Thornburg Emerging Markets Equity Strategy

Portfolio Manager Commentary
31 March 2025

Thornburg

Market Review

Global markets experienced substantial volatility during the quarter, largely driven by escalating trade tensions initiated by the U.S. Following a year in which U.S. equities outperformed international markets by approximately 20%, optimism from November's election and AI enthusiasm supported expectations for continued U.S. market exceptionalism entering 2025. However, reality diverged significantly, with the S&P 500 Index trailing international equities by its widest margin since 2009.

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, China is addressing deflationary risks and planning a potentially massive stimulus, Japan is moving beyond a decades-long deflationary environment, and Europe is asserting greater economic independence. International markets offer a diverse set of investment conditions worth exploring.

Emerging markets gained nearly 3%, surpassing U.S. equities but trailing developed international markets. China significantly contributed to index gains, with the equity outlook benefitting from the arrival of AI startup DeepSeek, which showcased China's cost-efficient advancements in AI and strengthened investor confidence in its broader tech sector. Brazil also supported emerging market performance due to its more balanced trade relationship with the U.S., offering perceived insulation from global trade disruptions.

Sector performance in emerging markets varied significantly. Information Technology was the weakest sector, impacted by Taiwan's heavy exposure to western semiconductor and electronics demand amid declining global investor enthusiasm for U.S. AI-related hardware investments. Conversely, consumer discretionary was the strongest EM sector, benefiting from China's planned stimulus measures aimed at boosting domestic consumption, coupled with healthy and resilient EM consumer spending trends around the world.

> We believe the economic risk to many EM markets remains manageable due the economies' increasing reliance on domestic consumption.

Portfolio Managers

Charles Wilson, PhD
Portfolio Manager

Josh Rubin
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 (1 JAN 10)**
Composite (Gross)	0.26	0.26	2.81	-1.10	7.10	4.13	5.97
Composite (Net)	0.02	0.02	1.84	-2.03	6.10	3.18	4.97
MSCI Emerging Markets Index	2.93	2.93	8.09	1.44	7.94	3.71	3.16

CALENDAR YEAR RETURNS (%)	**2024**	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**
Composite (Gross)	6.89	7.68	-24.69	-1.61	24.44	30.88	-13.94	37.26	4.20	-14.17
Composite (Net)	5.89	6.67	-25.41	-2.53	23.29	29.67	-14.72	36.12	3.28	-14.91
MSCI Emerging Markets Index	7.50	9.83	-20.09	-2.54	18.31	18.42	-14.58	37.28	11.19	-14.92

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 Emerging Markets Equity Strategy is from the Emerging Markets Equity Composite, inception date of 1 January 2010. The Emerging Markets Equity Composite includes discretionary accounts invested in the Emerging Markets Equity 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%.

First Quarter 2025 Performance Highlights

- In 1Q25 the portfolio (net of fees) returned 0.02%, -291 basis points behind the MSCI Emerging Markets Index. Year to date the portfolio (net of fees) returned 0.02%, -291 basis points behind the MSCI Emerging Markets Index.
- On a sector basis, stock selection within consumer discretionary and an underweight allocation to communication services detracted from relative results. Stock selection within industrials contributed positively to relative performance.
- From a geographic perspective, stock selection within China and India detracted from relative results. Stock selection and an overweight allocation to emerging EMEA contributed positively to relative performance.

Current Positioning and Outlook

Entering 2025, we were mindful of rising economic uncertainty, particularly around tariff risk tied to the Trump administration's 'America First' agenda. We felt confident in our positioning—intentionally limiting exposure to companies we believed were most vulnerable to direct tariff shocks and biasing our bottom-up portfolio to businesses more focused on domestic demand.

Geographically, we de-risked some of our positioning within Latin America, where we saw notably high uncertainty about the changing dynamics for trade with the U.S., and we worried about broader economic ripple effects beyond exporters. Across the rest of the world, our exposure has skewed toward domestic consumption and investment rather than export-related businesses. This includes direct consumption stories in offline retail and e-commerce, consumption beneficiaries like tourism and toll roads and ports, and businesses that reflect the increasing household wealth and sophistication of EM consumers like high-speed fiber internet, insurance and wealth management, and hospital care.

While we remain constructive on the long-term structural drivers of AI, during the quarter's market rotations, we trimmed our positions in Taiwan Semiconductor and Korean leaders Samsung, and SK Hynix. The emergence of China's DeepSeek LLM altered expectations for future capital and energy intensity in AI buildout, prompting a recalibration in our exposure to the tech supply chain.

Recent tariff announcements have injected a level of uncertainty and equity price volatility like we have not seen since the early days of the pandemic. We were not making a bet on any single definitive policy endpoint. As proposed, the tariffs represent a 'worse-than-feared' scenario, posing clear risks for both global growth and equity valuations, and we have been actively incorporating their evolving impact into our company-specific forecasts.

That said, we believe the direct economic risk to many emerging markets remains manageable due the economies' increasing reliance on domestic consumption and increasing trade between emerging countries, rather than with the U.S. Our investment process focuses on notably strong businesses, whose defining characteristics are leadership in their value chain and best-in-class management teams (who can adapt to a changing environment). Combining these elements with our investments' healthy balance sheets and strong free cash flow should allow our holdings to survive and thrive in the current environment—even if equity markets remain volatile for longer than we would wish.

