Thornburg International Growth Strategy

Portfolio Manager Commentary
30 June 2022

Thornburg

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 Manager

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Supported by the entire Thornburg investment team

Second-Quarter 2022 Performance Highlights

- The Thornburg International Growth Strategy returned negative 15.46% (net), outperforming its benchmark, the MSCI All Country World ex-US Growth Index (net, USD), which returned negative 15.71%.

Average Annual 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 Composite (Net)	-15.46	-27.91	-32.03	0.24	1.67	6.54
International Growth Composite (Gross)	-15.28	-27.60	-31.46	1.05	2.50	7.41
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 Composite (Net)	22.58	37.13	-12.04	7.02	-4.53	35.14	-16.59	26.53	34.55	-4.03
International Growth Composite (Gross)	23.65	38.26	-11.34	7.88	-3.75	36.23	-15.90	27.54	35.63	-3.25
MSCI ACWI ex US Growth NTR	16.67	15.49	-2.65	-1.25	0.13	32.01	-14.43	27.34	22.20	5.09

Periods less than one year are not annualized.

Performance data for the International Growth Strategy is from the International Growth Composite, inception date of 1 March 2007. The International Growth Composite includes non-wrap discretionary accounts invested in the International 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. 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%.

- 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 consumer discretionary, an overallocation to information technology and an underweight to utilities.
- 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 competitors stumble in this current environment.

Top Performers (2Q22)

Name	Contrib. (%)	Avg. Weight (%)
Jd-Sw	0.20	0.68
Ubisoft Entertain	0.14	0.69
Moutai	0.13	1.34
L'oreal	0.10	0.22
Aon Cl A	0.04	0.24

Top Detractors (2Q22)

Name	Contrib. (%)	Avg. Weight (%)
Twn Semicont Man	-1.78	7.15
Asml Holding	-1.24	3.92
Booking Holdings	-0.71	2.53
Lonza Group	-0.67	2.31
Mercadolibre	-0.66	1.13

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.

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 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.

Ten Largest Holdings

(as of 31 May 22)

Holding	Rep. Acct.
Taiwan Semiconductor Manufacturing Co. Ltd.	7.7%
Nestle S.A.	6.7%
AstraZeneca plc	5.2%
Tencent Holdings Ltd.	4.3%
ASML Holding N.V.	4.1%
LVMH Moet Hennessy Louis Vuitton SE	3.1%
Booking Holdings, Inc.	3.1%
Air Liquide S.A.	3.0%
Mastercard, Inc.	3.0%
Visa, Inc.	2.9%

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

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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.

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