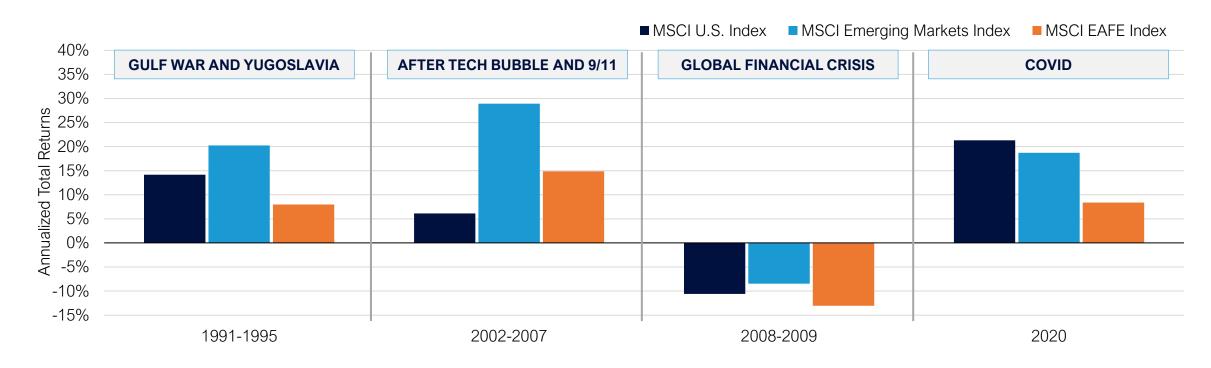








## **Emerging Markets in Times of Global Uncertainty**



Past performance does not guarantee future results.

Source: Bloomberg

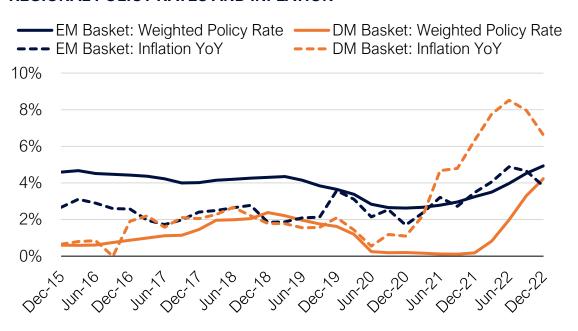
In US\$ terms. Returns for less than one year are not annualized.

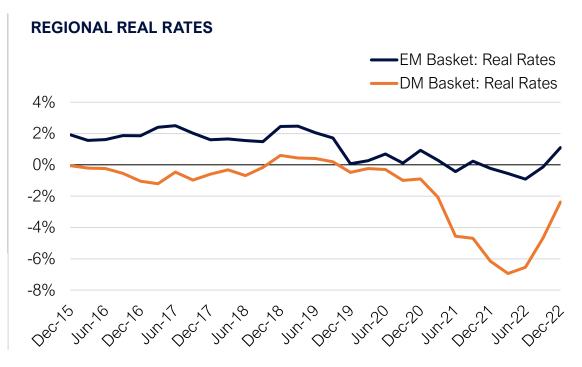
The potential long-term impacts of the pandemic remain uncertain and difficult to assess, and there is no assurance that a particular business strategy or product will limit potential investment losses.



