Thornburg Emerging Markets ADR Select Strategy

Portfolio Manager Commentary
31 March 2025

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

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Supported by the entire Thornburg investment team

Note: Effective 1 April 2025, Thornburg Emerging Markets ADR Strategy - Wrap name has been changed to Thornburg Emerging Markets ADR Select Strategy.

ANNUALIZED RETURNS (%) AS OF 31 MARCH 2025	**QTR**	**YTD**	**1-YR**	**3-YR**	**5-YR**	**ITD (1 NOV 18)**
Composite (Net)	0.10	0.10	0.40	-1.69	4.50	2.46
Composite ("Pure" Gross)	0.85	0.85	3.41	1.26	7.63	5.53
MSCI Emerging Markets Index	2.93	2.93	8.09	1.44	7.94	4.72

CALENDAR YEAR RETURNS (%)	**2024**	**2023**	**2022**	**2021**	**2020**	**2019**
Composite (Net)	5.61	4.17	-20.34	-9.21	14.51	27.42
Composite ("Pure" Gross)	8.77	7.29	-17.89	-6.46	17.91	31.16
MSCI Emerging Markets Index	7.50	9.83	-20.09	-2.54	18.31	18.42

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 ADR Select Strategy is from the Emerging Markets ADR Select Wrap Composite, inception date of November 1, 2018. The Emerging Markets ADR Select Wrap Composite includes broker-sponsored discretionary accounts invested in the Emerging Markets ADR Select Strategy. The composite includes broker-sponsored accounts including those that may pay transactions costs that are not included in a bundled fee. Returns are calculated using a time-weighted and asset-weighted calculation including reinvestment of dividends and income. Returns are annualized for periods greater than one year. 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. 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. 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.

First Quarter 2025 Performance Highlights

- In 1Q25 the portfolio (net of fees) returned 0.1%, -283 basis points behind the MSCI Emerging Markets Index. Year to date the portfolio (net of fees) returned 0.1%, -283 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.	11.0
ICICI Bank Ltd.	8.3
Naspers Ltd.	6.2
Micron Technology, Inc.	5.5
HDFC Bank Ltd.	4.6
China Construction Bank Corp.	3.2
Alibaba Group Holding Ltd.	3.2
Hong Kong Exchanges & Clearing Ltd.	3.0
KB Financial Group, Inc.	2.9
Infosys Ltd.	2.2

TOP 5 CONTRIBUTORS (%)
REP. ACCT. (GROSS) | 1Q25

	AVERAGE WEIGHT	CONTRIB. TO RETURN
Alibaba Group Holding Ltd	2.72	1.12
Naspers Ltd	5.91	0.75
Hong Kong Exchanges & Clearing Ltd	2.75	0.50
ICICI Bank Ltd	8.47	0.48
Itau Unibanco Holding SA	1.55	0.38

BOTTOM 5 DETRACTORS (%)
REP. ACCT. (GROSS) | 1Q25

	AVERAGE WEIGHT	CONTRIB. TO RETURN
Taiwan Semiconductor Manufacturing Co Ltd	11.70	-1.81
Globant SA	1.09	-0.55
Infosys Ltd	2.25	-0.40
Broadcom Inc	1.28	-0.37
Dr Reddy's Laboratories Ltd	1.94	-0.37

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.

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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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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.

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