

# Thornburg International Growth ADR Strategy - Wrap

Portfolio Manager Commentary  
31 March 2025

**Thornburg**

## Market Review

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 in 2025.

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 and ebbing growth, China faces deflation and plans 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., some regions are more affected than others. It is 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 clients navigate through uncertain waters—by integrating conviction in multi-year growth themes with rigorous fundamental analysis and disciplined portfolio management.

We see compelling valuations and structural growth in select, high-quality international stocks with clear competitive advantages.

## Portfolio Managers

**Sean Koung Sun, CFA**  
Portfolio Manager

**Nicholas Anderson, CFA**  
Portfolio Manager

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<br>(1 MAY 10) |
|--------------------------------|-------|-------|-------|-------|------|-------|-------------------|
| Composite (Net)                | -1.03 | -1.03 | -8.70 | -0.83 | 3.74 | 1.97  | 4.11              |
| Composite ("Pure" Gross)       | -0.29 | -0.29 | -5.94 | 2.15  | 6.84 | 5.03  | 7.23              |
| MSCI ACWI ex-U.S. Growth Index | 1.96  | 1.96  | 1.15  | 1.75  | 8.11 | 5.06  | 5.37              |

### CALENDAR YEAR RETURNS (%)

|                                | 2024 | 2023  | 2022   | 2021  | 2020  | 2019  | 2018   | 2017  | 2016  | 2015  |
|--------------------------------|------|-------|--------|-------|-------|-------|--------|-------|-------|-------|
| Composite (Net)                | 0.40 | 15.40 | -27.90 | -6.35 | 32.57 | 22.78 | -20.32 | 30.87 | -6.15 | 1.65  |
| Composite ("Pure" Gross)       | 3.41 | 18.82 | -25.67 | -3.53 | 36.46 | 26.40 | -17.88 | 34.70 | -3.31 | 4.69  |
| MSCI ACWI ex-U.S. Growth Index | 5.07 | 14.03 | -23.05 | 5.09  | 22.20 | 27.34 | -14.43 | 32.01 | 0.13  | -1.25 |

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 Growth ADR Strategy - Wrap is from the International Growth ADR Wrap Composite, inception date of May 1, 2010. The International Growth ADR Wrap Composite includes discretionary wrap accounts invested in the International ADR 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. "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.*

### First Quarter 2025 Performance Highlights

- In 1Q25 the portfolio (net of fees) returned -1.03%, -299 basis points behind the MSCI ACWI ex-U.S. Growth Index. Year to date the portfolio (net of fees) returned -1.03%, -299 basis points behind the MSCI ACWI ex-U.S. Growth Index.
- Portfolio allocations and stock selection dampened relative results for the portfolio. Modest overweight allocations and stock selection in financials and utilities contributed to performance against the index. Stock selection in information technology and industrials hampered relative performance. The portfolio's underweight to industrials, the second largest allocation in the index, was also a drag.
- From a geographic perspective, overweight allocations to and stock selection in Germany and Hong Kong contributed to relative performance. Overweight allocations and stock selection in Netherlands detracted. An overweight allocation to the U.S., a zero-weight in the index, was the largest detractor for relative results.

### Current Positioning and Outlook

U.S. tariff-induced market volatility reflected growing concerns about the impact on global economic growth, exacerbating recent doubts about the return on investment in the infrastructure buildout necessary for the widespread industry adoption of AI. Continued pressure on the shares of one of our top pharma holdings also undercut portfolio performance in the first quarter. We retain conviction in the long-term prospects of our holdings, which we consider well positioned to benefit from technological innovation and long-term demographic trends.

We have observed a disconnect between coincident indicators in recent corporate earnings and share price performance. March revenue at the world's top semiconductor manufacturer was up nearly 50% from March 2024 and rose just more than 40% from a year earlier in the first quarter of 2024. The world's largest hyperscalers have reaffirmed over the last three months their massive capex budgets for data center expansions. Yet this and other stocks that directly benefit from the AI buildout saw their share prices decline, as the market doubts the sustainability of growth.