## Emerging Markets Central Banks Are Not behind the Curve on Inflation

#### REGIONAL POLICY RATES AND INFLATION

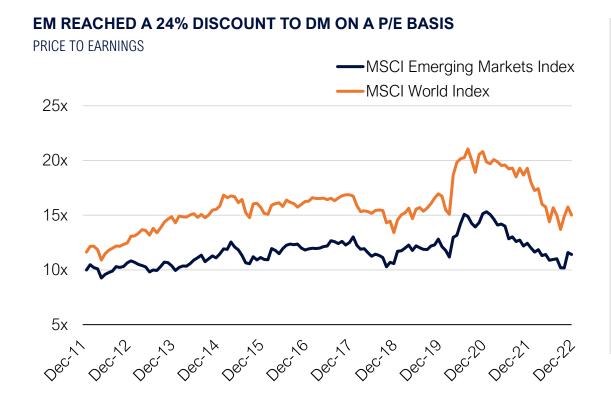


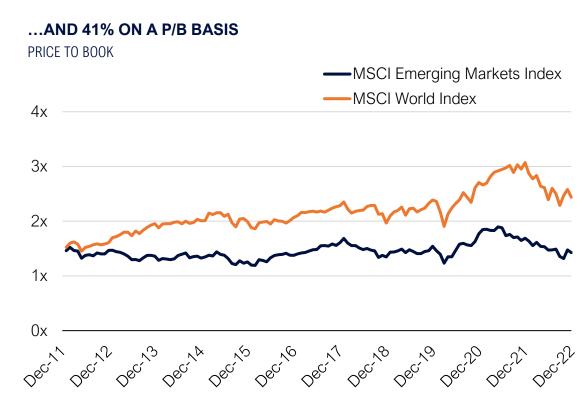


Source: Bloomberg, FactSet, and Thornburg (as of 31 December 2022)
"Developed Market (DM) Basket" includes: U.S., Germany, UK, Japan and Australia (~83% total index)
"Emerging Market (EM) Basket" includes:10 largest country weights in MSCI EM Index (~93% of total index)



## Emerging Markets Valuations Are Attractive Relative to Developed Markets



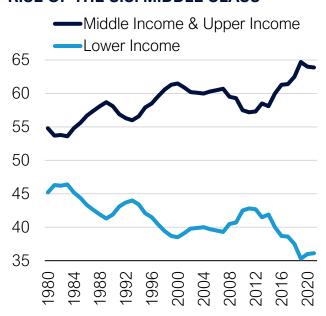


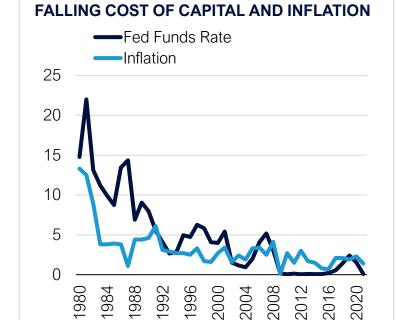
Source: Bloomberg (as of 31 December 2022)



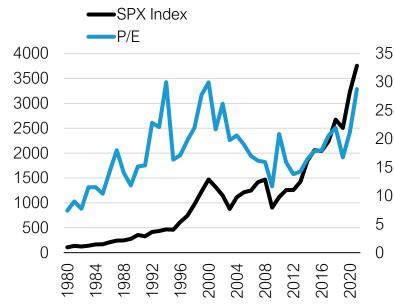
### Power of the Middle Class

#### **RISE OF THE U.S. MIDDLE CLASS**





#### **US EQUITY PERFORMANCE**



Source: Pew Research Center and Bloomberg





# Smartphone Adoption Has Reduced Economic Friction and Enabled New Business Models





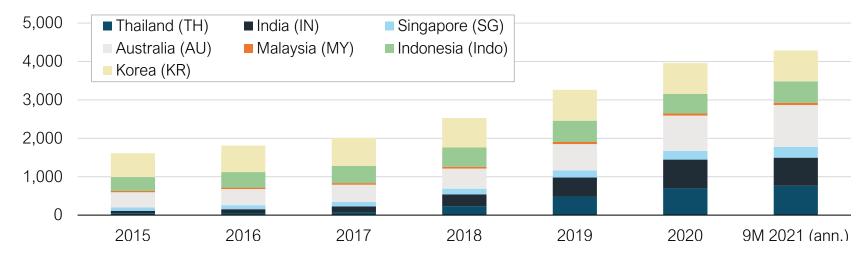






- Provided banking services to the underbanked
- Created new types of jobs (ridesharing, food delivery, SME growth)
- Driven eCommerce/ digital consumption

