

Thornburg International Growth ADR Strategy — Wrap



Portfolio Manager Commentary
30 June 2022

Market Review

The global equity market selloff accelerated during the second quarter of the year as an increasingly hawkish stance from the U.S. Federal Reserve and other global central banks to combat high inflation has increased the risk of a policy-induced recession. While in many ways this appears like a new period of heightened volatility, especially with the specter of an economic slowdown, the results look similar from a style perspective as value continued to outperform growth.

Despite a 75bps rate hike from the Fed this quarter and looming monetary tightening from the European Central Bank, yields appear to have stabilized. Markets are even beginning to anticipate policy rate cuts next year as signs of deflation and falling demand are beginning to show and central banks may need to respond if they fail to achieve a soft landing and a major recession takes hold. The energy crisis is here, which typically weighs on corporate earnings, but has yet to materialize through first quarter earnings reports. Corporate earnings, as well as the path of inflation, will be key drivers of markets for the second half of the year.

We expect the current market volatility to continue, and find it presents us opportunities to upgrade the portfolio and diversify sources of growth.

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
International Growth ADR Wrap Composite (Net)	-17.16	-29.80	-35.02	-2.48	-1.37	3.55
International Growth ADR Wrap Composite (Gross)	-16.50	-28.69	-32.99	0.45	1.60	6.65
MSCI ACWI ex US Growth NTR	-15.71	-24.79	-25.80	1.62	3.43	5.71

Annual Return Performance Summary (%)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
International Growth ADR Wrap Composite (Net)	19.55	37.83	-14.33	1.65	-6.15	30.87	-20.32	22.78	32.57	-6.35
International Growth ADR Wrap Composite (Gross)	23.09	41.86	-11.72	4.69	-3.31	34.70	-17.88	26.40	36.46	-3.53
MSCI ACWI ex US Growth NTR	16.67	15.49	-2.65	-1.25	0.13	32.0%	-14.43	27.34	22.20	5.09

Periods less than one year are not annualized.

Performance data for the International Growth ADR Strategy 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.

THORNBURG INTERNATIONAL GROWTH ADR STRATEGY – WRAP

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Second-Quarter 2022 Performance Highlights

- The Thornburg International Growth ADR Strategy returned negative 17.16% (net), underperforming its benchmark, the MSCI All Country World ex-US Growth Index (net, USD), which returned negative 15.71%.
- Stock selection within the communication services, materials, and financials sectors were the primary reasons for relative outperformance. The main relative detracting sectors were stock selection within the consumer discretionary, industrials, and consumer staples sectors.
- Overall, emerging market growth stocks outperformed developed market growth stocks this quarter driven by China. While an under-allocation to emerging market companies was a slight detractor, the strategy's overall currency mix was a positive contributor during the quarter.

Current Positioning and Outlook

Higher odds of recession and a rising rate environment have led us to more defensive positioning within the growth universe. We expect the current market volatility to continue, and we find it presents us opportunities to upgrade the portfolio and diversify the sources of growth within the strategy as we analyze companies across the globe. We maintain a relatively more defensive posture because while valuations have compressed, the potential impact of a corporate earnings recession, or global slowdown, has yet to fully reflect itself in prices. In this next phase of the market, corporate earnings durability and growth resilience will be key in the face of macro headwinds.

Our focus is on investing in exceptional growth companies, oftentimes with compounding competitive advantages, over long time horizons. Our balanced three-basket approach of Growth Industry Leaders, Emerging Growth and Consistent Growers provides diversification across the growth universe. The portfolio's more defensive holdings in the Consistent Grower basket have bolstered returns in the current risk-off environment.

Although there are periods when owning higher quality and higher growth assets is out of favor, we believe that our portfolio will remain relatively resilient to higher inflation or weakening economic conditions. We favor high-margin, asset-light companies with pricing power and structural growth drivers that will persist through economic cycles. We think these businesses will hold up better than others if inflation, the energy crisis, or the global economic slowdown persist longer than expected. Furthermore, many of the companies we own are leaders in their respective markets and poised to capture incremental market share as weaker competitor stumble in this current environment.

Higher interest rate expectations have already significantly compressed the valuations of growth stocks, while fundamentals of the businesses we own remain strong, both in terms of their balance sheets and the growth opportunities ahead of them. Times of stress are when we think the high-quality companies in our portfolio

Top Performers (2Q22) (Representative Account)

Name	Contrib. (%)	Avg. Weight (%)
Jd.Com Adr	0.19	0.56
Ubi Soft Enter-tainme Adr	0.15	0.75
L Oreal	0.10	0.25
Aon Cl	0.04	0.25
Astrazeneca Adr Rep 0.5 Ord	0.03	5.12

Top Detractors (2Q22) (Representative Account)

Name	Contrib. (%)	Avg. Weight (%)
Taiwan Semiconductor Mnftg Adr	-1.52	7.05
Mercadolibre	-1.19	1.76
Asml Holding Adr Rep Ord	-1.16	3.81
Nihon M And A Center	-1.03	1.05
Booking Holdings Ord	-0.89	3.12

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.

Ten Largest Holdings

(as of 31 May 22)

Holding	Rep. Acct.
Taiwan Semiconductor Manufacturing Co. Ltd.	7.3%
Nestle S.A.	6.7%
Booking Holdings, Inc.	5.1%
AstraZeneca plc	4.9%
Tencent Holdings Ltd.	4.3%
ASML Holding N.V.	3.8%
LVMH Moet Hennessy Louis Vuitton SE	3.0%
Air Liquide S.A.	3.0%
Mastercard, Inc.	2.7%
Activision Blizzard, Inc.	2.7%

will show their colors. Changes in valuation multiples have a large effect on stock prices in the short-term, but we remain confident that earnings growth will be the main driver of equity returns in the long-term. We own a concentrated portfolio of strong companies with durable growth prospects that generate disproportionate business value relative to peers and index averages.

Thank for your continued support and for investing alongside us.

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 June 2022.

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.

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 Growth Net Total Return USD Index 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. Investors may not make direct investments into any index.