

# Thornburg Emerging Markets ADR Strategy - Wrap

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	ITD (1 NOV 18)
Composite (Net)	5.52	4.16	4.16	-9.01	1.91	1.95
Composite ("Pure" Gross)	6.29	7.28	7.28	-6.25	4.97	5.01
MSCI Emerging Markets Index	7.86	9.83	9.83	-5.08	3.68	3.83

### CALENDAR YEAR RETURNS (%)

	2023	2022	2021	2020	2019
Composite (Net)	4.16	-20.34	-9.21	14.51	27.42
Composite ("Pure" Gross)	7.28	-17.89	-6.46	17.91	31.16
MSCI Emerging Markets Index	9.83	-20.09	-2.54	18.31	18.42

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 ADR Strategy Wrap is from the Emerging Markets ADR Strategy Composite, inception date of November 1, 2018. The Emerging Markets ADR Strategy Composite includes broker-sponsored discretionary accounts invested in the Emerging Markets ADR strategy. The composite includes broker-sponsored accounts including those that may pay transactions costs that are not included in a bundled fee. Returns are calculated using a time-weighted and asset-weighted calculation including reinvestment of dividends and income. Returns are annualized for periods greater than one year. 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. 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. 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 5.52%, -234 basis points behind the MSCI Emerging Markets Index. Year to date the portfolio (net of fees) returned 4.16%, -567 basis points behind the MSCI Emerging Markets Index.
- On a sector basis, Consumer Staples and Information Technology contributed positively to the portfolio's relative performance, driven by stock selection. Meanwhile, stock selection and an overweight allocation to Consumer Discretionary and stock selection within Materials detracted from relative performance.
- From a geographic perspective, stock selection within Poland, as well as stock selection and an overweight allocation to Latin America, contributed positively to relative results. Stock selection within India, as well as stock selection and an underweight allocation to Korea detracted from relative results.

### TEN LARGEST EQUITY HOLDINGS (%)

AS OF 30 NOVEMBER 2023	PORTFOLIO
Taiwan Semiconductor Manufacturing Co. Ltd.	10.5
ICICI Bank Ltd.	6.8
HDFC Bank Ltd.	5.8
Micron Technology, Inc.	5.5
Naspers Ltd.	4.3
Tencent Holdings Ltd.	4.3
Dino Polska S.A.	3.8
PRIO SA/Brazil	3.7
AIA Group Ltd.	3.6
ASML Holding N.V.	3.1

### TOP 5 CONTRIBUTORS (%)

4Q23	AVERAGE WEIGHT	CONTRIB. TO RETURN
Taiwan Semiconductor Manufacturing Co Ltd	10.33	2.03
Micron Technology Inc	5.37	1.34
Dino Polska SA	3.45	1.15
ASML Holding NV	3.05	0.84
HDFC Bank Ltd	6.07	0.78

## 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
First Quantum Minerals Ltd	1.07	-1.83
Yum China Holdings Inc	3.31	-1.24
Meituan	1.71	-0.54
China Merchants Bank Co Ltd	1.65	-0.35
Alibaba Group Holding Ltd	2.50	-0.30

Source: FactSet

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

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# THORNBURG EMERGING MARKETS ADR STRATEGY - WRAP

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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.

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

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