

# Thornburg Global Opportunities Strategy

Portfolio Manager Commentary

30 June 2022



This Portfolio Manager Commentary on Global Opportunities Strategy is published amidst the ongoing developments associated with the global Coronavirus pandemic, the Russian invasion of Ukraine, and the highest reported inflation figures in the U.S. in more than 40 years. These ingredients led the S&P 500 to report its worst first half of the year return since 1970, -20.0%, a return that resembled the -20.2% drop for the MSCI All World Net Total Return Index. Thornburg Global Opportunities Strategy proved somewhat more resilient in H1'22, reporting a -15.07% drop (net).

Thornburg Global Opportunities Strategy's net return of -12.97% for the June 2022 quarter exceeded its benchmark (MSCI All Country World Net Total Return Index), which returned -15.66% for the quarter. For the trailing 12-month period ending 30 June 2022 your strategy's net return of -13.83% exceeded the -15.75% return of the MSCI All Country World Index by 1.92%. Performance comparisons of the Thornburg Global Opportunities Strategy to its benchmark over various periods are shown in the table below.

We are now in the 16th year of managing Thornburg Global Opportunities Strategy. From its inception on 1 August 2006 through 30 June 2022, Thornburg Global Opportunities Strategy has outpaced the MSCI All Country World Net Index by an average margin of more than 3.1% per year, resulting in a total cumulative return since inception of 303% (net) versus 151% for the ACWI Net Total Return index.

Most equities in Thornburg Global Opportunities Strategy recovered strongly in the last 27 months from their March 2020 price troughs. Listed in Table 1 in descending order are the 20 largest equity holdings in the strategy as of 30 June 2022, along with

We are monitoring the abilities of your portfolio companies to manage cost inflation and maintain profit margins consistent with our expectations.

## Portfolio Managers

**Brian McMahon**  
Chief Investment Strategist and  
Portfolio Manager

**Miguel Oleaga**  
Portfolio Manager

Supported by the entire Thornburg  
investment team

## Annualized Returns (% , as of 30 Jun 2022)

	QTR	YTD	1-YR	3-YR	5-YR	10-YR
<b>Global Opportunities Composite (Net)</b>	-12.97	-15.07	-13.83	10.84	5.55	11.25
<b>Global Opportunities Composite (Gross)</b>	-12.78	-14.72	-13.11	11.74	6.38	12.12
<b>MSCI ACWI NTR Index</b>	-15.66	-20.18	-15.75	6.21	7.00	8.76

## Annual Return Performance Summary (%)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Global Opportunities Composite (Net)</b>	22.85	29.11	19.31	1.54	4.21	22.27	-20.64	29.01	22.72	14.85
<b>Global Opportunities Composite (Gross)</b>	23.81	30.10	20.24	2.34	4.99	23.19	-20.04	30.01	23.70	15.79
<b>MSCI ACWI NTR Index</b>	16.13	22.80	4.16	-2.36	7.86	23.97	-9.42	26.60	16.25	18.54

In US\$ terms. Returns may increase or decrease as a result of currency fluctuations. Periods less than one year are not annualized.

Performance data for the Global Opportunities Strategy is from the Global Opportunities Composite, inception date of 1 August 2006. The Global Opportunities Composite includes discretionary non-wrap accounts invested in the Global Opportunities 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. Gross of fee returns are net of transaction costs. Net of fee returns are net of transaction costs and investment advisory fees. For periods prior to 2011, net returns for some accounts in the composite also reflect the deduction of administrative expenses. 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%.

H1'2022 and calendar 2021 returns. Returns are shown in \$US. We also show the trailing 5-year average annual revenue growth rates for these businesses through fiscal year end 2020 along with the latest reported trailing 12-month revenue growth of each company. For rough comparison, the trailing 5 year weighted average revenue growth rate of firms included in the MSCI All World Equity Index was +4.0% through 31 December 2021, including +12.3% in calendar 2021.

Together, these firms comprise approximately 71% of the strategy's total assets, near-cash debt comprises 3% of strategy assets, and 19 other equities comprise a total of approximately 26% of strategy assets. Individual position sizes of the strategy's top 20 positions range from 5% or more (Reliance Industries, Total Energies) to approximately 2.5% for those shown near the bottom of this list.

These are not trivial businesses. The reader will notice that revenue growth for a large majority of these firms last year exceeded the prior 5-year annual average, and the revenue growth of these businesses compare favorably to the MSCI ACWI Index. These businesses tend to be doing well, most posting per share revenue growth exceeding global GDP growth rates in recent years. Most of these have emerged from the 2020 economic valley with their competitive positions intact or improved and ready to address the challenges and opportunities that lie ahead.

