

Thornburg International ADR Strategy

Portfolio Manager Commentary
30 June 2022



Market Review

- The second quarter was another difficult one for global equity markets, with the MSCI ACWI ex USA Index down 13.7% and the MSCI EAFE Index losing 14.5%. That marks the worst start to a year ever for both indices, which are now down 18.4% and 19.6% respectively year to date. Along with international markets the S&P 500 suffered its worst first-half loss in more than 50 years, losing 20.0%.
- The same global macro factors which impacted markets in the 1st quarter continued into the second with the war in Ukraine helping drive energy prices and commodity indices to levels not seen since 2008 and US inflation (CPI year-on-year) to levels not seen since the 70's. In response the US Federal Reserve delivered its largest rate increase since 1994 and the Treasury yield curve moved upwards and flattened, with 10-year yields touching 3.50% (up from 1.5% at year-end) before falling into the end of the quarter on increasing recession fears.
- In response most equity markets fell with the notable exception of China, which had fallen more than 50% from its peak in February of last year before rebounding to return 3.4% for the quarter. Emerging Markets outperformed developed mostly due to China, which is almost 1/3 of the index. The dollar continued to strengthen and all 11 sectors of the ACWI ex USA Index were down, with Energy continuing to outperform (-4.7%)

International equity markets had another difficult quarter but with prices down 18% and valuations (P/E ratios) down 23% interesting opportunities are emerging.

Portfolio Managers

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Portfolio Manager

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Supported by the entire Thornburg investment team

Annualized Returns (% , as of 30 Jun 2022)

In US\$ terms. Returns may increase or decrease as a result of currency fluctuations.

	QTR	YTD	1-YR	3-YR	5-YR	10-YR	ITD
International ADR Composite (Net)	-13.16	-21.72	-22.82	2.70	1.01	4.00	6.28
International ADR Composite (Gross)	-13.04	-21.49	-22.40	3.20	1.51	4.56	6.92
MSCI ACWI ex US NTR	-13.73	-18.42	-19.42	1.35	2.50	4.83	6.24
MSCI EAFE NTR	-14.51	-19.57	-17.77	1.07	2.20	5.40	5.82

ITD = Inception to Date

Periods less than one year are not annualized.

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%.

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despite a late quarter drop and Information Technology continuing to underperform (-22.6%).

Second Quarter 2022 Performance Highlights

- In the second quarter the strategy lost 13.16% (net of fees), outperforming the ACWI ex USA Index by 57 basis points and the EAFE by 135. Year to date the strategy is down 21.49%, 307 and 192 basis points behind its respective benchmarks.
- In the second quarter the strategy's relative performance versus its benchmarks rebounded, regaining some of the ground it lost in a difficult 1st quarter where macro factors drove most of the underperformance. Country allocation, which was a significant negative in the 1st quarter, was a positive in the 2nd with an underweight in Canada and zero weights in Korea, Australia, Brazil, South Africa, and Saudi Arabia/UAE/Qatar all contributing. An average 8% in cash was also a positive.
- Sector allocation was neutral, as an overweight in Utilities and an underweight in Financials were positives, while an overweight in Industrials Information Technology and an underweight in Consumer Staples and Health Care were negatives. Security selection was also positive on a sector basis, with companies in the Consistent Earners and Emerging Franchise baskets doing relatively well and our Basic Value companies underperforming the continued Value rally given our bias towards higher quality cyclicals.

Current Positioning and Outlook

During the quarter we trimmed Basic Value, adding to Consistent Earners and Emerging Franchise as interest rates peaked during the quarter and recession concerns increased. Our basket weights ended the quarter at 45% Basic Value, 37% Consistent Earner, 12% Emerging Franchise, and 6% Cash. We added to China/Hong Kong, which as noted above had declined more than 50% from its 2021 peak and at March 31st traded at a 20% P/E discount to the ACWI ex USA Index and an almost 50% discount to the S&P 500 despite loosening of monetary, fiscal and regulatory policy in China and tightening in the U.S.

