

# Thornburg International Growth Strategy

## 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 Strategy returned negative 14.72% (net of fees), underperforming its benchmark, the MSCI All Country World ex-US Growth Index (net, USD), which returned negative 10.78%.

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

### Portfolio Manager

**Sean Koung Sun, CFA**  
Portfolio Manager

**Emily Leveille, CFA**  
Portfolio Manager

**Nicholas Anderson, CFA**  
Portfolio Manager

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.

	QTR	YTD	1-YR	3-YR	5-YR	10-YR
<b>International Growth Composite (Net)</b>	-14.72	-14.72	-15.43	6.57	7.20	7.40
<b>International Growth Composite (Gross)</b>	-14.54	-14.54	-14.75	7.44	8.07	8.28
<b>MSCI ACWI ex US Growth NTR</b>	-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
<b>International Growth Composite (Net)</b>	22.58	37.13	-12.04	7.02	-4.53	35.14	-16.59	26.53	34.55	-4.03
<b>International Growth Composite (Gross)</b>	23.65	38.26	-11.34	7.88	-3.75	36.23	-15.90	27.54	35.63	-3.25
<b>MSCI ACWI ex US Growth NTR</b>	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 Strategy is from the International Growth Composite, inception date of 1 March 2007. The International Growth Composite includes non-wrap discretionary accounts invested in the International 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. Gross of fee returns are net of transaction costs. Net of fee returns are net of transaction costs and investment advisory fees. For periods prior to 2011, net returns for some accounts in the composite also reflect the deduction of administrative expenses. Thornburg Investment Management Inc.'s fee schedule is detailed in Part 2A of its ADV brochure. Performance results of the firm's clients will be reduced by the firm's management fees. For example, an account with a compounded annual total return of 10% would have increased by 159% over ten years. Assuming an annual management fee of 0.75%, this increase would be 142%.

## THORNBURG INTERNATIONAL GROWTH STRATEGY

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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 ROIC (return on investment capital), 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)

Name	Contrib. (%)	Avg. Weight (%)
Astrazeneca	0.73	4.57
Activision Blizzard	0.32	2.28
Booking Holdings	0.20	0.31
Deutsche Boerse	0.10	1.01
Visa	0.07	2.67

### Top Detractors (1Q22)

Name	Contrib. (%)	Avg. Weight (%)
Shopify	-1.62	1.42
Tencent	-1.46	5.23
Adyen	-1.00	3.23
Twm Semicont Man	-0.71	7.39
Gds-Sw	-0.59	0.82

*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](mailto:bdg@thornburg.com). The holdings identified do not represent all of the securities purchased, sold or recommended for advisory clients.*

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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.

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### Ten Largest Holdings

(as of 28 Feb 22)

Holding	Rep. Acct. (%)
Taiwan Semiconductor Manufacturing Co. Ltd.	7.4
Nestle S.A.	6.3
Tencent Holdings Ltd.	5.4
AstraZeneca plc	4.6
ASML Holding N.V.	4.0
Adyen N.V.	3.2
LVMH Moet Hennessy Louis Vuitton SE	3.0
Mastercard, Inc.	2.8
Visa, Inc.	2.8
Lonza Group AG	2.6

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