The reader will also notice a high incidence of investments in firms tied to the digital economy, and in providers of tools to facilitate digital communications. Despite strong revenue production from these "digital" businesses in early 2022, share price performances of these investments were mostly negative in H1'22 due to concerns that strong demand conditions will see a pause. Whether or not there is a pause in demand growth for the products and services of these firms, we have confidence in the fundamental backdrop for secular growth of digital communications, data collection and analysis, and the key components of devices that make this possible.

As of 30 June 2022 the weighted average price/earnings ratio for the equity

**Table 1 | Global Opportunities Strategy—Top 20 Equity Holdings**

(As of 30 Jun 2022. Together, these firms comprise approximately 71% of the strategy's total assets, near-cash debt comprises 3% of strategy assets, and 19 other equities comprise a total of approximately 26% of strategy assets.)

Name of Company	2021 Year Returns	YTD 2022 Returns at 30 Jun 2022	Revenue Growth Rate 2015–2020* / Fiscal 2021 Growth
<b>Reliance Industries Ltd.</b>	17.3%	3.4%	9.5% / 46.1%
India-based conglomerate: chemicals, refining, #1 mobile telco and #1 retailer in India			
<b>TotalEnergies SE</b>	26.2%	8.3%	-3.6% / 33.6%
Global oil & gas producer and distributor and low carbon electricity supplier			
<b>Alphabet, Inc.</b>	65.3%	-24.8%	19.6% / 41.1%
Internet-based search & advertising, content, software applications, and data centers.			
<b>Bank of Ireland</b>	40.7%	12.4%	-4.3% / 13.4%
Diversified financial services provider serving Ireland and U.K customers			
<b>OCI NV</b>	38.1%	31.4%	9.7% / 81.7%
Producer & distributor of natural gas-based fertilizers and industrial chemicals			
<b>Capital One Financial Corp.</b>	49.3%	-27.5%	7.6% / 10.7% (per share)
U.S. consumer oriented commercial bank			
<b>NN Group NV</b>	31.8%	-13.4%	8.0% / 7.9%
Netherlands based life and casualty insurer			
<b>Samsung Electronics Co. Ltd.</b>	-10.4%	-32.3%	5.0% / 18.1% (per share)
Manufactures consumer & industrial electronic products; leading semiconductor producer			
<b>Citigroup, Inc.</b>	1.0%	-22.4%	7.0% / -0.7% (per share)
Multi-national banking & financial services firm			
<b>Tesco</b>	28.7%	-18.3%	1.4% / 2.5%
UK-based food & general merchandise retailer with > 4,000 stores & online presence			
<b>CACI International, Inc.</b>	13.0%	4.7%	10.5% / 7.1%
Command & control, communications, cyber security services to business & government			
<b>The TJX Companies</b>	12.8%	-25.8%	3.1% / 51.1% (per share)
Leading off-price apparel & home fashion retailer with > 4,000 stores worldwide, TJ Maxx			
<b>The Charles Schwab Corp.</b>	60.2%	-24.5%	11.1% / 18.9% (per share)
U.S. centric wealth management platform, securities brokerage, and bank			

Table continued on following page.

\* 2021, or latest fiscal year, if completed and reported during calendar 2021

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investments of Thornburg Global Opportunities Strategy was 10.3x. This compares to a multiple of 15.5x for the MSCI All World Equity Index on the same date.

Top contributors to portfolio performance during Q2'2022 included Total Energies, Alibaba Group Holding, Deutsche Telekom, Pfizer, JD.Com, and T-Mobile. Four equities contributed at least +0.10% to portfolio performance for the quarter.

30 equities subtracted more than -0.10% from portfolio performance in Q2'2022. The most significant detractors were Alphabet Inc. (aka Google), Meta Platforms (aka Facebook), Samsung Electronics, Freeport McMoran, Capital One Financial, Charles Schwab, Vestas Wind Systems, Taiwan Semiconductor, Micron Technology, Qorvo, Mineral Resources, and Converge Technology. We made various position size adjustments during the June quarter

**Table 1 (continued)**

Name of Company	2021 Year Returns	YTD 2022 Returns at 30 Jun 2022	Revenue Growth Rate 2015–2020* / Fiscal 2021 Growth
<b>Mineral Resources Ltd.</b>	53.3%	-18.1%	25.7% / 33.2%
Australian mining services, iron ore, and lithium mining firm			
<b>Abbvie, Inc.</b>	32.4%	15.3%	14.3% / 23.5%
Develops and sells pharmaceutical products			
<b>Barratt Developments plc</b>	15.4%	-43.8%	2.2% / 25.1%
UK-based homebuilder with large land bank and no net debt			
<b>Meta Platforms (Facebook)</b>	23.1%	-52.1%	36.3% / 38.9%
Global social networking, communications, internet-based content, and advertising			
<b>Pfizer, Inc.</b>	60.4%	-9.8%	9.2% / 94.0%
Global health care company develops and sells medicines, vaccines, biologic therapies.			
<b>Taiwan Semiconductor Manufacturing Co., Ltd.</b>	19.9%	-27.2%	9.7% / 18.5%
Largest global semiconductor manufacturer			
<b>Roche Holdings</b>	22.0%	-17.4%	3.8% / 8.3% (per share)
Develops and sells pharmaceutical products and diagnostic equipment			