Declining valuations in AI's enabling technologies, combined with robust fundamental demand as adoption expands across businesses and consumers, only reinforces our conviction in the transformative potential of this technology and the equity returns that should follow.

The other top portfolio position that weighed on performance last quarter is one of the world's premier manufacturers of GLP-1 receptor agonists, which were initially developed for type 2 diabetes. These transformative drugs exhibit durable growth potential thanks to their expanding applications and robust demand. Their proven efficacy in weight management, coupled with a growing body of evidence of benefits in cardiovascular health, heart failure, and kidney disease position them as a cornerstone therapy for tens of millions of people. Robust clinical data, label expansions and strategic investments in manufacturing should drive sustained revenue growth, outpacing short-term equity fluctuations.

We remain optimistic about the prospects for international growth stocks in 2025 across industries, well beyond those examined above. We reiterate our view that earnings growth ultimately matters more for equity performance over time than macro events and market sentiment.

#### TEN LARGEST EQUITY HOLDINGS (%)

| AS OF 28 FEBRUARY 2025                      | REP. ACCT. |
|---|------------|
| Taiwan Semiconductor Manufacturing Co. Ltd. | 6.3        |
| Tencent Holdings Ltd.                       | 6.0        |
| Novo Nordisk A/S                            | 4.9        |
| Mastercard, Inc.                            | 4.7        |
| AstraZeneca plc                             | 4.5        |
| MercadoLibre, Inc.                          | 4.4        |
| Hong Kong Exchanges & Clearing Ltd.         | 4.1        |
| Air Liquide S.A.                            | 3.4        |
| Sea Ltd.                                    | 3.1        |
| Nomura Research Institute Ltd.              | 3.1        |

#### BASKET ALLOCATION (%)

|                         | REP. ACCT. |
|-------------------------|------------|
| Consistent Grower       | 41.0       |
| Growth Industry Leaders | 36.7       |
| Emerging Growth         | 19.4       |
| Cash                    | 2.9        |

#### TOP 5 CONTRIBUTORS (%)

| REP. ACCT. (GROSS)   1Q25          | AVERAGE WEIGHT | CONTRIB. TO RETURN |
|------------------------------------|----------------|--------------------|
| Tencent Holdings Ltd               | 5.67           | 0.91               |
| E.ON SE                            | 2.74           | 0.77               |
| Hong Kong Exchanges & Clearing Ltd | 3.79           | 0.64               |
| Deutsche Boerse AG                 | 2.52           | 0.63               |
| Sea Ltd                            | 3.02           | 0.58               |

#### BOTTOM 5 DETRACTORS (%)

| REP. ACCT. (GROSS)   1Q25                 | AVERAGE WEIGHT | CONTRIB. TO RETURN |
|---|----------------|--------------------|
| Taiwan Semiconductor Manufacturing Co Ltd | 7.05           | -0.89              |
| Novo Nordisk A/S                          | 4.37           | -0.85              |
| Globant SA                                | 1.52           | -0.76              |
| BE Semiconductor Industries NV            | 1.57           | -0.39              |
| Arista Networks Inc                       | 0.59           | -0.37              |

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.

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# THORNBURG INTERNATIONAL GROWTH 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 2025

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Growth Industry Leaders: often have leadership positions in growing markets. These firms tend to be larger, more established, and have dominant market share.

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.

Emerging Growth Companies: are often addressing a new market or carving out a niche in an existing market. Companies in this basket tend to be smaller, earlier-stage companies. Successful emerging growth companies are often reclassified as their businesses mature.

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

The MSCI ACWI ex-U.S. Growth Index (MSCI ACWI ex US Growth NTR) is a market capitalization weighted index that includes growth companies in developed and emerging markets throughout the world, excluding the United States.

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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