UCITS

Thornburg International Equity Fund

Portfolio Manager Commentary

31 March 2022

Thornburg

Market Review

The first quarter was a losing one for international markets, with the MSCI ACWI ex USA Index down 5.44% and the MSCI EAFE Index down 5.91%. Emerging Markets lost 6.97% led by China, which was down 14.19% (MSCI Emerging Markets and MSCI China Indices).

It was a quarter with a lot of macro crosswinds that impacted market performance and caused large dispersions in country and sector performance. The biggest macro drivers in the quarter were the war in Ukraine, the beginning of Fed tightening, and the continued rise in U.S. interest rates, with the 10-year Treasury yield rising 83 basis points and the 2-year yield rising 160 basis points – both ended the quarter at 2.34%. The yield curve is now flat from 2s to 10s, with an inverted yield curve traditionally seen as an indicator of a slowing economy.

Given the impact of the war and the rise in interest rates Energy, Materials, and Financials outperformed in the 1st quarter while MSCI ACWI ex-USA Value outperformed Growth by 11.0%. Among major markets the Eurozone and China underperformed while the UK, Canada, Brazil, Australia and most oil producers (excluding Russia) outperformed. The U.S. (S&P 500) lost 4.6% and Russia was removed from MSCI Indices during the quarter.

Global macro crosswinds led to a difficult first quarter, but will ultimately create interesting valuation opportunities, particularly in international markets.

Portfolio Managers

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Supported by the entire Thornburg investment team

Average Annual Returns (%, as of 31 Mar 2022)

(In US$ terms. Returns may increase or decrease as a result of currency fluctuations. Not annualized for periods less than one year.)

	QTR	YTD	1-YR	3-YR	5-YR	10-YR	ITD
Net of Fees							
Class A ACC Shares (Incep: 30 Mar 2012)	-10.19	-10.19	-5.77	11.43	7.46	6.07	5.12
Class I ACC Shares (Incep: 30 Mar 2012)	-9.99	-9.99	-4.96	12.43	8.44	5.12	6.06
MSCI EAFE NTR	-5.91	-5.91	1.16	7.78	6.72	6.27	6.27
MSCI ACWI ex US NTR	-5.44	-5.44	-1.48	7.51	6.76	5.55	5.55

ITD = Inception to Date

Source: Confluence

Share classes are accumulating and denominated in USD. See prospectus for additional share class listings.

Average Annual Returns (%, as of 31 Mar 2022)

	2013	2014	2015	2016	2017	2018	2019	2020	2021
Class A ACC Shares	12.44	-6.48	3.60	-4.01	23.51	-22.27	28.46	27.13	8.77
Class I ACC Shares	13.42	-5.70	4.51	-3.11	24.69	-21.59	29.63	28.27	9.76
MSCI EAFE NTR	22.78	-4.90	-0.81	1.00	25.03	-13.79	22.01	7.82	11.26
MSCI ACWI ex US NTR	15.29	-3.87	-5.66	4.50	27.19	-14.20	21.51	10.65	7.82

Performance data shown represents past performance and is no guarantee of future results. Investment return and principal value will fluctuate so shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than quoted. For performance current to the most recent month end, visit http://www.thornburg-global.com.

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First-Quarter 2022 Performance Highlights

The 1st quarter was not a good one for fund performance with the fund (I accumulating) losing 9.99%, 455 basis points behind the ACWI ex USA Index and 408 basis points behind the EAFE.

As noted above macro factors drove a wide dispersion in performance between countries and sectors in the 1st quarter, not unlike the pandemic in the 1st quarter of 2020, and in many cases that dispersion negatively impacted the fund's relative performance. For the fund the two biggest drivers of underperformance were country allocation and bottom-up stock selection.

The fund was underweight the UK and Canada and zero weight Brazil, Australia, and Saudi Arabia/UAE/Qatar/Kuwait, all of which outperformed, and overweight the Eurozone and China, both of which underperformed. A zero weight in Russia was a big positive.

On a sector basis the fund was underweight Energy and Financials, which outperformed, and overweight Information Technology and Industrials, which underperformed. An average 9% in Cash was a positive.

Most of the fund's underperformance in stock selection occurred in the fund's Basic Value basket, to which we had an average 51% allocation during the quarter. Many of our Basic Value stocks are higher quality (more consistent earnings or profitability, lower leverage, usually higher valuations) and they underperformed during a quarter where Value outperformed by 11%. We were underweight Emerging Franchise (about 9%) in a quarter where Growth underperformed, but many of those stocks also performed poorly. Our Consistent Earners (31%) did relatively well and a 9% allocation to Cash also helped.

Current Positioning and Outlook

During the quarter we trimmed Basic Value and Emerging Franchise exposure, adding to Consistent Earner and Cash. Basic Value ended the quarter at 48%, Consistent Earner 34%, Emerging Franchise 7% and Cash 11%. While we view China as relatively cheap after a 39% decline since its peak in February of last year, we are cautious there for the moment given the potential economic and political impacts of an ongoing COVID outbreak, the conflict in Ukraine, and an ongoing dispute with the US over the listing of Chinese companies there and have cut our exposure by about 3% to just above index weight.

As we said last quarter, we continue to favor slightly more "boring" companies with pricing power, more consistent earnings and profitability, or discounted stocks with attractive valuations and rerating potential. A number of those names were good relative performers for the fund in the 1st quarter. While we thought international equities began the year cheap to the U.S. given nearly 15 years of U.S. outperformance, relative valuations only got cheaper in the 1st quarter given the conflict in

Top Performers (1Q22)

Name	Contrib. (%)	Avg. Weight (%)
Canadian Pacific Railway	0.43	2.82
Mitsubishi	0.35	2.93
Astrazeneca	0.25	1.56
Nintendo	0.12	1.65
Assicurazioni Generali	0.12	1.69

Top Detractors (1Q22)

Name	Contrib. (%)	Avg. Weight (%)
Infineon Technologies	-0.73	2.70
Recruit Holdings	-0.61	2.03
Shopify	-0.60	0.78
Ing Groep	-0.58	2.25
Nio Ads	-0.51	0.61

Ten Largest Holdings
(as of 28 Feb 22)

Holding	Weight (%)
Mitsubishi UFJ Financial Group, Inc.	3.4
TotalEnergies SE	3.3
Sony Group Corp.	2.8
E.ON SE	2.7
Canadian Pacific Railway Ltd.	2.7
China Merchants Bank Co. Ltd.	2.7
Roche Holding AG	2.6
Linde plc	2.5
Infineon Technologies AG	2.5
Taiwan Semiconductor Manufacturing Co. Ltd.	2.5

Ukraine, with the relationship between 12-month forward Price/Earnings ratios on the S&P 500 and the ACWI ex USA now 2.2 standard deviations cheap to its 15-year average. We note that the Eurozone and China in particular got cheaper during the quarter with the Eurozone likely on hold given the economic impacts of the conflict and China likely to ease monetary, fiscal and regulatory policy while the U.S. has just begun to tighten. None of this is a call for a market turn just yet and we are still cautious, but it might be a call for investors who remain underweight International and overweight the U.S. to re-examine their positioning.

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