#### **DIGITAL PAYMENTS ARE PROLIFERATING ACROSS ASIA**



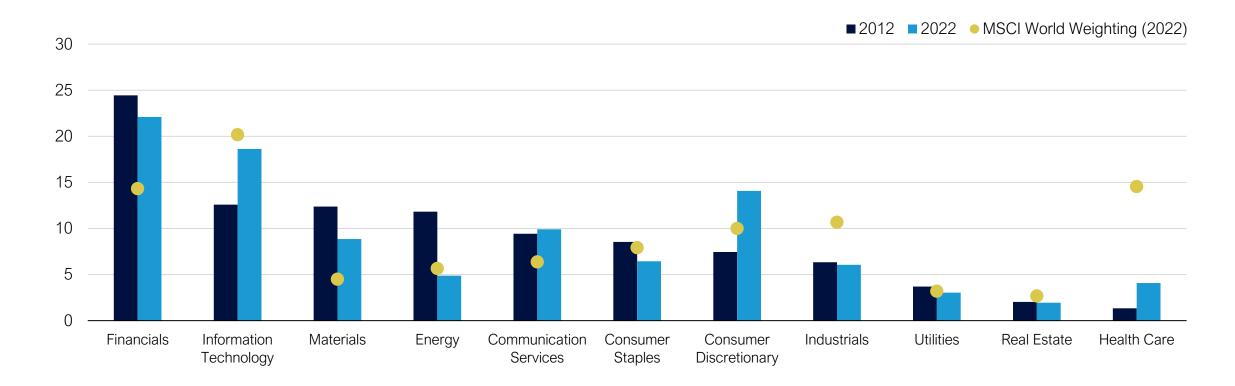
Source: Company data, Credit Suisse estimates

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## EM Indices Have Started to Reflect These Shifts

MSCI EM Index: Historical Sector Weights

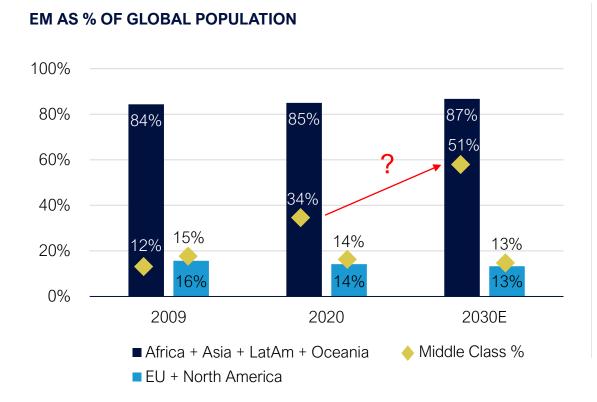


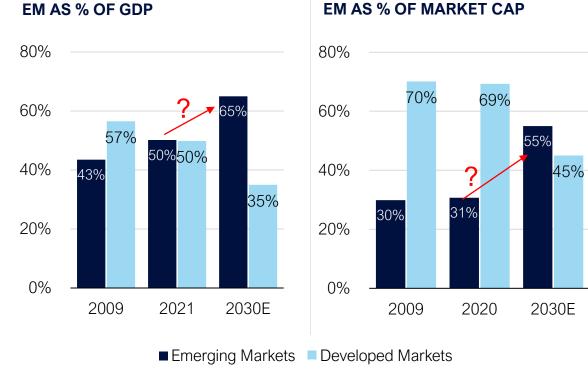
Source: Bloomberg



# In Seven Years, 50% Of the Global Middle Class Will Reside in Emerging Markets

...which results in significant implications to future GDP and market capitalization contribution





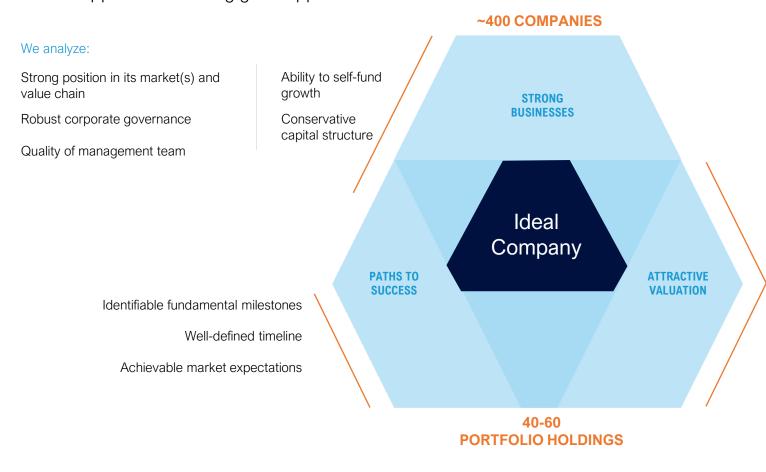
Source: World Bank and Wolfensohn Center for Development at Brookings Institute, as of 31 Dec 2020





