

Thornburg Emerging Markets ADR Strategy — Wrap



Portfolio Manager Commentary
30 June 2022

Market Review

Rising rates from central banks across the globe broadly pushed stocks lower as markets moved to price in tighter credit conditions and the possibility of slowing global growth. While equities recorded one of their worst quarters since the 2008 financial crisis, emerging markets proved defensive, outperforming their developed market counterparts by more than 500 basis points.

China, where regulatory uncertainty and strict lockdowns to contain COVID has weighed on performance over recent quarters, was the only global equity market in positive territory during the period. With COVID measures beginning to ease, investor sentiment improved on hopes that the world's second largest economy can help boost global growth during the second half of the year. Latin America, which was broadly buoyed by surging commodities prices during the first three months of the year, were among the weakest markets during the second quarter. Fears of a global recession, coupled with a strengthening dollar, contributed to declines.

In our opinion, emerging markets' relative durability through the variety of year-to-date shocks serves as a reminder that global uncertainty shouldn't always mean "risk-off" Emerging Markets.

Second-Quarter 2022 Performance Highlights

- The Thornburg Emerging Markets ADR Strategy declined 13.2% (net of fees), underperforming its benchmark, the MSCI EM Index, which was down 11.5%.
- Consumer discretionary, information technology and materials detracted from the strategy's relative performance. In each sector, stock selection was the primary driver of underperformance. An underweight allocation to materials and stock selection within financials contributed positively to the strategy's relative performance.

Portfolio Managers

Ben Kirby, CFA
Co-Head of Investments

Charles Wilson, PhD
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Portfolio Manager

Supported by the entire Thornburg investment team

Annualized Returns (% , as of 30 Jun 2022)

	QTR	YTD	1-YR	ITD
Emerging Markets ADR Wrap Composite (Net)	-13.17	-19.81	-28.87	1.81
Emerging Markets ADR Wrap Composite (Gross)	-12.49	-18.57	-26.67	4.86
MSCI Emerging Markets NTR	-11.45	-17.63	-25.29	3.64

ITD = Inception to Date

Periods less than one year are not annualized.

Performance data for the Emerging Markets ADR Strategy Wrap is from the Emerging Markets ADR Wrap Composite, inception date of November 1, 2018. The Emerging Markets ADR Wrap Composite includes broker-sponsored discretionary accounts invested in the Emerging Markets ADR 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.

THORNBURG EMERGING MARKETS ADR STRATEGY – WRAP

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- On a geographic basis, an overweight allocation to North America was detractive to relative performance. Stock selection within Indonesia, Korea, and Taiwan also negatively contributed to performance. The strategy's underweight allocation to Emerging EMEA contributed positively to relative results.

Current Positioning and Outlook

Given the overhang of Russia/Ukraine, zero-COVID lockdowns, rising rates and inflation, there has certainly been a lot of fear and a lack of clarity in markets during the first half of 2022. In our opinion, emerging markets' relative durability through the variety of year-to-date shocks serves as a reminder that global uncertainty shouldn't always mean "risk-off" to EM. Whether during wars of the early 1990s, 9/11 and the tech bubble of early 2000s, or the Global Financial Crisis, emerging economies have often managed periods of volatility better than many expected. Emerging market equities have also provided diversification benefits when paired with developed market exposure and often help smooth 'the ride' through market cycles.

As we enter the back half of 2022, global inflation continues to dominate the headlines, but we are optimistic that many of the catalysts driving rising prices may soon begin rolling over. Supply chain disruptions should decline as China comes back online, commodity prices appear to be easing, and COVID-related stimulus measures have broadly ended. While many believe global economic growth will be the victim of central bank efforts to slow prices and normalize supply and demand dynamics, emerging markets again seem relatively well positioned vs many developed economies. EM central banks largely began raising rates before DM central banks and are not behind the inflation curve to the same degree as the U.S. and Europe. Additionally, while many EM economies are still accelerating out of COVID (e.g. China), reopening tailwinds have broadly faded across developed markets.

While we are sanguine on the opportunity in emerging markets over the back half of the year, we remain cognizant of the broader macro risks, and are anchoring to bottom-up fundamentals and targeting durable businesses we believe can perform across a variety of macro scenarios.

Top Performers (2Q22)

(Representative Account)

Name	Contrib. (%)	Avg. Weight (%)
Yum China Holdings, Inc.	0.67	3.82
Li Auto, Inc.	0.66	1.34
Meituan	0.38	1.62
H World Group Ltd.	0.36	1.95
Notre Dame Inter-medica Participacoes SA	0.33	0.22

Top Detractors (2Q22)

(Representative Account)

Name	Contrib. (%)	Avg. Weight (%)
Taiwan Semiconductor Manufacturing Co., Ltd.	-2.21	9.74
First Quantum Minerals Ltd.	-2.10	3.77
Micron Technology, Inc.	-1.47	4.74
MercadoLibre, Inc.	-1.35	2.22
XP Inc.	-0.98	1.97

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.

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 30 Jun 2022.

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.

The MSCI Emerging Markets Net Total Return USD Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. The MSCI Emerging Markets Index consists of the following 24 emerging market country indexes: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Pakistan, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey and United Arab Emirates.

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.

Ten Largest Holdings (as of 31 May 2022)

 Holding 	 Rep. Account
Taiwan Semiconductor Manufacturing Co. Ltd.	9.7%
Petroleo Brasileiro S.A.	5.7%
Tencent Holdings Ltd.	5.4%
Micron Technology, Inc.	5.0%
HDFC Bank Ltd.	5.0%
AIA Group Ltd.	4.1%
Yum China Holdings, Inc.	3.9%
First Quantum Minerals Ltd.	3.8%
China Longyuan Power Group Corp. Ltd.	2.9%
Grupo Aeroportuario del Pacifico S.A.B. de C.V.	2.8%