While the outlook remains uncertain for the second half of the year and we remain somewhat conservatively positioned (underweight Emerging Franchise and 43% in Consistent Earners and cash), markets are considerably cheaper than at the beginning of the year with the MSCI World Index down 20% and valuations (forward P/E) down 27%. In market conditions like these interesting opportunities always emerge as quality companies cheapen along with the rest of the market – an ideal environment for a high conviction active manager. We also believe that investors who have been underweight international equities given the long run of U.S. outperformance should consider rebalancing given

Top Performers (1Q22)

(Representative Account)

Name	Contrib. (%)	Avg. Weight (%)
Nestle SA	0.72	5.01
Ferrari NV	0.43	2.20
Sika AG	0.36	1.41
Experian PLC	0.36	2.20
LVMH Moet Hennessy	0.35	2.59

Top Detractors (1Q22)

(Representative Account)

Name	Contrib. (%)	Avg. Weight (%)
VNET Group Inc.	-0.68	0.99
MercadoLibre Inc.	-0.62	3.14
Activision Blizzard Inc	-0.46	2.43
Elastic NV	-0.42	0.84
Nihon M&A Center Holdings Inc.	-0.39	1.86

Past performance does not guarantee future results. To obtain the calculation methodology and a list showing the contribution of each holding in the representative account to the overall account's performance during the reporting period, please email a request to bdg@thornburg.com. The holdings identified do not represent all of the securities purchased, sold or recommended for advisory clients.

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the outlook for continued tightening in the U.S., the greater concentration of U.S. markets in mega cap growth stocks, and international's higher diversification and 30% discount to the U.S.

Important Information

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

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.

Unless otherwise noted, the source of all data, charts, tables and graphs is Thornburg Investment Management, Inc., as of 30 June 2022.

The views expressed are subject to change and do not necessarily reflect the views of Thornburg Investment Management, Inc. This information should not be relied upon as a recommendation or investment advice and is not intended to predict the performance of any investment or market.

Holdings may change daily and may vary among accounts.

The information provided in this report should not be considered a recommendation to purchase or sell any particular security. There is no assurance that any securities discussed herein will remain in an account's portfolio at the time you receive this report or that securities sold have not been repurchased. The securities discussed may not represent an account's entire portfolio and in the aggregate may represent only a small percentage of an account's portfolio holdings. It should not be assumed that any of the securities transactions or holdings discussed were or will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein.

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.

The MSCI ACWI ex USA Net Total Return USD Index 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 returns reflect the reinvestment of dividends and other earnings, are net of withholding taxes, and do not include any trading costs, management fees or other expenses.

The MSCI EAFE (Europe, Australasia, Far East) Net Total Return USD Index 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.

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. Investors may not make direct investments into any index.

The S&P 500 Value Index is a market capitalization weighted index designed to measure the performance of value stocks in the S&P 500 Index. The S&P U.S. Style Indices measure Growth and Value in separate dimensions across six risk factors at the stock level.

P/E - Price/Earnings ratio (P/E ratio) is a valuation ratio of a company's current share price compared to its per-share earnings. P/E equals a company's market value per share divided by earnings per share. Forecasted P/E is not intended to be a forecast of the fund's future performance.

Ten Largest Holdings

(as of 11/30/21)

Holding	Rep, Acct.
TotalEnergies SE	4.3%
Linde plc	3.1%
ABB Ltd.	2.9%
Taiwan Semiconductor Manufacturing Co. Ltd.	2.9%
Mastercard, Inc.	2.9%
Canadian Pacific Railway Ltd.	2.8%
LVMH Moët Hennessy Louis Vuitton SE	2.5%
Kuehne + Nagel International AG	2.5%
Meituan	2.4%
CME Group, Inc.	2.4%

Portfolio Baskets

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.

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

Emerging EMEA (Europe, Middle East, Africa) - Includes but is not limited to the Czech Republic, Egypt, Greece, Hungary, Poland, Qatar, Russia, South Africa, and Turkey. Classifications are subject to change. Portfolio and benchmarks may or may not be invested in the named countries, depending upon the date and time period.

Yield Curve - A line that plots the interest rates, at a set point in time, of bonds having equal credit quality, but differing maturity dates.