

Thornburg International ADR Strategy – Wrap

Portfolio Manager Commentary

31 March 2023



Market Review

- In the 1st quarter international equity markets continued the rebound which began in the 4th quarter with the MSCI ACWI ex USA Index up 6.9% and the MSCI EAFE Index up 8.5%. The 160 basis point difference in return between the two indices was caused by the underperforming Emerging Markets, which are included in the ACWI ex USA Index but not the EAFE and which trailed the 1Q market rally due mostly to India, Brazil and China. The ACWI ex USA Index has now retraced about 60% of its 28% decline between January and October of last year.
- The quarter was a bit of a seesaw, caught between optimism about a softening of the hardest Fed tightening campaign since the Volcker era of the late 70's and early 80's and fears of a slowing economy and bank failures in the U.S. and Europe. The ACWI ex USA Index was up 10.5% through February 2nd, down 8% through March 15th, and then up 7% for final two weeks of the quarter.
- A sharp drop in 2- to 30-year U.S. Treasury yields and a steepening of the yield curve echoed increased economic concerns but also helped a strong outperformance of Growth over Value in the 1st quarter, mostly in the period after the emergence of concerns at Silicon Valley Bank in early March. The MSCI ACWI ex USA Growth Index outperformed the ACWI ex USA Value Index by 275 basis points, and in the U.S. the NASDAQ Composite Index returned 16.7% versus 7.9% for the S&P 500 Index.

We think investors who remain underweight international equities in favor of U.S. markets should strongly consider rebalancing.

Portfolio Managers

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Supported by the entire Thornburg investment team

Average Annual Returns (% , as of 31 Mar 2023)

	QTR	YTD	1-YR	3-YR	5-YR	10-YR	ITD
International ADR Wrap Composite ("Pure" Gross)	7.88	7.88	-3.33	12.19	2.78	4.04	7.19
International ADR Wrap Composite (Net)	7.10	7.10	-6.17	8.94	-0.22	1.00	4.60
MSCI ACWI ex US NTR	7.00	7.00	-4.80	11.91	2.53	4.20	6.53
MSCI EAFE NTR	8.47	8.47	-1.38	12.99	3.52	5.00	6.36

ITD–Inception to Date

Periods less than one year are not annualized.

Performance data for the International ADR Strategy - Wrap is from the International ADR Wrap Composite, inception date of August 1, 2003. The International ADR Wrap Composite includes broker-sponsored discretionary accounts invested in the International ADR strategy. Effective January 1, 2014, the composite includes broker-sponsored accounts including those that may pay transactions costs that are not included in a bundled fee. Prior to January 1, 2014, the composite included only broker-sponsored accounts that did not pay 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. "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.

- Following that theme Information Technology, Consumer Discretionary and Communication Services all outperformed, providing 55% of the ACWI ex USA's 1st quarter return. Those three sectors accounted for 55% of last year's index loss. Energy and Real Estate had negative returns. The Eurozone continued its strong performance, up 14%, with India, Brazil, China/Hong Kong and the oil producing countries of the Middle East lagging.

First Quarter 2023 Performance Highlights

- In the 1st quarter the strategy returned 7.10% (net of maximum wrap fees) versus 7.00% for the MSCI ACWI ex USA Index and 8.47% for the MSCI EAFE Index.
- A large underweight in Financials was a big positive in a quarter where there were worries about the stability of financial institutions, followed by a large overweight in the Eurozone, which continues to outperform, and a zero weight in India, which was down 7% in the 1st quarter. An underweight in Information Technology, Cash, an overweight in China/Hong Kong, and an underweight in Taiwan/Korea were negatives.
- Bottom-up stock selection was a positive contributor on a sector basis, with stocks in the Basic Value and Consistent Earner baskets doing best on a relative basis. Both Basic Value and Consistent Earner are near their long-term average allocation of 40%, while Emerging Franchise remains an underweight at 13% versus an average of 20%.

Current Positioning and Outlook

During the 1st quarter we trimmed the Basic Value and Emerging Franchise baskets and put some cash to work, adding to the Consistent Earner Basket. At 3/31 our basket weightings were 40% Consistent Earner, 36% Basic Value, 17% Emerging Franchise, and 7% Cash. We reduced our exposure to China and Hong Kong by 4% but remain modestly overweight this region, which still trades at a substantial discount to both the U.S. and the rest of International. We trimmed Financials by about 4% as concerns about the stability of global financial institutions persist. Financials, the largest sector in the MSCI ACWI ex USA Index, remains our largest underweight at 11% versus an index weight of 20%. We remain overweight Utilities and Industrials and underweight Financials and Information Technology. We are overweight the Eurozone and Developed Markets in general and underweight Emerging Markets with a small overweight in China and Hong Kong and a near zero weight in Latin America and Emerging EMEA.