## Focus on Strong Business

An active approach to finding great opportunities



#### We analyze:

Earnings power under a variety of positive and negative medium-term scenarios

External factors which may impact our forecasts and valuation multiples

Current valuation compared to own history and peers

Valuation metrics:

P/E, P/B, EV/EBITDA, free cash flow yield



## **Emerging Markets Core Portfolio**

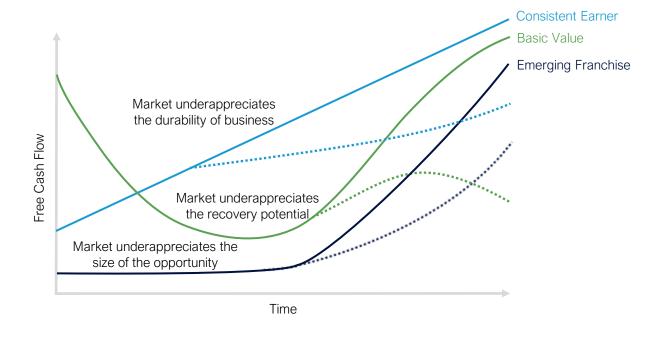
Strong businesses complement each other through the market cycle



EARNINGS RECOVERY
Strategy Expectations
Market Expectations

#### HIGH POTENTIAL

Strategy Expectations — Market Expectations —



- Focus on style diversification helps us to remain balanced
- No need to "time" the market cycle
- Forced to maintain awareness of relative value across market





## Identifying Opportunities in Dynamic Markets Requires a Flexible Perspective

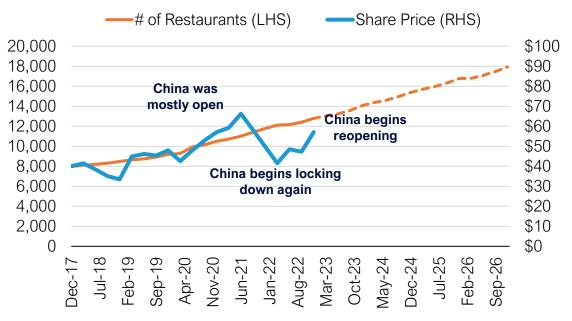
|  | tsnc                      | <b>Æ</b>              | Yum! china                   |                                 |
|--|---------------------------|-----------------------|------------------------------|---------------------------------|
|  | SEMICONDUCTOR<br>FOUNDRY  | CHAILEASE  SME LENDER | QUICK SERVICE<br>RESTAURANTS | LONGYUAN POWER RENEWABLE ENERGY |
| GICS Sector                                      | Information<br>Technology | Financials            | Consumer<br>Discretionary    | Utilities                       |
| Strong Position in Market/Value Chain?           | <b>✓</b>                  | <b>~</b>              | <b>~</b>                     | <b>✓</b>                        |
| Attractive Price- to-Value?                      | <b>✓</b>                  | <b>✓</b>              | <b>~</b>                     | <b>~</b>                        |
| Strong Brand Equity?                             | <b>✓</b>                  | <b>✓</b>              | <b>~</b>                     | <b>✓</b>                        |
| Clear and Consistent Operational Execution?      | <b>✓</b>                  | $\checkmark$          | <b>~</b>                     | <b>✓</b>                        |
| Industry Innovator?                              | <b>✓</b>                  | <b>✓</b>              | <b>~</b>                     | <b>✓</b>                        |
| Conservative Capital Structure?                  | <b>✓</b>                  | <b>✓</b>              | <b>~</b>                     | <b>✓</b>                        |
| Structural Tailwinds that Support Future Growth? | <b>✓</b>                  | <b>✓</b>              | <b>V</b>                     | <b>~</b>                        |



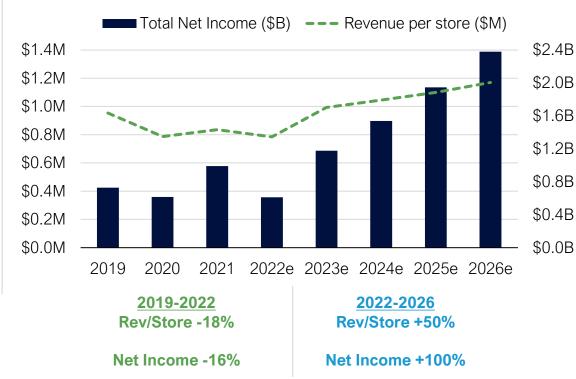
## Yum China: A Coiled Spring, Early in its Rebound

Restaurants' revenue & profitability have been depressed by lockdowns, but share price will eventually reflect the underlying earnings power

#### **RESTAURANTS VS. SHARE PRICE**



#### **EARNINGS POWER TO RECOVER W/ RE-OPENING**



Past performance does not guarantee future results.

