Thornburg International ADR Strategy

Portfolio Manager Commentary
31 March 2025

Thornburg

Market Review

Let's acknowledge the shared challenges faced by both portfolio managers and clients as we navigate today's volatile market landscape. With headlines dominated by inflation concerns, recession fears, and tariff tensions, it is no surprise investors are feeling uneasy. Uncertainty causes doubt. Yet, it is precisely in these moments of uncertainty that opportunities emerge, especially in international markets.

For the past decade and a half, U.S. equities have taken center stage. But now, international markets—often underappreciated—are revealing compelling potential. As the U.S. contends with persistent inflation, China faces deflation and plans a massive stimulus, Japan moves beyond a decades-long deflationary environment, and Europe begins to assert greater economic independence, international markets offer a diverse set of investment conditions worth exploring.

While tariffs remain a topical issue for the U.S., they are far less of a focus among other regions. It's important not to project the U.S. experience onto other economies—each operates under its own unique set of circumstances.

Market swings can be unsettling, but volatility is not inherently negative. For long-term investors, it can be a powerful ally. Volatility creates windows of opportunity—periods when patience, discipline, and a long-term mindset can pave the way for positive outcomes. During the recent bouts of market turbulence, We have been actively capitalizing on select opportunities.

Every economic cloud has a silver lining. Our team is here to help our clients navigate through uncertain waters—with perspective, conviction, a steady hand, and some grey hairs, too.

Our active positioning has enabled us to anticipate and navigate a variety of complex environments effectively.

Portfolio Managers

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Portfolio Manager

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Supported by the entire Thornburg investment team

ANNUALIZED RETURNS (%) AS OF 31 MARCH 2025	**QTR**	**YTD**	**1-YR**	**3-YR**	**5-YR**	**10-YR**	**ITD (1 AUG 03)**
Composite (Gross)	11.17	11.17	16.89	9.28	13.87	5.95	8.02
Composite (Net)	11.17	11.17	16.57	8.83	13.36	5.44	7.40
MSCI EAFE Index	6.86	6.86	4.88	6.05	11.77	5.40	6.69
MSCI ACWI ex-U.S. Index	5.23	5.23	6.09	4.48	10.92	4.98	6.79

CALENDAR YEAR RETURNS (%)	**2024**	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**
Composite (Gross)	12.92	15.88	-18.99	6.62	22.08	29.91	-23.13	23.76	-2.41	-0.01
Composite (Net)	12.47	15.33	-19.41	6.10	21.51	29.33	-23.51	23.11	-2.94	-0.60
MSCI EAFE Index	3.82	18.24	-14.45	11.26	7.82	22.01	-13.79	25.03	1.00	-0.81
MSCI ACWI ex-U.S. Index	5.53	15.62	-15.99	7.82	10.65	21.51	-14.20	27.19	4.50	-5.66

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 International ADR Strategy is from the International ADR Composite, inception date of August 1, 2003. The International ADR Composite includes discretionary institutional and high net worth accounts that are not part of a broker-sponsored or wrap program. Effective January 1, 2014, the composite includes separately managed institutional and high net worth accounts. Prior to January 1, 2014, the composite also included broker-sponsored accounts that paid 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. 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%.

First Quarter 2025 Performance Highlights

- In 1Q25 the portfolio (net of fees) returned 11.17%, 431 basis points ahead of the MSCI EAFE Index and 594 basis points ahead of the MSCI ACWI ex-U.S. Index. Year to date the portfolio (net of fees) returned 11.17%, 431 basis points ahead of the MSCI EAFE Index and 594 basis points ahead of the MSCI ACWI ex-U.S. Index.
- Stock selection drove outperformance while sector and geographic allocations also contributed to relative results. Stock selection in financials and utilities were the top contributors while stock selection in consumer staples and consumer discretionary dampened relative performance. The portfolio's cash position was also a drag.
- From a geographic perspective, the Eurozone was the portfolio's top contributor to relative results led by stock selection and overweight allocations to Germany and France. An underweight allocation to and stock selection in the UK was the largest detractor.