\* 2021, or latest fiscal year, if completed and reported during calendar 2021

**Table 2 | Global Opportunities Strategy Sector Weights (% , 30 Jun 21–30 Jun 22)**

Sector	30 Jun 2021		30 Sep 2021		31 Dec 2021		31 Mar 2022		30 Jun 2022	
	Portfolio Weight	Index Weight	Portfolio Weight	Index Weight	Portfolio Weight	Index Weight	Portfolio Weight	Index Weight	Portfolio Weight	Index Weight
<b>Financials</b>	17.2	14.1	17.6	14.4	18.6	13.9	18.0	14.6	18.5	14.5
<b>Communication Services</b>	17.6	9.4	17.6	9.2	16.8	8.6	16.0	8.1	13.1	7.9
<b>Information Technology</b>	16.5	22.0	12.9	22.5	13.5	23.7	11.6	22.4	12.4	20.9
<b>Consumer Discretionary</b>	11.3	12.7	10.0	12.4	10.4	12.4	9.8	11.7	11.9	11.1
<b>Materials</b>	10.6	4.9	11.8	4.7	11.2	4.7	12.7	5.0	11.5	4.8
<b>Energy</b>	8.2	3.4	10.3	3.5	9.9	3.4	10.3	4.3	11.3	5.0
<b>Health Care</b>	7.0	11.6	7.8	11.7	9.8	11.7	7.9	11.9	8.2	13.0
<b>Industrials</b>	5.3	9.7	5.6	9.6	5.0	9.5	6.1	9.5	6.2	9.4
<b>Consumer Staples</b>	2.5	6.9	3.2	6.8	3.6	6.8	3.4	6.9	3.4	7.6
<b>Real Estate</b>	–	2.7	–	2.7	–	2.7	–	2.7	–	2.8
<b>Utilities</b>	–	2.6	–	2.6	–	2.7	–	2.9	–	3.2
<b>Cash &amp; Cash Equivalents</b>	4.0	–	3.1	–	1.2	–	4.1	–	3.5	–

May not add up to 100% due to rounding.

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and over the course of calendar 2022 for portfolio diversification purposes and to better balance the downside risk vs upside capital appreciation potential of individual positions.

We sold all of your strategy's holdings in China Telecom during the quarter to comply with regulatory mandates. This accounts for most of the lower sequential weighting in communications services firms. Most of the proceeds were invested in global software firm SAP and travel services platform Booking Holdings. Table 2 summarizes major sector weightings within the Global Opportunities Strategy portfolio as of June, as well as general directional changes over the course of the June quarter.

### Our Investment Framework

Thornburg Global Opportunities Strategy seeks capital appreciation from a focused portfolio of global equity investments. We believe the structure of the strategy—built on our core investment principles of flexibility, focus, and value—provides a durable framework for value-added investing.

We urge shareholders of the strategy to maintain a long-term investment perspective rather than placing too much emphasis on return figures that are available daily, weekly, monthly and quarterly. Clear examples of the need to keep a longer-term investment perspective are illustrated by comparing the trailing 12-month return of your strategy as of 31 March 2021 [+74.18%] with the return from the single quarter ending 31 March 2020 [-24.8%]. In general, the businesses in your portfolio have managed well through the Covid-19 impacted quarters despite the initial impact of the pandemic on their share prices. We continue to follow our core investment principles of flexibility, focus, and value, as we have since the strategy's inception back in 2006.

### Top Ten Holdings (as of 31 May 2022) percentage of portfolio (Representative Account)

Holding	Weight (%)
Reliance Industries Ltd.	5.7%
TotalEnergies SE	5.6%
Capital One Financial Corp.	4.2%
Alphabet, Inc.	4.2%
Samsung Electronics Co. Ltd.	4.1%
Bank of Ireland Group plc	4.1%
Citigroup, Inc.	3.7%
OCI N.V.	3.7%
Mineral Resources Ltd.	3.6%
NN Group N.V.	3.6%

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The MSCI ACWI Net Total Return USD Index is a market capitalization weighted index that is representative of the market structure of 47 developed and emerging market countries in North and South America, Europe, Africa, the Middle East, and the Pacific Rim. The index is calculated with net dividends reinvested in U.S. dollars.

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