

Thornburg Small/Mid Cap Growth 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, returned more than 20%, as investors responded positively to a series of stimulus measures aimed at reviving a lagging economic recovery.

We continue to target durable companies across sectors we believe can compound over time in a variety of economic outcomes.

Portfolio Managers

Steven Klopukh, CFA

Portfolio Manager

Tim McCarthy, CFA

Portfolio Manager

Supported by the entire Thornburg investment team

ANNUALIZED RETURNS (%)

AS OF 30 SEPTEMBER 2024

	QTR	YTD	1-YR	3-YR	ITD (1 JAN 21)
Composite (Gross)	5.84	17.56	26.27	-3.08	-2.17
Composite (Net)	5.62	16.81	25.20	-3.92	-3.01
Russell 2500 Growth Index	6.99	11.20	25.20	-0.75	0.66

CALENDAR YEAR RETURNS (%)

	2023	2022	2021
Composite (Gross)	21.28	-33.27	-3.18
Composite (Net)	20.23	-33.86	-3.99
Russell 2500 Growth Index	18.93	-26.21	5.04

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 Small/Mid Cap Growth Strategy is from the Small/Mid Cap Growth Composite, inception date of 1 January 2021. The Small/Mid Cap Growth Composite includes discretionary accounts invested in the Small/Mid Cap Growth 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. 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 SMALL/MID CAP GROWTH STRATEGY

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Third Quarter 2024 Performance Highlights

- In 3Q24 the portfolio (net of fees) returned 5.62%, -137 basis points behind the Russell 2500 Growth Index. Year to date the portfolio (net of fees) returned 16.81%, 561 basis points ahead of the Russell 2500 Growth Index.
- Top performing sectors for the portfolio were Consumer Discretionary and Industrials where bottom-up stock selection drove most of the outperformance. The largest detractor from a sector perspective was Information Technology, where stock selection contributed to underperformance.
- The portfolio's overweight allocation to companies with market capitalizations over \$12 billion was a positive, as larger cap stocks within the universe outperformed smaller cap companies. Stock selection related to the mid-cap segment of the market capitalization range hampered relative performance.

Current Positioning and Outlook

Our positioning within segments of the market with higher profitability reflects our concerns about an uncertain economic picture and the potential for interest rate uncertainty to sustain market volatility. This positioning was a catalyst for the portfolio's outperformance during the first half of the year, but hampered performance somewhat during the third quarter, where the market's rapid transition to a more optimistic outlook for a soft-landing drove less profitable segments of the market.

The continued resilience of the U.S. economy has led us to reduce some of our defensive positions within our Consistent Growth basket and incrementally increase exposure to our higher growth Disruptors basket. While we view the probability of a soft or no landing as an increasingly more likely outcome, we remain cautious that certain segments of the small and mid-cap universe have become stretched. Despite initial rate cuts, rates may not fall as quickly as many expected, which could pressure valuations until earnings prove to be supportive. We continue to remain vigilant on the potential challenges for the U.S. economy, especially if inflation remains stickier than the market expects, and rate cuts move at a slower pace. Our investment approach remains consistent, and we continue to target durable companies across a range of sectors which we believe can compound over time and across a variety of economic outcomes.

TEN LARGEST EQUITY HOLDINGS (%)

AS OF 31 AUGUST 2024

REP. ACCT.

	REP. ACCT.
Casella Waste Systems, Inc.	4.2
Vertiv Holdings Co.	3.2
SharkNinja, Inc.	3.1
TransUnion	3.1
Agilysys, Inc.	3.0
Freshpet, Inc.	3.0
CyberArk Software Ltd.	2.8
On Holding AG	2.8
Clearwater Analytics Holdings, Inc.	2.8
Ryan Specialty Holdings, Inc.	2.7

TOP 5 CONTRIBUTORS (%)

REP. ACCT. | 3Q24

AVERAGE

CONTRIB.

	WEIGHT	TO RETURN
SharkNinja Inc	2.94	1.20
TransUnion	2.93	1.05
Clearwater Analytics Holdings Inc	2.66	0.83
Inspire Medical Systems Inc	1.64	0.82
On Holding AG	2.65	0.71

BOTTOM 5 DETRACTORS (%)

REP. ACCT. | 3Q24

AVERAGE

CONTRIB.

	WEIGHT	TO RETURN
Celsius Holdings Inc	1.56	-0.99
MYR Group Inc	1.95	-0.60
Pure Storage Inc	2.56	-0.59
elf Beauty Inc	0.53	-0.51
JFrog Ltd	1.51	-0.48

Source: FactSet

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

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BASKET ALLOCATION (%)

REP. ACCT.

	REP. ACCT.
Emerging Franchise	51.9
Consistent Grower	31.0
Disruptor	15.1
Cash	2.0

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Important Information

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

Unless otherwise noted, the source of all data, charts, tables and graphs is Thornburg Investment Management, Inc., as of 30 September 2024

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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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.

Consistent Growers: generally exhibit steady earnings and revenue growth, often with subscription or other recurring revenue profiles. These firms tend to buoy the portfolio in weak markets.

Disruptors: Companies which are at the early stages of growth; which usually possess highly innovative or differentiated products and services, but which may require substantial additional time or investment to capitalize on market opportunities and achieve profitability.

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.

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

The Russell 2500 Growth Index (Russell 2500 Growth TR) is designed to measure the performance of those Russell 2500 companies with higher price-to-book ratios and higher forecasted growth values.

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

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