

Thornburg Emerging Markets ADR Strategy — Wrap



Portfolio Manager Commentary
31 March 2022

Market Review

Global equities sold off sharply in response to Russia's invasion of Ukraine in late February. In addition to sparking a large scale humanitarian crisis, the situation carries a wide-range of geopolitical and economic implications as well. While rising global inflation was already a growing concern for markets, surging commodity prices spurred by Russia's actions are stoking fears that inflation may persist for longer than anticipated.

While emerging markets declined in aggregate during the quarter, more than two-thirds of the index's country-level constituents saw positive returns despite the rising geopolitical tensions. Russia, which was officially cut from the MSCI EM Index during March, was the largest performance headwind, but China was also an outsized detractor. Beijing's perceived ties to Russia, coupled with new lockdowns in Shanghai and renewed fears around ADR delisting in the U.S., continued to drive risk-off sentiment towards EM's largest economy.

It was not all bad news for EM though. Latin American markets, which were net beneficiaries of booming commodities prices, returned more than 25% for the quarter. Other commodity net exporters, such as Saudi Arabia and South Africa, also posted strong gains.

First-Quarter 2022 Performance Highlights

- The Emerging Markets ADR Strategy - Wrap declined -7.66% (net of fees), underperforming its benchmark, the MSCI EM Index, which was down 6.97%.

In this environment, we are focused on identifying a range of possible macro outcomes and are building a portfolio we think can be durable across a variety of those scenarios.

Portfolio Managers

Ben Kirby, CFA
Co-Head of Investments

Charles Wilson, PhD
Portfolio Manager

Josh Rubin
Portfolio Manager

Supported by the entire Thornburg investment team

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	ITD
Emerging Markets ADR Wrap Composite (NET)	-7.66	-7.66	-16.62	6.24
Emerging Markets ADR Wrap Composite (GROSS)	-6.95	-6.95	-14.07	9.42
MSCI Emerging Markets NTR	-6.97	-6.97	-11.37	7.68

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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- The financials and energy sectors both detracted from the strategy's relative performance. In both sectors, stock selection was the primary driver of underperformance. Stock selection within materials and consumer staples contributed positively to the strategy's relative performance.
- On a geographic basis, an underweight allocation to commodities-led economies like the UAE, South Africa and Saudi Arabia detracted from relative performance. Stock selection within Russia was detractive, but the strategy's underweight allocation contributed positively to relative performance. Additionally, security selection in Taiwan was detractive, while an overweight allocation to Latin America contributed positively to relative performance.

Current Positioning and Outlook

Prior to the Russia-Ukraine crisis, our base case was the continuation of a broad-based global recovery across EM. We were cautious to the potential impact of inflation across markets, but generally viewed it as an outcome of demand recovering faster than idled supply restarts versus certain segments truly getting overheated. While a global shift from policy easing to tightening remains a risk to equities markets, we believed the backdrop for EM remained attractive due to strong corporate earnings, a healthy consumer base, and low valuations both on a historical basis and relative to developed markets.

In light of recent events, there is an elevated level of uncertainty at play and no one can predict with any reasonable amount of certainty exactly how the geopolitical situation will unfold. In this environment, we are focused on identifying a range of possible macro outcomes and are building a portfolio we think can be durable across a variety of those scenarios. As bottom-up investors, we are anchoring to fundamentals and asking ourselves which companies most control their own outcomes—regardless of what happens geopolitically. In areas of the market where things may be less clear, we are working to identify where we are being properly compensated to take external risk in areas.

While our shorter-term outlook has shifted, we believe current market forces remain favorable for our active approach and orientation toward identifying strong businesses durable enough to survive periods of EM volatility.

Top Performers (1Q22)

(Representative Account)

Name	Contrib. (%)	Avg. Weight (%)
Sociedad Quimica y Minera de Chile S.A.	1.30	2.53
First Quantum Minerals Ltd.	1.25	3.39
Grupo Aeroportuario del Pacifico SAB de CV	0.41	2.40
PT Bank Rakyat Indonesia (Persero) Tbk	0.34	2.57
Telefonica Brasil S.A.	0.32	1.16

Top Detractors (1Q22)

(Representative Account)

Name	Contrib. (%)	Avg. Weight (%)
Oil Co. LUKOIL PJSC	-1.66	2.19
Tencent Holdings Ltd.	-1.22	5.66
Taiwan Semiconductor Manufacturing Co., Ltd.	-1.21	9.08
Micron Technology, Inc.	-0.96	5.27
Sunny Optical Technology (Group) Co., Ltd.	-0.67	1.02

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 31 Mar 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.

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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 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 28 Feb 2022)

 Holding 	 Rep. Account
Taiwan Semiconductor Manufacturing Co. Ltd.	7.9%
Tencent Holdings Ltd.	5.9%
Micron Technology, Inc.	5.5%
HDFC Bank Ltd.	4.9%
Yum China Holdings, Inc.	4.1%
AIA Group Ltd.	3.8%
First Quantum Minerals Ltd.	3.6%
Alibaba Group Holding Ltd.	3.1%
Infosys Ltd.	2.9%
Coupang, Inc.	2.7%