TEN LARGEST EQUITY HOLDINGS (%)

AS OF 28 FEBRUARY 2025	REP. ACCT.
Taiwan Semiconductor Manufacturing Co. Ltd.	11.8
Naspers Ltd.	6.2
Alibaba Group Holding Ltd.	3.5
SK Hynix, Inc.	3.4
China Construction Bank Corp.	3.3
Samsung Electronics Co. Ltd.	2.2
Tata Consultancy Services Ltd.	2.0
ICICI Bank Ltd.	2.0
Fubon Financial Holding Co. Ltd.	1.8
Converge Information and Communications Technology Solutions, Inc.	1.8

TOP 5 CONTRIBUTORS (%)

REP. ACCT. (GROSS) | 1Q25	AVERAGE WEIGHT	CONTRIB. TO RETURN
Alibaba Group Holding Ltd	2.96	1.15
Naspers Ltd	6.22	0.67
Itau Unibanco Holding SA	1.49	0.38
LIG Nex1 Co Ltd	1.27	0.35
Converge Information and Communications Technology Solutions Inc	1.88	0.35

BOTTOM 5 DETRACTORS (%)

REP. ACCT. (GROSS) | 1Q25	AVERAGE WEIGHT	CONTRIB. TO RETURN
Taiwan Semiconductor Manufacturing Co Ltd	12.03	-1.91
Kalyan Jewellers India Ltd	1.34	-0.68
Lotes Co Ltd	1.09	-0.38
China Resources Gas Group Ltd	1.18	-0.34
Zomato Ltd	1.00	-0.33

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.

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.

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 31 March 2025

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.

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.

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

The S&P 500 Index (S&P 500 TR) is an unmanaged broad measure of the U.S. stock market.

The MSCI Emerging Markets Index (MSCI Emerging Markets NTR) is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets.

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.

IMPORTANT INFORMATION: OUTSIDE THE U.S.

HONG KONG:

For Hong Kong: This material is issued by Thornburg Investment Management (Asia) Limited ("Company"), a wholly-owned subsidiary of Thornburg Investment Management, Inc. The Company is currently licensed with the Hong Kong SFC for Type 1 and Type 9 regulated activity, with the CE No.: BPQ208.

This material is directed at and intended for "Professional Investors" within the meaning of Part 1 of Schedule 1 to the Securities and Futures Ordinance and is issued for information purposes only. It is not to be construed as an offer or solicitation for the purchase or sale of any financial instruments. This material has not been reviewed nor endorsed by any regulatory authority in Hong Kong, including the Securities and Futures Commission, nor has a copy been registered with the Registrar of Companies in Hong Kong. Hong Kong residents are advised to exercise caution in relation to this information.

Any prices referred to herein are indicative only and dependent upon market conditions. Past performance is not indicative of future results. Unless otherwise specified, investments are not bank deposits or other obligations of a bank, and the repayment of principal is not insured or guaranteed. They are subject to investment risks, including the possibility that the value of any investment (and income derived thereof (if any) can increase, decrease or in some cases, be entirely lost and investors may not get back the amount originally invested. The contents of this presentation have not been reviewed by any regulatory authority in the countries in which it is distributed.

Thornburg Investment Management, Inc. accepts no liability whatsoever for any direct, indirect or consequential loss arising from or in connection with any use of, or reliance on, this presentation which does not have any regard to the particular needs of any person. Thornburg Investment Management, Inc. takes no responsibility whatsoever for any use, reliance or reference by persons other than the intended recipient of this presentation.

The opinions and views herein do not take into account your individual circumstances, objectives, or needs and are not intended to be recommendations of particular financial instruments or strategies to you. This presentation does not identify all the risks (direct or indirect) or other considerations which might be material to you when entering any financial transaction. You are advised to exercise caution in relation to any information in this document. If you are in doubt about any of the contents of this document, you should seek independent professional advice.

AUSTRALIA:

For Australia: This material has been prepared by Thornburg Investment Management, Inc. (Thornburg). Thornburg is regulated, as a registered investment adviser, by the Securities and Exchange Commission of the United States of America ("US") under U.S. laws which differ from Australian laws. Thornburg holds a foreign AFSL 526689.

This material contains general information only and is intended for viewing only by wholesale clients for the purposes of section 761G of the Corporations Act 2001 (Cth). It must not be distributed to retail clients in Australia (as that term is defined in the Corporations Act 2001 (Cth)) or to the general public. This document may not be reproduced in any form or distributed to any person without the prior written consent of Thornburg.

This material is not intended to provide you with financial product advice. It is for the use of researchers, licensed financial advisers and their authorised representatives. It does not take into account the objectives, financial situation or needs of any person. For this reason, you should, before acting on this material, obtain professional advice and consider whether this information is appropriate having regard to your investment needs, objectives, and financial situation.

Past performance is not an indication of future performance. Any economic or market forecasts are not guaranteed. Any references to particular securities or sectors are for illustrative purposes only. It is not a recommendation in relation to any named securities or sectors.

To the extent permitted by law, no liability is accepted by Thornburg, its officers or directors or any affiliates of Thornburg for any loss or damage as a result of any reliance on this information. While efforts have been made to ensure the information is correct, no warranty of accuracy or reliability is given, and no responsibility is accepted for errors or omissions. Any opinions expressed are those of Thornburg as of the date noted on the material and are subject to change without notice.

Thornburg