

Thornburg International Growth Strategy

Portfolio Manager Commentary

31 March 2025



Market Review

With headlines dominated by inflation concerns, recession fears, and tariff tensions, it is no surprise investors are feeling uneasy. Uncertainty causes doubt. Yet, it is precisely in these moments of uncertainty that opportunities emerge, especially in international markets in 2025.

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 and ebbing growth, China faces deflation and plans massive stimulus, Japan moves beyond a decades-long deflationary environment, and Europe begins to assert greater economic independence, international markets offer a diverse set of investment conditions worth exploring.

While tariffs remain a topical issue for the U.S., some regions are more affected than others. It is important not to project the U.S. experience onto other economies—each operates under its own unique set of circumstances.

Market swings can be unsettling, but volatility is not inherently negative. For long-term investors, it can be a powerful ally. Volatility creates windows of opportunity—periods when patience, discipline, and a long-term mindset can pave the way for positive outcomes. During the recent bouts of market turbulence, we have been actively capitalizing on select opportunities.

Every economic cloud has a silver lining. Our team is here to help clients navigate through uncertain waters—by integrating conviction in multi-year growth themes with rigorous fundamental analysis and disciplined portfolio management.

We see compelling valuations and structural growth in select high-quality international stocks with clear competitive advantages.

Portfolio Managers

Sean Koung Sun, CFA

Portfolio Manager

Nicholas Anderson, CFA

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 MAR 07)
Composite (Gross)	-0.94	-0.94	-6.47	2.32	7.03	5.65	7.13
Composite (Net)	-1.15	-1.15	-7.26	1.46	6.15	4.79	6.08
MSCI ACWI ex-U.S. Growth Index	1.96	1.96	1.15	1.75	8.11	5.06	3.90

CALENDAR YEAR RETURNS (%)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Composite (Gross)	3.44	19.56	-25.29	-3.25	35.63	27.54	-15.90	36.23	-3.75	7.88
Composite (Net)	2.57	18.57	-25.91	-4.03	34.55	26.53	-16.59	35.14	-4.53	7.02
MSCI ACWI ex-U.S. Growth Index	5.07	14.03	-23.05	5.09	22.20	27.34	-14.43	32.01	0.13	-1.25

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 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%.

THORNBURG INTERNATIONAL GROWTH STRATEGY

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First Quarter 2025 Performance Highlights

- In 1Q25 the portfolio (net of fees) returned -1.15%, -311 basis points behind the MSCI ACWI ex-U.S. Growth Index. Year to date the portfolio (net of fees) returned -1.15%, -311 basis points behind the MSCI ACWI ex-U.S. Growth Index.
- The portfolio's leading contributors to first-quarter performance by sector were utilities, in which stock selection drove relative performance, as well as communication services and financials. Stock selection and overweight allocations to information technology and health care detracted from relative results.
- From a geographic perspective, stock picking and overweight allocations in Germany, Hong Kong and Singapore led contributions to relative returns. The largest detractor was an overweight allocation to the U.S., in which the benchmark has no exposure, along with selection and allocation effects in the Netherlands. Currency effects were also a net drag on relative performance.

Current Positioning and Outlook

U.S. tariff-induced market volatility reflected growing concerns about the impact on global economic growth, exacerbating recent doubts about the return on investment in the infrastructure buildout necessary for the widespread industry adoption of AI. Continued pressure on the shares of one of our top pharma holdings also undercut portfolio performance in the first quarter. We retain conviction in the long-term prospects of our holdings, which we consider well positioned to benefit from technological innovation and long-term demographic trends.

We have observed a disconnect between coincident indicators in recent corporate earnings and share price performance. March revenue at the world's top semiconductor manufacturer was up nearly 50% from March 2024 and rose just more than 40% from a year earlier in the first quarter of 2024. The world's largest hyperscalers have reaffirmed over the last three months their massive capex budgets for data center expansions. Yet this and other stocks that directly benefit from the AI buildout saw their share prices decline, as the market doubts the sustainability of growth.

Declining valuations in AI's enabling technologies, combined with robust fundamental demand as adoption expands across businesses and consumers, only reinforces our conviction in the transformative potential of this technology and the equity returns that should follow.

The other top portfolio position that weighed on performance last quarter is one of the world's premier manufacturers of GLP-1 receptor agonists, which were initially developed for type 2 diabetes. These transformative drugs exhibit durable growth potential thanks to their expanding applications and robust demand. Their proven efficacy in weight management, coupled with a growing body of evidence of benefits in cardiovascular health, heart failure, and kidney disease position them as a cornerstone therapy for tens of millions of people. Robust clinical data, label expansions and strategic investments in manufacturing should drive sustained revenue growth, outpacing short-term equity fluctuations.

We remain optimistic about the prospects for international growth stocks in 2025 across industries, well beyond those examined above. We reiterate our view that earnings growth ultimately matters more for equity performance over time than macro events and market sentiment.

TEN LARGEST EQUITY HOLDINGS (%)

AS OF 28 FEBRUARY 2025	REP. ACCT.
Taiwan Semiconductor Manufacturing Co. Ltd.	7.1
Tencent Holdings Ltd.	5.8
Novo Nordisk A/S	5.0
Mastercard, Inc.	4.8
AstraZeneca plc	4.5
Hong Kong Exchanges & Clearing Ltd.	4.1
ASML Holding N.V.	3.4
MercadoLibre, Inc.	3.4
Air Liquide S.A.	3.2
Beiersdorf AG	3.1

BASKET ALLOCATION (%)

	REP. ACCT.
Consistent Grower	40.7
Growth Industry Leaders	36.0
Emerging Growth	21.8
Cash	1.5

TOP 5 CONTRIBUTORS (%)

REP. ACCT. (GROSS) 1Q25	AVERAGE WEIGHT	CONTRIB. TO RETURN
Tencent Holdings Ltd	5.41	0.82
E.ON SE	2.57	0.67
Deutsche Boerse AG	2.68	0.65
Sea Ltd	3.12	0.61
Hong Kong Exchanges & Clearing Ltd	3.79	0.57

BOTTOM 5 DETRACTORS (%)

REP. ACCT. (GROSS) 1Q25	AVERAGE WEIGHT	CONTRIB. TO RETURN
Taiwan Semiconductor Manufacturing Co Ltd	7.38	-1.22
Novo Nordisk A/S	4.53	-0.89
Globant SA	1.45	-0.73
Arista Networks Inc	0.80	-0.49
BE Semiconductor Industries NV	1.60	-0.41

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.

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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.

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Growth Industry Leaders: often have leadership positions in growing markets. These firms tend to be larger, more established, and have dominant market share.

Consistent Growers: generally exhibit steady earnings and revenue growth, often with subscription or other recurring revenue profiles. These firms tend to buoy the portfolio in weak markets.

Emerging Growth Companies: are often addressing a new market or carving out a niche in an existing market. Companies in this basket tend to be smaller, earlier-stage companies. Successful emerging growth companies are often reclassified as their businesses mature.

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

The MSCI ACWI ex-U.S. Growth Index (MSCI ACWI ex US Growth NTR) 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. 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.

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**Includes assets under management (\$45.5B) and assets under advisement (\$1.2B).

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