

Thornburg International ADR SMA

Portfolio Manager Commentary

31 December 2025



The Thornburg International ADR SMA produced a total return 3.83% (net of fees) for the three-month period ended 31 December 2025, underperforming its MSCI ACWI ex-US benchmark, which gained 5.05%. Over the 12 months to December 31, the International ADR SMA outperformed with a 32.57% gain (net of fees), versus the index return of 32.39%

Various economic and market indicators pointed to both challenges and resilience across major economies and markets in the last leg of 2025, extending the dynamic on display throughout the year. Trade tensions remained a significant theme, with continuing negotiations between the U.S. and its major trade partners, including China, which is also in contentious trade talks and tit-for-tat tariff and procurement walls with the European Union.

But technology-related industries showed strength, particularly in Northeast Asia and the U.S., where chip stocks rallied on AI optimism. The fourth quarter's macro developments impacted global equities and kept investors both optimistic about the U.S. market backdrop, but also on edge. The U.S. Federal Reserve cut its target rate 25 basis points in December. The Bank of Japan followed suit, lifting its rate a quarter point as well. But the ECB stood pat last month.

While policy rate stability in Europe, combined with fiscal stimulus, boosted investor sentiment in the region, the BOJ's incremental rate normalization came amid spikes in Japanese government 30-40 year bond yields to record highs, as re-priced global rate differentials played out in currency markets. The U.S. dollar treaded water against the euro in the fourth quarter, but strengthened vs the yen. Political risk was also prevalent as France's governing instability fueled economic uncertainty, while tensions between Japan and China intensified amid a more nationalist turn in Japan, where concern over Beijing's Taiwan policy grew. We welcomed the volatility induced by macro events.

Our active positioning has enabled us to effectively anticipate and navigate a variety of complex environments.

Portfolio Managers

Lei Wang, CFA
Portfolio Manager

Matt Burdett
Head of Equities

Supported by the entire Thornburg investment team

Average Annual Returns (% , as of 31 Dec 2025)

	QTD	YTD	1-YR	3-YR	5-YR	10-YR	ITD
International ADR Wrap Composite (Gross)	4.59	36.45	36.45	21.59	9.20	8.54	8.73
International ADR Wrap Composite (Net)	3.83	32.57	32.57	18.10	6.03	5.39	6.04
MSCI ACWI ex US NTR Index	5.05	32.39	32.39	17.33	7.91	8.41	7.66
MSCI EAFE NTR Index	4.86	31.22	31.22	17.22	8.92	8.18	7.44

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

Periods less than one year are not annualized. ITD is inception to date.

Performance data for the International ADR Strategy - Wrap is from the International ADR Wrap Composite, inception date of August 1, 2003. The International ADR Wrap Composite includes broker-sponsored discretionary accounts invested in the International ADR strategy. Effective January 1, 2014, the composite includes broker-sponsored accounts including those that may pay transactions costs that are not included in a bundled fee. Prior to January 1, 2014, the composite included only broker-sponsored accounts that did not pay transaction costs. The composite was redefined to include broker-sponsored accounts in the same composite. 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.

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As of 31 December 2025, the trailing average price/earnings ratio for the equity investments of Thornburg International ADR SMA was 21.1x, compared to an average multiple of 18.5x for the MSCI ACWI ex-U.S. Index. We believe our International ADR SMA strategy of owning a high-conviction, yet diversified portfolio of attractively priced firms with strong fundamentals and earnings power has been a key ingredient to Thornburg International ADR SMA's long-term outperformance.

We believe our nearly four dozen businesses are world class. They have proven records in successfully navigating economic shocks, volatile market cycles, and ultimately strengthening their competitive positions. We consider them attractively valued relative to their earnings power. The quality of this portfolio is also reflected in the aggregate metrics in Table 1.

The International ADR SMA has highly select exposures to firms in industrials, utilities, financials and information technology, whether overweight relative to the index, as in the case of the first two, or underweight, as with the latter two. On a regional basis, it remains overweight France, Japan and Germany based on our bottom-up, fundamental assessments of individual companies within the broader opportunity set.

In terms of contributions to relative performance, 29 equities were positive contributors in the fourth quarter, while just 18 were negative and one was flat. Leading contributors to portfolio performance for the quarter included two world-class pharmaceutical companies, a multinational miner, and two industrials—one based in Japan and the other Germany. The biggest detractors were a Chinese e-commerce and cloud-computer service provider, a Japanese consumer electronic giant, a multinational industrial gas company, a German aerospace and defense manufacturer, and a Japanese medical equipment and technology hardware company.

We made various position size adjustments over the course of Q4 2025 for portfolio diversification purposes and to better balance the downside risk and upside capital appreciation potential of individual positions.

The following table shows sector weightings within the International ADR SMA portfolio as of 31 December 2025.

Table 1 | International ADR Wrap Strategy Metrics

	PE Forward 2-Yr Est	Price/ Cash Flow	Historic 3-Yr EPS Growth	Debt/ Equity	Net Debt/ EBITDA
International ADR SMA	16.0x	10.0x	34.1%	102.3%	1.0x
MSCI ACWI ex-U.S. Index	14.6x	10.1x	14.4%	110.5%	1.86x

Source: Factset, 31 DEC 2025

Past performance does not guarantee future results.

