

Thornburg International Growth ADR Strategy — Wrap



Portfolio Manager Commentary
30 June 2023

Market Review

Major global equity indices continued their positive performance in the second quarter, although at a slower pace than the first quarter. The MSCI ACWI ex US Growth Index returned 2.0% and is now up 10.7% year to date. Growth's second quarter return trailed the MSCI ACWI ex US Value Index, which returned 3.0%, but has led value year to date. While we began the quarter with heightened expectations that the US Federal Reserve was near a pause and might turn dovish later this year, which helped growth, sticky core inflation globally has led to expectations of continued tightening by many major central banks, including the Fed. Global bond indices fell for the quarter with interest rates rising in most major economies. One exception is China, where inflation remains low and the economic recovery continues to disappoint. Chinese equity markets (MSCI China Index) fell 9.7% in the quarter.

Japan continues to outperform, with the Nikkei 225 Index hitting a 33-year high in Yen during the quarter. The Eurozone outperformed modestly in the second quarter but has delivered strong performance year to date. Other outperformers in the second quarter included the UK, Brazil, and India. China remains the most notable underperformer and emerging markets, of which China is the largest component, trailed developed equity markets for the quarter and trails for the year to date. Information Technology led in the second quarter, along with Industrials. Financials and

We believe that quality growth companies with unique and durable growth drivers should perform well in the current environment.

Portfolio Managers

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Supported by the entire Thornburg investment team

Annualized Returns (% , as of 30 Jun 2023)

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 (GROSS)	2.36	14.69	19.55	1.09	2.48	5.92
International Growth ADR Wrap Composite (NET)	1.61	13.04	16.10	-1.87	-0.51	2.84
MSCI ACWI ex US Growth NTR Index	2.01	10.77	13.33	3.98	4.07	5.61

Annual Return Performance Summary (%)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
International Growth ADR Wrap Composite (GROSS)	23.09	41.86	-11.72	4.69	-3.31	34.70	-17.88	26.40	36.46	-3.55	-25.67
International Growth ADR Wrap Composite (NET)	19.55	37.83	-14.33	1.65	-6.15	30.87	-20.32	22.78	32.57	-6.37	-27.90
MSCI ACWI ex US Growth NTR Index	16.67	15.49	-2.65	-1.25	0.13	32.0%	-14.43	27.34	22.20	5.09	-23.05

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 1 May 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 1 January 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 1 January 1 2009 net returns reflect actual wrap fees for each account in the composite. Beginning 1 January 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.

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Energy rebounded from first quarter losses, but Communication Services and Real Estate underperformed.

Second Quarter Performance Highlights

- The Thornburg International Growth ADR Strategy - Wrap returned 1.61% (net of fees) slightly underperforming its benchmark, the MSCI All Country World ex-US Growth Index, which returned 2.01%. Year to date, the strategy has returned 13.04% versus a benchmark return of 10.77%.
- In the 2nd quarter leading contributors to the strategy's outperformance from a sector perspective were Materials, Financials, and Consumer Staples, all due predominantly to stock selection. The largest detractors were Consumer Discretionary, Industrials, and Energy.
- Principal contributors to outperformance from a region or country standpoint were the Eurozone and global companies domiciled in the United States, due primarily to bottom-up stock selection. The primary detractors were Japan, Brazil, and India.
- In the quarter and year to date stock selection has re-emerged as a primary driver of strategy returns, as opposed to the beginning of last year when macro factors played a prominent role in driving returns. In the second quarter all three baskets – Growth Industry Leaders, Consistent Growers, and Emerging Growth – contributed about equally to the strategy's returns.

Current Positioning and Outlook

While most major global equity markets have delivered attractive returns year to date, there remain areas of significant uncertainty – the path of monetary policy and interest rates, the pace of economic recovery in China, the ongoing conflict in Ukraine, and whether a year and a half of tightening and higher interest rates will lead to recession. We continue to believe that the best way to navigate this uncertainty is to remain focused on the approach that has served this strategy well since its inception over twelve years ago. That is an emphasis on ownership of exceptional businesses that have unique and durable growth prospects. We believe that the companies we own will be resilient to broader macro-economic conditions because their growth drivers are idiosyncratic and persistent, as opposed to principally driven by the economic cycle. We observe that historically this type of company has outperformed during economic slowdowns.

In the second quarter we maintained portfolio baskets roughly in line with our long-term targets at 40% Growth Industry Leaders, 35% Consistent Growers, 21% Emerging Growth, and 4% Cash. Consumer Staples and Health Care are the largest overweights, Industrials and Materials the largest underweights. We are overweight the Eurozone and hold a 14% allocation to global companies domiciled in the U.S. with China about index weight and the rest of emerging markets underweight. As a reminder, sector and country allocation is the product of bottom-up stock selection, as we position the portfolio in our best ideas while maintaining balance at the basket level.

Top Performers (2Q23) (Representative Account)

Name	Contrib. (%)	Avg. Weight (%)
Ferrari N.V.	0.42	2.12
Taiwan Semiconductor Manufacturing Co. Ltd.	0.38	4.25
BE Semiconductor Industries N.V.	0.37	1.30
ICON plc	0.35	2.00
Ashtead Group Plc	0.29	1.99

Top Detractors (2Q23) (Representative Account)

Name	Contrib. (%)	Avg. Weight (%)
Tencent Holdings Ltd.	-0.39	2.85
JD.com, Inc.	-0.36	1.39
Meituan	-0.25	1.63
MercadoLibre, Inc.	-0.21	1.91
Carl Zeiss Meditec AG	-0.20	0.85

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

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.

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Innovation continues to be an important driver for many of our investments. We see AI as a game changer that can reshape companies and industries. Already tangible use cases are emerging for consumers and businesses. For example, consider the rapid adoption of ChatGPT compared to other now-dominant internet services. According to Statista, the time to reach 1 million users for Netflix, Airbnb, and Instagram was 3.5 years, 2.5 years, and 2.5 months, respectively. ChatGPT reached 1m users within 5 days. We believe an effective way to gain exposure to an important new technology at the early stages of development is by investing in essential picks-and-shovels providers.

Ten Largest Holdings

(as of 31 May 2023)

 Holding 	 Rep, Acct.
Nestle S.A.	5.7%
AstraZeneca plc	4.9%
ASML Holding N.V.	4.7%
Taiwan Semiconductor Manufacturing Co. Ltd.	4.0%
LVMH Moët Hennessy Louis Vuitton SE	3.7%
Novo Nordisk A/S	3.1%
Diageo plc	3.0%
Keyence Corp.	2.9%
HDFC Bank Ltd.	2.8%
Tencent Holdings Ltd.	2.7%

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 2023.

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.

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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.

The MSCI ACWI ex US 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.

The MSCI All Country (AC) World ex-U.S. Value 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 is constructed using an approach that provides a precise definition of style using eight historical and forward-looking fundamental data points for every security. 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 China Index captures large- and mid-cap representation across China H shares, B shares, Red chips, P chips, and foreign listings (e.g. ADRs). With 461 constituents, the index covers about 85% of this China equity universe.

Japan's Nikkei 225 Stock Average is the leading index of Japanese stocks. It is a price-weighted index comprised of Japan's top 225 blue-chip companies on the Tokyo Stock Exchange.

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.