

Thornburg Emerging Markets ADR Strategy - Wrap

Portfolio Manager Commentary

31 March 2024

Thornburg

Market Review

Emerging markets equities advanced during the first quarter but trailed U.S. and developed non-U.S. markets. Relative underperformance for the asset class was largely driven by January's sharp decline within Chinese equities, which were down more than 10%. Despite efforts by Chinese officials to present an optimistic picture of an economic recovery, confidence remains challenged among foreign investors, where concerns around the real estate market, and modest economic growth weighed on global investor sentiment.

Taiwan was among the best performing countries in emerging markets during the quarter, as optimism for AI products and services drove strong returns. India also continued its strong performance trend, as fourth quarter GDP growth outpaced expectations and the market grew increasingly confident around a likely third term for incumbent Prime Minister Modi.

Latin America lagged other regions of emerging markets as expectations for the timing of local (and U.S.) rate cuts have been pushed out, tempering excitement for rate sensitive economies like Brazil. Mexico declined in local terms, but the continued appreciation of the Mexican peso resulted in positive performance for U.S. investors.

Information technology was the best performing sector across emerging markets as enthusiasm remains high for companies related to the AI supply chain and the tech sector more broadly. Following a selloff in the fourth quarter, emerging market energy stocks saw a strong rebound as rising global oil prices and increasing confidence of a soft-landing improved investor sentiment.

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

Portfolio Managers

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Supported by the entire Thornburg investment team

ANNUALIZED RETURNS (%)

AS OF 31 MARCH 2024

	QTR	YTD	1-YR	3-YR	5-YR	ITD (1 NOV 18)
Composite (Net)	5.30	5.30	2.55	-7.59	0.29	2.84
Composite ("Pure" Gross)	6.07	6.07	5.63	-4.80	3.30	5.92
MSCI Emerging Markets Index	2.37	2.37	8.15	-5.05	2.22	4.10

CALENDAR YEAR RETURNS (%)

	2023	2022	2021	2020	2019
Composite (Net)	4.17	-20.34	-9.21	14.51	27.42
Composite ("Pure" Gross)	7.29	-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 Wrap Composite, inception date of November 1, 2018. The Emerging Markets ADR Wrap 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.

First Quarter 2024 Performance Highlights

- In 1Q24 the portfolio (net of fees) returned 5.3%, 293 basis points ahead of the MSCI Emerging Markets Index. Year to date the portfolio (net of fees) returned 5.3%, 293 basis points ahead of the MSCI Emerging Markets Index.
- On a sector basis, stock selection within Information Technology contributed positively to the portfolio's relative performance. An underweight to materials, one of the worst performing sectors within the index, also contributed to outperformance. Meanwhile, stock selection within Consumer Staples detracted from relative returns.
- From a geographic perspective, stock selection within Taiwan and Emerging Latin America contributed positively to relative results. Stock selection within Poland and Hong Kong detracted from relative returns.

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 we remain cognizant of the economic and geopolitical challenges facing China, we see several factors converging to potentially drive emerging markets outperformance after several years of subpar relative results. These include attractive valuations, stable to accelerating GDP growth trends, the prospect of U.S. rate 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.

Though we are constructive on the current opportunity in emerging markets, we remain cognizant of the broader macroeconomic risks and 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 29 FEBRUARY 2024	PORTFOLIO
Taiwan Semiconductor Manufacturing Co. Ltd.	12.3
ICICI Bank Ltd.	8.2
Micron Technology, Inc.	6.1
HDFC Bank Ltd.	4.3
Dino Polska S.A.	3.8
AIA Group Ltd.	3.6
Tencent Holdings Ltd.	3.4
ASML Holding N.V.	3.4
Naspers Ltd.	3.3
PDD Holdings, Inc.	2.8

TOP 5 CONTRIBUTORS (%)

1Q24	AVERAGE WEIGHT	CONTRIB. TO RETURN
Taiwan Semiconductor Manufacturing Co Ltd	11.69	3.63
Micron Technology Inc	6.17	2.19
ASML Holding NV	3.35	0.96
MakeMyTrip Ltd	2.20	0.93
ICICI Bank Ltd	7.82	0.87

BOTTOM 5 DETRACTORS (%)

1Q24	AVERAGE WEIGHT	CONTRIB. TO RETURN
HDFC Bank Ltd	4.82	-1.20
AIA Group Ltd	3.36	-0.84
Dino Polska SA	3.55	-0.63
PDD Holdings Inc	2.63	-0.61
Raia Drogasil SA	1.24	-0.50

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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Unless otherwise noted, the source of all data, charts, tables and graphs is Thornburg Investment Management, Inc., as of 31 March 2024

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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.

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**Includes assets under management (\$42.1B) and assets under advisement (\$1.1B).

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