Source: Bloomberg and company reports

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## Identifying Opportunities in Dynamic Markets Requires a Flexible Perspective

|  | mercado<br>libre          | MAX<br>Healthcare     | Grupo<br>Aeroportuario<br>del Pacífico | dino                  |
|--|---------------------------|-----------------------|--|-----------------------|
|  | <b>ECOMMERCE</b>          | <b>HOSPITAL CHAIN</b> | AIRPORT                                | <b>GROCERY RETAIL</b> |
| GICS Sector                                      | Consumer<br>Discretionary | Healthcare Providers  | Industrials                            | Consumer<br>Staples   |
| Strong Position in Market/Value Chain?           | <b>~</b>                  | <b>~</b>              | <b>~</b>                               | <b>~</b>              |
| Attractive Price- to-Value?                      | <b>~</b>                  | <b>✓</b>              | <b>~</b>                               | <b>~</b>              |
| Strong Brand Equity?                             | <b>~</b>                  | <b>✓</b>              | <b>~</b>                               | <b>~</b>              |
| Clear and Consistent Operational Execution?      | <b>~</b>                  | <b>✓</b>              | <b>~</b>                               | <b>~</b>              |
| Industry Innovator?                              | <b>~</b>                  | <b>✓</b>              | <b>~</b>                               | <b>✓</b>              |
| Conservative Capital Structure?                  | <b>~</b>                  | <b>✓</b>              | <b>~</b>                               | <b>✓</b>              |
| Structural Tailwinds that Support Future Growth? | <b>~</b>                  | <b>~</b>              | <b>~</b>                               | <b>~</b>              |



### Max Healthcare

A global generalist mindset requires comparing business strengths countries and industries

**Brazil** 

India

China

**Taiwan** 

Saudi Arabia



**Hospitals** 

**Pharmacy** 

**Grocery** 

**Beauty** 

**Fintech** 

**Data Center Chips** 

**Luxury Auto** 

# Thornburg

### Max Healthcare

Healthcare in India is a big problem to solve

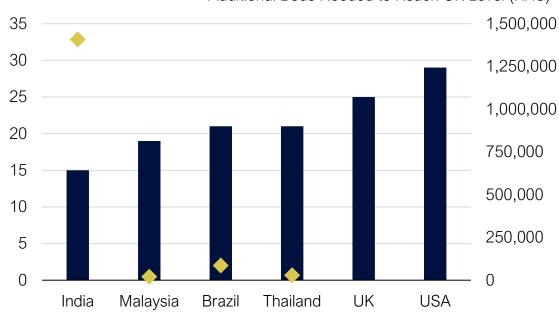




#### INDIAN HEALTHCARE INFRASTRUCTURE







Source: CIA World Factbook

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Opportunities in Emerging Markets

