RETURN
Naspers Ltd	5.28	1.22
Alibaba Group Holding Ltd	0.60	0.76
Kalyan Jewellers India Ltd	2.04	0.74
Converge Information and Communications Technology Solutions Inc	1.48	0.69
Meituan	0.37	0.48

#### BOTTOM 5 DETRACTORS (%)

REP. ACCT.   3Q24	AVERAGE WEIGHT	CONTRIB. TO RETURN
SK Hynix Inc	3.53	-1.01
Samsung Electronics Co Ltd	4.52	-1.00
ASMPT Ltd	1.35	-0.46
Dino Polska SA	1.90	-0.38
Macrotech Developers Ltd	1.49	-0.34

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

Portfolio Manager Commentary | 30 September 2024

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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 World Index (MSCI World NTR) is an unmanaged market-weighted index that consists of securities traded in 23 of the world's most developed countries. Securities are listed on exchanges in the U.S., Europe, Canada, Australia, New Zealand, and the Far East. The index is calculated with net dividends reinvested in U.S. dollars.

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.

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\*\*Includes assets under management (\$45.2B) and assets under advisement (\$1.2B).

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