We expect markets to remain bumpy and rangebound in the near term while the tug of war between central bank tightening, inflation, and growth persists. Given the near 500 basis points of Fed tightening since early last year, along with a rise in rates and inflation pressures globally, we think the resulting shift in the cost of capital has given the advantage to companies with positive cash flow and margins and has begun to put pressure on companies with negative cash flow or cash flows

Top Performers (1Q23) Representative Account

Name	Contrib. (%)	Avg. Weight (%)
NVIDIA Corp.	1.03	1.65
LVMH Moet Hennessy Louis Vuitton SE	0.79	3.36
Tencent Holdings Ltd.	0.65	3.32
Taiwan Semicon- ductor Manufac- turing Company Limited	0.59	2.70
Alibaba Group Holding Limited	0.53	3.20

Top Detractors (1Q23) Representative Account

Name	Contrib. (%)	Avg. Weight (%)
Meituan	-0.47	2.45
Recruit Holdings Co., Ltd.	-0.20	1.72
TotalEnergies SE	-0.16	3.94
China Merchants Bank Co., Ltd.	-0.16	2.22
Nintendo Co., Ltd.	-0.14	1.91

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

The securities discussed are for illustrative purposes only and do not represent a recommendation to buy or sell any security. The analysis or data presented is not intended to represent performance of all securities within a portfolio, which can be lower than what is presented here or than what might be inferred given the analysis. It should not be assumed that the securities were or will be profitable, or that the investment decisions we make in the future will be profitable. Please see disclosure page for additional information.

THORNBURG INTERNATIONAL ADR STRATEGY-WRAP

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31 March 2023



further out in the future along with companies with higher leverage, hence our focus on Consistent Earners and higher quality cyclicals and our underweight in Emerging Franchise.

While the S&P 500 modestly underperformed the MSCI EAFE and modestly outperformed the MSCI ACWI ex USA Index in the 1st quarter, it has underperformed the two by 11.7% and 6.5% respectively since the turn in markets in the 4th quarter of last year, almost 15 years to the date since the U.S. began to outperform in 2007. We think many of the conditions in today's market – tightening financial conditions, a strong but possibly weaker Dollar, valuation differentials between U.S. and international companies, and the concentration of market cap and performance in U.S. mega cap growth stocks, are all similar to those that existed at the last turn in relative performance between the U.S. and International, which occurred in 2002. We think this suggests that investors who have been overweight U.S. markets should strongly consider rebalancing.

Important Information

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

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.

Unless otherwise noted, the source of all data, charts, tables and graphs is Thornburg Investment Management, Inc., as of March 31, 2023.

The views expressed are subject to change and do not necessarily reflect the views of Thornburg Investment Management, Inc. This information should not be relied upon as a recommendation or investment advice and is not intended to predict the performance of any investment or market.

Holdings may change daily and may vary among accounts.

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Portfolio holdings and characteristics shown herein are from a representative account managed within the investment composite. The representative account is selected based on account characteristics that Thornburg believes accurately represent the investment strategy as a whole. Should these characteristics change materially, Thornburg may select a different representative account. Holdings may change daily and may vary among accounts, which may contribute to different investment results.

The MSCI ACWI ex USA Net Total Return USD 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 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.

Ten Largest Holdings (as of 28 Feb 2023)

Holding	Rep. Acct.
TotalEnergies SE	4.03%
Linde plc	3.44%
Canadian Pacific Railway Ltd.	3.37%
LVMH Moet Hennessy Louis Vuitton SE	3.35%
ABB Ltd.	3.18%
Tencent Holdings Ltd.	3.17%
Alibaba Group Holding Ltd.	2.87%
ING Groep N.V.	2.85%
AstraZeneca plc	2.76%
Taiwan Semiconductor Manufacturing Co. Ltd.	2.68%

Portfolio Baskets

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.

The MSCI EAFE (Europe, Australasia, Far East) Net Total Return USD Index 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 TR Index is an unmanaged broad measure of the US stock market.

The MSCI ACWI ex USA Growth Net Total Return USD Index is a market capitalization weighted index that includes growth companies in developed and emerging markets throughout the world, excluding the United States.

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 NASDAQ Composite Index is a market value-weighted, technology-oriented index composed of approximately 5,000 domestic and non-U.S.-based securities.

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. Investors may not make direct investments into any index.