## Max Healthcare



**Hospital Directory** 





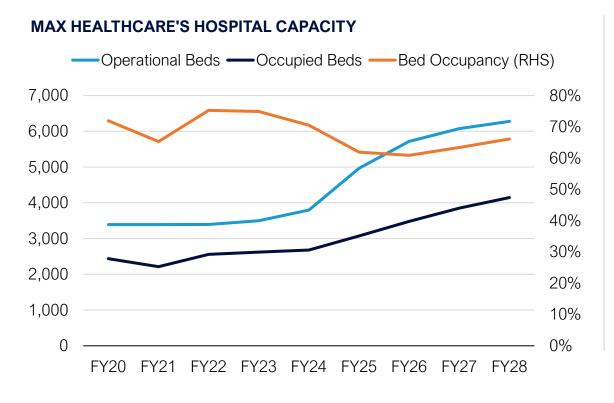


| Basement                                | First Floor                         | Pre & Post Opera                         |
|---|-------------------------------------|--|
| Radiation Oncology                      | International Patient Lounge        | Neuro Surgical IC                        |
| Physiotherapy                           | Laboratory Services                 | Kidney Transplant                        |
| Medical Records Department              | Dental Sciences                     | Organ Transplant                         |
| In-Patient Billing                      | OPD-3:                              | -  |
| Ground Floor                            | Cardiology- Adult & Paediatric      | Intensive Cardiac                        |
| Emergency & Acute Care Medicine         |                                     |  |
| Arthroscopy & Sports Medicine           | Cardiac Surgery- Adult & Paediatric | Third Floor                              |
| Pre Anesthesia Checkup (PAC) Clinic     | Vascular Surgery                    | Inpatient Rooms                          |
| Transfusion Medicine                    | Non Invasive Cardiology             | Surgical Onco HDU                        |
|   | Nephrology & Kidney Transplant      | Neuro HDU                                |
| Interventional Radiology                | Urology & Kidney Transplant         | Bronchoscopy                             |
| • OPD-1:                                | Endocrinology, Diabetes & Thyroid   | © External Counter P                     |
| ENT & Cochlear Implant                  | Respiratory Medicine                | Sleep Lab                                |
| Internal Medicine                       | Executive Health Checkup            | Dialysis Unit-2                          |
| Paediatrics & Paediatric Surgery        | Ophthalmology                       | Fourth Floor                             |
| General & Minimal Access Surgery        | Ayurvedic Medicine                  | Inpatient Rooms / M                      |
| Orthopaedics                            | OPD-5:                              | Birthing Suites                          |
| Rheumatology                            | Gastroenterology & Hepatology       | Labour Room, Labou                       |
| Podiatry (Foot Clinic)                  | G.I. Surgery & Bariatric Surgery    | Paediatric ICU                           |
| Psychiatry & Psychology                 | HPB Surgery & Liver Transplant      | Neonatal ICU & HDU                       |
| Dermatology                             | OPD-6:                              | Fifth Floor                              |
| OPD-2:                                  | Dialysis                            | Inpatient Rooms                          |
| Obstetrics & Gynaecology                | • OPD-7:                            | Chemotherapy & Day                       |
| Diagnostics :                           | Medical & Surgical Oncology         | Sixth Floor                              |
| Radiology                               | BMT & Haemato Oncology              | Inpatient Rooms                          |
| Mammography                             | Radiation Oncology                  | Gastro & Liver ICU & I                   |
| Nuclear Medicine (PET Scan)             | OPD-8:                              | Bone Marrow Transpl                      |
| Sample Collection                       | Neurology & Neurosurgery            | Seventh Floor                            |
| Other Services :  Admission & Discharge | Neuro Electro Physiology            | Inpatient Rooms                          |
| Financial Counselling                   | Second Floor Operation Theatres     | Operation Theatres Plastic & Cosmetic Su |
| OPD Pharmacy                            | Cath Labs                           | Bone Marrow Transpla                     |
| Cafeteria & Restaurants                 | Medical ICU                         | Administration Area                      |
| 6                                       | Surgical ICUs 6                     | 0  |
| Use stairs in case of fire              |                                     | <b>₿</b> B <sub>Supe</sub>               |

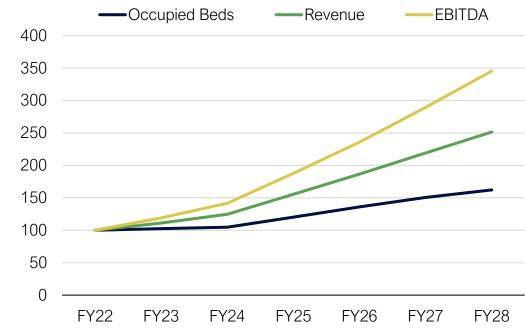


### Max Healthcare

#### Crux of the Case







Past performance does not guarantee future results.