Current Positioning and Outlook

Based on our fundamental, stock-focused research, we continue to see compelling prospects in select, high-quality industrial, financial and information technology stocks that have competitive advantages in their respective geographies, and in some cases, globally. These include companies in Japan, France and Germany, among other jurisdictions. We also have meaningful allocations to attractively valued opportunities among utilities and health care, given their strong fundamentals and earnings profiles.

The Trump administration telegraphed its intention to employ tariffs to rebalance global trade long ago. Our active positioning has enabled us to anticipate and navigate a variety of complex environments effectively. It is a basic part of our risk management process.

We have strategically managed tariff-related risks, intentionally avoiding excessive exposure to companies whose business models depend heavily on factors beyond their control, particularly shipping products into the U.S.

We invest from the bottom up but are always cognizant of the operating environments of our portfolio holdings. We are aware of macro, foreign exchange, and geopolitical dynamics, including tariff and trade-war risks. But we believe it is most effective to focus on the nature, durability and visibility of earnings, along with rigorous valuation analysis and, at times, cost-effective FX hedges. This is how our strategies have negotiated general market volatility over many years.

This high-conviction, yet diversified portfolio aims to deliver superior risk-adjusted returns through market and economic cycles by participating in market upswings, as we saw in the first half of 2024, as well as by protecting in the downturns, such as in the first quarter of 2025. We appreciate that broad market swings often cause share prices to deviate sharply from our assessment of business fundamentals and intrinsic value. We are always ready to take advantage of opportunities as they arise.

Our focus on a concentrated set of diverse international stocks that demonstrate high-quality management, solid fundamentals and a clear path to value realization, has served us well both in turbulent and fair-weather conditions, in the short and long term. This flexible and, we find, repeatable process should help us navigate the unpredictable policy and economic volatility in 2025.

TEN LARGEST EQUITY HOLDINGS (%)

AS OF 28 FEBRUARY 2025	REP. ACCT.
Linde plc	3.5
Mitsubishi UFJ Financial Group, Inc.	3.3
TotalEnergies SE	3.2
Sony Group Corp.	3.1
Roche Holding AG	2.9
Schneider Electric SE	2.9
Rheinmetall AG	2.9
Safran S.A.	2.9
Hitachi Ltd.	2.8
Canadian Pacific Kansas City Ltd.	2.8

TOP 5 CONTRIBUTORS (%)

REP. ACCT. (GROSS) | 1Q25	AVERAGE WEIGHT	CONTRIB. TO RETURN
Rheinmetall AG	2.34	2.21
Orange SA	2.54	0.73
Sony Group Corp	3.40	0.69
E.ON SE	2.45	0.67
NN Group NV	2.51	0.64

BOTTOM 5 DETRACTORS (%)

REP. ACCT. (GROSS) | 1Q25	AVERAGE WEIGHT	CONTRIB. TO RETURN
Recruit Holdings Co Ltd	1.91	-0.60
Taiwan Semiconductor Manufacturing Co Ltd	3.05	-0.39
Disco Corp	1.33	-0.29
NVIDIA Corp	1.59	-0.26
Diageo PLC	1.04	-0.22

Source: FactSet

Past performance does not guarantee future performance. Performance characteristics are reported gross of fees and do not reflect the deduction of all fees and expenses that an investor has paid or would have paid. Gross data could appear better in comparison to net data. The net and gross performance of the total portfolio from which the data was calculated is included on page one.

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.

Important Information

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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 2025

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.

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.

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

The MSCI EAFE Index (MSCI EAFE NTR) 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 MSCI ACWI ex-U.S. Index (MSCI ACWI ex US NTR) 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 calculated with net dividends reinvested in U.S. dollars.

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 ($45.5B) and assets under advisement ($1.2B).

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