

Thornburg International Growth ADR Strategy — Wrap



Portfolio Manager Commentary
31 March 2022

Market Review

Global equity markets struggled during the first quarter of the year driven by events such as war in Ukraine, a quick spike in COVID cases, ongoing supply chain disruptions exacerbated by war, inflationary pressures, and a more hawkish stance from the Fed. While in many ways this appears like a new period of heightened volatility, especially with a backdrop of war and swiftly rising interest rates, the results look similar from a style perspective as value continued to outperform growth.

The trend in Chinese equities reversed in first quarter from one of the worst performing stock markets to one of the stronger markets. This was led in part by accommodative monetary policy mixed with slowing regulatory action by the Chinese government and significantly cheaper valuations for Chinese equities to start the year. However, challenges remain for the country as a zero-COVID policy led to lockdowns of major cities including Shenzhen and Shanghai, which is a potential headwind for supply chain normalization.

First-Quarter 2022 Performance Highlights

- The Thornburg International Growth ADR Strategy — Wrap returned negative 15.27% (net of fees), underperforming its benchmark, the MSCI All Country World ex-US Growth Index (net, USD), which returned negative 10.78%.

Annualized Returns (% , as of 31 Mar 2022)

In US\$ terms. Returns may increase or decrease as a result of currency fluctuations.

| | QTR | YTD | 1-YR | 3-YR | 5-YR | 10-YR |
|---|--------|--------|--------|------|------|-------|
| International Growth ADR Wrap Composite (NET) | -15.27 | -15.27 | -18.05 | 4.19 | 4.22 | 4.48 |
| International Growth ADR Wrap Composite (GROSS) | -14.60 | -14.60 | -15.55 | 7.31 | 7.33 | 7.60 |
| MSCI ACWI ex US Growth NTR | -10.78 | -10.78 | -6.16 | 9.12 | 8.60 | 6.70 |

Annual Return Performance Summary (%)

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|-------|-------|--------|-------|-------|-------|--------|-------|-------|-------|
| International Growth ADR Wrap Composite (NET) | 19.55 | 37.83 | -14.33 | 1.65 | -6.15 | 30.87 | -20.32 | 22.78 | 32.57 | -6.35 |
| International Growth ADR Wrap Composite (GROSS) | 23.09 | 41.86 | -11.72 | 4.69 | -3.31 | 34.70 | -17.88 | 26.40 | 36.46 | -3.53 |
| MSCI ACWI ex US Growth NTR | 16.67 | 15.49 | -2.65 | -1.25 | 0.13 | 32.01 | -14.43 | 27.34 | 22.20 | 5.09 |

Periods less than one year are not annualized.

Performance data for the International Growth ADR Strategy - Wrap is from the International Growth ADR Wrap Composite, inception date of May 1, 2010. The International Growth ADR Wrap Composite includes discretionary wrap accounts invested in the International ADR 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. "Pure" Gross returns do not reflect the deduction of any expenses, including trading costs and are supplemental to net returns. Beginning January 1, 2009, 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. Prior to January 1, 2009 net returns reflect actual wrap fees for each account in the composite. Beginning January 1, 2014 returns reflect the deduction of transaction costs for some accounts in the composite. 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.

While higher rates can compress valuations of longer duration growth stocks, our process emphasizes paying a fair price for exceptional companies.

Portfolio Managers

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Supported by the entire Thornburg investment team

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- Top relative contributors to performance by sector were stock selection within the health care sector and not owning real estate, which underperformed the overall growth benchmark. The primary detractors by sector were stock selection and an overallocation to information technology and an underweight to financials.
- Overall, emerging market growth stocks performed in-line with developed market growth stocks. However, stock selection within emerging markets lagged the index, which was a driver of underperformance for the quarter.

Current Positioning and Outlook

The inflationary environment, the expectation of higher interest rates, and war in Europe lead us towards more defensive positioning within the growth universe. However, the current market volatility, which we expect to continue, presents opportunities to upgrade the portfolio as we continue our fundamental analysis of companies across the globe. During the quarter we added several new holdings to the portfolio that we expect will deliver attractive long-term returns.

Our focus is on investing in exceptional growth companies, oftentimes with compounding competitive advantages, over long-time horizons. Our balanced three-basket approach of Growth Industry Leaders, Emerging Growth and Consistent Growers provides diversification across the growth universe. The portfolio's more defensive holdings in the Consistent Grower basket have bolstered returns in the current risk-off environment.

Although there are periods when owning higher quality and higher growth assets is out of favor, particularly in a rising rate environment, we believe that our portfolio will remain relatively resilient to higher inflation or weakening economic conditions. We favor high Return on invested capital (ROIC), asset-light companies with pricing power and structural growth drivers that will persist through economic cycles.

We note that higher interest rate expectations have already significantly compressed the valuations of growth stocks, while company fundamentals remain strong and growth is open-ended. Changes in valuation multiples have a large effect on stock prices in the short term, but we remain confident that earnings growth will be the main driver of equity returns in the long term. We own a concentrated portfolio of superior companies with durable growth prospects that generate disproportionate business value relative to peers and index averages.

Thank for your continued support and for investing alongside us.

Top Performers (1Q22) (Representative Account)

| Name | Contrib. (%) | Avg. Weight (%) |
|---------------------------|--------------|-----------------|
| AstraZeneca PLC | 0.69 | 4.40 |
| Activision Blizzard, Inc. | 0.35 | 2.39 |
| Nihon | 0.15 | 1.01 |
| Visa, Inc. | 0.05 | 2.58 |
| Deutsche Börse AG | 0.03 | 1.00 |

Top Detractors (1Q22) (Representative Account)

| Name | Contrib. (%) | Avg. Weight (%) |
|--|--------------|-----------------|
| Shopify, Inc. | -1.80 | 1.54 |
| Tencent Holdings | -1.32 | 5.18 |
| Adyen | -1.19 | 7.37 |
| Taiwan Semiconductor Manufacturing Co. | -0.80 | 0.66 |
| ASML Holding | -0.63 | 4.00 |

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.

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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 31 March 2022.

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.

Holdings may change daily and may vary among accounts.

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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 ACWI ex USA Growth Net Total Return USD Index 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. Investors may not make direct investments into any index.

Ten Largest Holdings

(as of 28 Feb 2022)

| Holding | Rep, Acct. |
|---|---------------------|
| Taiwan Semiconductor Manufacturing Co. Ltd. | 7.1% |
| Nestle S.A. | 6.2% |
| Tencent Holdings Ltd. | 5.5% |
| AstraZeneca plc | 4.5% |
| ASML Holding N.V. | 4.0% |
| Adyen N.V. | 3.2% |
| MercadoLibre, Inc. | 2.8% |
| LVMH Moët Hennessy Louis Vuitton SE | 2.8% |
| Mastercard, Inc. | 2.7% |
| Visa, Inc. | 2.7% |

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.

This SMA strategy may not be appropriate or suitable for all investors.

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