## Emerging Markets Core Portfolio – Stock Examples

Strong businesses complement each other through the market cycle

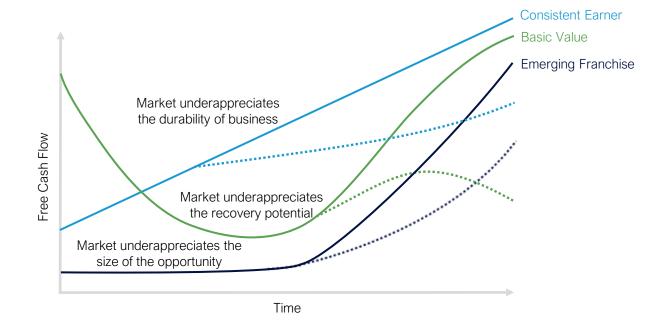
#### STRONGER FOR LONGER

Strategy Expectations — Market Expectations —

EARNINGS RECOVERY
Strategy Expectations
Market Expectations

#### HIGH POTENTIAL

Strategy Expectations — Market Expectations — ……



#### **CONSISTENT EARNER**







• Force awareness of relative value

#### EMER®ING FRANCHISE





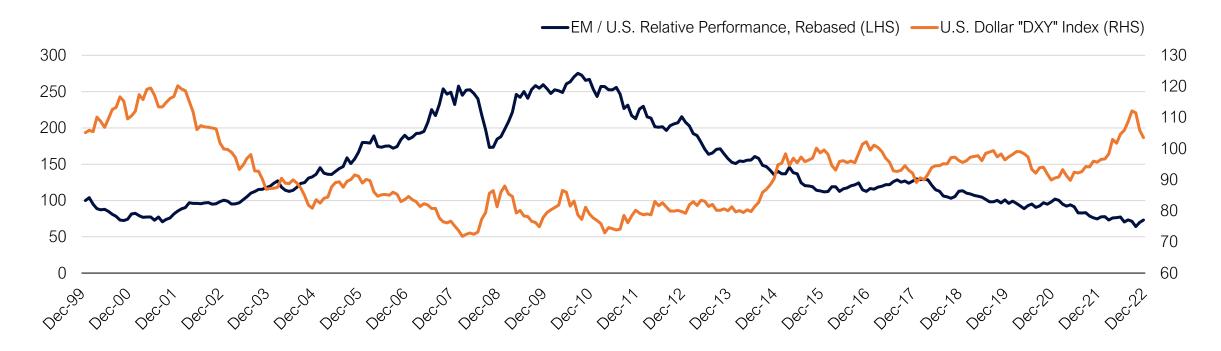






## Stable, or Weakening, USD Is Supportive of EM Equity Performance

MSCI Emerging Markets Index performance relative to MSCI U.S. Index, and U.S. Dollar strength relative to global currencies



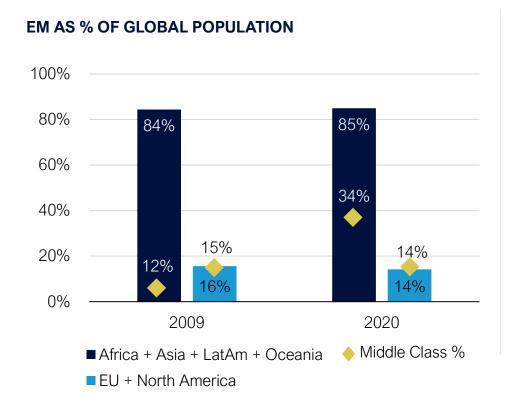
Past performance does not guarantee future results.

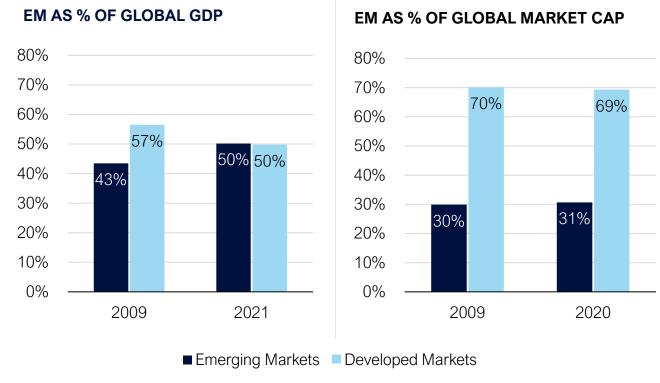
Source: Bloomberg (as of 24 January 2023)