Table 2 | International ADR Wrap Strategy Sector Weights (as of 31 December 2025)

Sector	31 DEC 2023	31 MAR 2024	30 JUN 2024	30 SEP 2024	31 DEC 2024	31 MAR 2025	30 JUN 2025	30 SEP 2025	31 DEC 2025	YoY% Change
Industrials	17.36	21.12	24.51	25.68	25.49	25.58	27.21	26.10	26.04	2.2%
Financials	15.83	16.66	17.59	14.25	14.69	17.99	15.90	16.41	18.19	24%
Consumer Staples	9.55	9.28	8.31	5.22	5.03	5.08	4.96	4.60	3.86	-23%
Utilities	8.28	8.11	7.95	8.42	8.69	9.53	10.59	10.40	10.82	25%
[Cash]	8.11	5.60	5.37	5.89	5.69	5.40	5.05	5.04	4.07	-28%
Health Care	7.75	7.02	7.66	7.23	7.89	7.97	9.12	8.12	8.67	9.9%
Communication Services	7.39	8.12	4.51	3.50	3.36	2.81	2.97	2.71	2.69	-20%
Consumer Discretionary	7.12	6.25	5.95	10.32	9.42	7.82	7.54	10.34	9.17	-2.7%
Information Technology	6.79	7.05	7.82	8.35	9.22	5.75	4.11	4.69	4.51	-51%
Materials	6.54	5.77	5.53	6.64	6.27	7.28	8.45	7.75	8.02	28%
Energy	5.27	5.01	4.81	4.50	4.26	4.78	4.10	3.84	3.97	-6.8%
Real Estate	--	--	--	--	--	--	--	--	--	

May not add up to 100% due to rounding.

Global Economic Outlook

Global economic growth is projected to slow to 2.9% in 2026 from an estimated 3.2% in 2025, according to Bloomberg composite forecasts, driven by U.S. trade tariffs, policy uncertainty and regional challenges. The European Union is expected to grow a modest 1.4% this year, supported by stable monetary policy and fiscal stimulus. Japan's growth is projected to decelerate to 0.8%, amid rising rates. China's growth, on the other hand, is losing steam, despite Beijing's monetary and fiscal stimulus. While inflation in the U.S., Europe and Japan is running above target by varying degrees, inflation is generally moving lower in these regions. On the other hand, China has been fighting outright deflation and prices are seen rising modestly in 2026.

Our Investment Framework

Thornburg International ADR SMA seeks to identify the premier foreign producers of goods and services. We aim to understand the underlying drivers of corporate earnings and strive to take advantage of market volatility, when share prices can deviate meaningfully from business fundamentals. We monitor our portfolio companies' ability to manage cost inflation and maintain revenue and profit margins consistent with our expectations.

Our portfolio works to provide investors with long-term capital appreciation from a focused, yet diversified portfolio of compelling international equity investments. We focus on identifying the most attractive risk-reward opportunities at the company level. Our investment approach is rooted in bottom-up analysis, consistently seeking stocks that are trading at a discount to intrinsic value.

We urge investors of the International ADR SMA to maintain a long-term perspective. Most portfolio businesses have managed well through varying economic environments across business cycles. The International ADR SMA seeks to generate superior risk-adjusted returns through a full market cycle and provide investors differentiated access to international markets. Stock selection has historically been the key driver of portfolio returns.

Thank you for being an investor of Thornburg International ADR SMA. You can monitor the holdings of Thornburg International ADR SMA and obtain more information on our website, www.thornburg.com.

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 December 2025.

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.

The information provided in this report should not be considered a recommendation to purchase or sell any particular security. There is no assurance that any securities discussed herein will remain in an account's portfolio at the time you receive this report or that securities sold have not been repurchased. The securities discussed may not represent an account's entire portfolio and in the aggregate may represent only a small percentage of an account's portfolio holdings. It should not be assumed that any of the securities transactions or holdings discussed were or will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein.

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 representative account information is supplemental to the strategy's composite and GIPS compliant presentation.

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P/E - Price/Earnings ratio (P/E ratio) is a valuation ratio of a company's current share price compared to its per-share earnings. P/E equals a company's market value per share divided by earnings per share. Forecasted P/E is not intended to be a forecast of the fund's future performance.

The MSCI ACWI ex-U.S. Index (MSCI ACWI ex US NTR) is a market capitalization weighted index representative of the market structure of 46 developed and emerging market countries in North and South America, Europe, Africa, the Middle East, and the Pacific Rim, excluding securities of United States issuers. The index returns reflect the reinvestment of dividends and other earnings, are net of withholding taxes, and do not include any trading costs, management fees or other expenses.

The MSCI EAFE Index (MSCI EAFE NTR) is an unmanaged index. It is a generally accepted benchmark for major overseas markets. Index weightings represent the relative capitalizations of the major overseas developed markets on a U.S. dollar adjusted basis. The index is calculated with net dividends reinvested in U.S. dollars.

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. The index shown is unmanaged, reflect total returns and assume the reinvestment of all income in U.S. dollars. It does not reflect any management fees or brokerage expenses associated with a portfolio's returns. Returns for an actual portfolio may differ from those of an index due to (among other things) differences in timing and the amount invested and fees and expenses. Investors may not make direct investments into any index.