## Emerging Markets Is Powered by Attractive Demographics

....that have not been reflected yet in GDP and market capitalization numbers



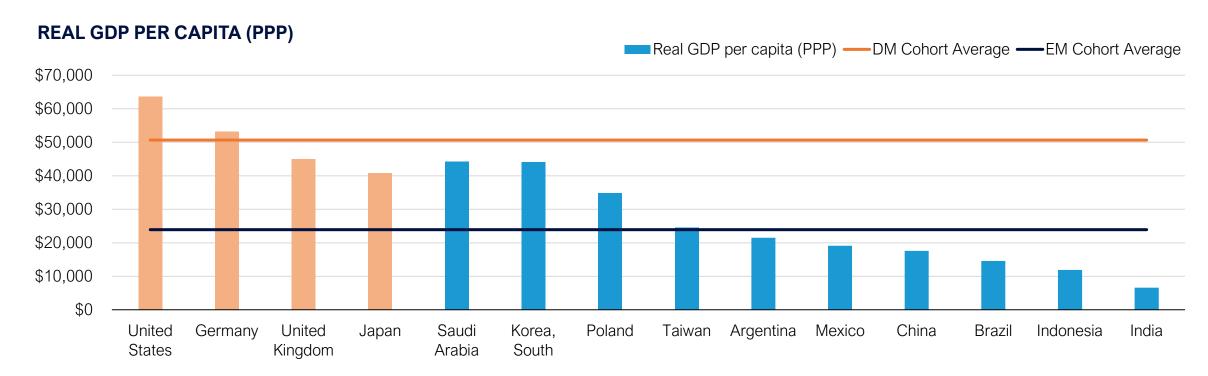


Source: World Bank and Wolfensohn Center for Development at Brookings Institute, as of 31 Dec 2020



## Real GDP per Capita Does NOT Tell the Full Story

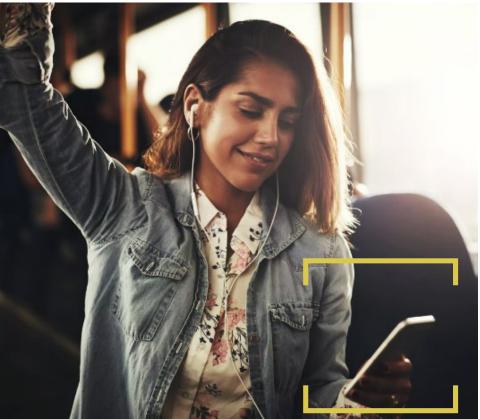
The gap in real GDP per Capita is both misleading and represents the opportunity for Emerging Markets



Source: CIA World Factbook

Opportunities in Emerging Markets

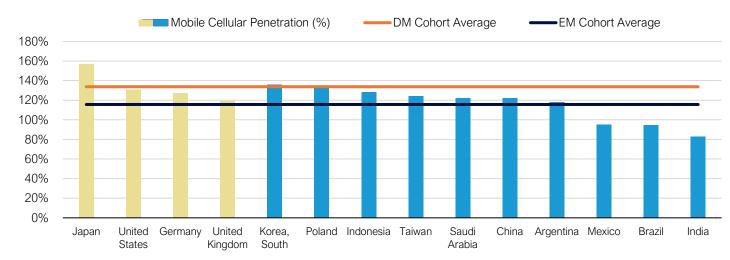
# Forget Using PCs, EM Leapt Straight to Smartphones







#### MOBILE CELLULAR PENETRATION (% OF POPULATION)



Source: CIA World Factbook

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## Investment Philosophy

## Attractive Opportunity

Developing countries should benefit from:

- Increased economic formalization
- Broader and deeper capital markets
- Sustainably higher economic growth than developed countries

## Inefficient Markets

The immaturity and cyclicality of EM capital markets creates more frequent and more pronounced disconnects between earnings potential and equity prices.

## Focus on Strong Companies

Even the best companies can be mispriced because of market volatility or a misunderstanding of the opportunity. Due to higher risks in EM, we avoid lower quality names and build a focused portfolio of strong businesses.

#### Balance is Critical

A balanced three-basket approach to style diversification can minimize the impact of country and sector allocation differences and allows high conviction stock selection to drive performance.

#### Robust Risk Management

Focusing on strong businesses, balanced portfolio construction, and currency awareness provides access to the attractive opportunity while mitigating throughcycle volatility.

We seek to build a diversified yet focused portfolio of strong businesses with well identified paths to success that will compound assets across market environments.



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