

Thornburg International Equity ESG Strategy

Portfolio Manager Commentary

31 December 2025



Market Review

International equities posted strong returns in the fourth quarter of 2025, shaped by a notable inflection in U.S. monetary policy and diverging central-bank paths elsewhere, amid persistent geopolitical risk. In December, the Federal Reserve delivered its second rate cut of the year, citing cooling inflation, a softening labor-market, and tighter financial conditions. Importantly, the Fed had ended its quantitative tightening one month earlier, and investors widely interpreted its subsequent balance-sheet guidance—renewed liquidity injections and reinvestment flexibility—as a shift back to quasi-“quantitative easing.”

Outside the U.S., monetary policy was less synchronized. The ECB signaled a cautious bias toward further easing as growth softened in the Eurozone and inflation drifted toward target. The Bank of Japan kept its gradual normalization, allowing yields to stay more market-driven while emphasizing patience. In China, policy combined targeted fiscal measures with incremental monetary support to stabilize its property markets and bolster domestic consumption, boosting investor sentiment toward Chinese and broader EM equities.

But geopolitical risks also weighed on sentiment. Ongoing conflicts in the Middle East and Russia/Ukraine reinforced energy security and defense spending globally, while strategic competition around advanced technology and supply chains remained a focal point of trade and industrial policy. These dynamics supported select industrial, defense, and infrastructure-related firms, even as headline risk spurred market volatility, which we welcomed.

Equity leadership broadened during the quarter. Cyclical sectors tied to financials and industrials benefited from improving liquidity, while growth stocks with strong balance sheets and visible earnings trajectories regained momentum—particularly in IT and select consumer and health care segments. Currency markets were relatively stable. The U.S. dollar’s 7.3% decline on a trade-weighted basis last year helped international equities. As volatility resurfaced around policy shifts and geopolitical developments, we selectively added to high-quality growth businesses at attractive valuations.

We view ESG integration as a performance lever, not a separate discipline.

Portfolio Managers

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Supported by the entire Thornburg investment team

ANNUALIZED RETURNS (%)

AS OF 31 DECEMBER 2025

	QTR	YTD	1-YR	3-YR	5-YR	10-YR	ITD (1 OCT 15)
Composite (Gross)	4.60	25.34	25.34	15.48	9.28	11.46	11.65
Composite (Net)	4.35	24.15	24.15	14.38	8.24	10.50	10.69
MSCI ACWI ex-U.S. Index	5.05	32.39	32.39	17.33	7.91	8.41	8.54
MSCI EAFE Index	4.86	31.22	31.22	17.22	8.92	8.18	8.46

CALENDAR YEAR RETURNS (%)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Composite (Gross)	25.34	8.07	13.70	-17.22	22.22	28.11	25.96	-12.64	23.89	8.71
Composite (Net)	24.15	7.03	12.62	-17.98	21.05	26.90	24.79	-13.21	23.46	7.67
MSCI ACWI ex-U.S. Index	32.39	5.53	15.62	-15.99	7.82	10.65	21.51	-14.20	27.19	4.50
MSCI EAFE Index	31.22	3.82	18.24	-14.45	11.26	7.82	22.01	-13.79	25.03	1.00

Source: CAPS

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 Equity ESG Strategy is from the International Equity ESG Composite, inception date of 1 October 2015. The International Equity ESG Composite includes discretionary accounts invested in the International Equity ESG 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. 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%.

Fourth Quarter 2025 Performance Highlights

- In 4Q25 the portfolio (net of fees) returned 4.35%, -70 basis points behind the MSCI ACWI ex-U.S. Index. Year to date the portfolio (net of fees) returned 24.15%, -824 basis points behind the MSCI ACWI ex-U.S. Index.
- Strong stock picking in Health Care and selection and allocation effects in Communication Services were the leading contributors to fourth-quarter relative performance by sector. The main drags came from allocation and selection effects in Financials, stock picking in Consumer Discretionary and both allocation and selection effects in Information Technology.
- By geography, solid stock selection in the U.K. and Korea, along with an overweight allocation to Spain were the key drivers of relative returns. The biggest detractors came from selection effects in Japan and Canada, along with the cash allocation.

Current Positioning and Outlook

We marked the 10-year anniversary of Thornburg's International Equity ESG Strategy in October. The milestone reflects a full market cycle and a wide range of economic environments. We are pleased with the long-term results. Since inception, it has generated an annualized return of 10.6% net of fees, well ahead of the MSCI ACWI ex-U.S. Index's 8.5% return. Importantly, we don't manage to an ESG benchmark. In contrast to the traditional framing of sustainable investing, we don't view ESG considerations as a constraint. We apply it as a valuation-enhancing lens to help surface mispriced assets and underappreciated potential.

ESG is integral to our bottom-up research, not an exclusionary screen. Firms that use resources efficiently often mitigate environmental risk, maintain cost discipline, and exhibit more stable operating margins. Energy efficiency can lower exposure to commodity price volatility and inflationary pressures, boosting operating leverage and earnings quality. Social factors can distinguish durable businesses. Firms that invest in employees and talent retention tend to have higher innovation, adaptability, productivity, and revenue durability. Good corporate culture limits turnover and training costs, strengthens brand equity, and builds customer loyalty.

Good governance is central to aligning management and shareholder interests. Firms with transparent leadership structures, independent oversight, and incentive frameworks tied to long-term performance are better positioned to avoid operational missteps and reputational risk. Disciplined capital allocation leads to stronger, more consistent returns on capital. As active, high-conviction managers of a concentrated yet diversified portfolio, we focus on firms with strong strategic positioning, identifiable catalysts, and attractive valuations. Diversification spans sectors, geographies, and earnings streams across our Basic Value, Consistent Earner, and Emerging Franchise baskets.

Some two-thirds of portfolio holdings are ESG leaders, while the rest exhibit positive ESG momentum—improvements that can unlock value and support valuation re-ratings. As an example, a large French financial's improved social factors have translated into better operating performance. In recent years, it has invested in workforce stability, training, and increasing employee shareholding. This has resulted in higher unit labor productivity, tighter cost control and greater revenue per employee. Employee count has declined, expanding operating margins.

This shows how ESG momentum can unlock earnings leverage and drive valuation improvement. Rather than relying on balance-sheet expansion or cyclical tailwinds, the margin gains reflect durable efficiency advances, reinforcing our conviction that ESG integration serves as a powerful catalyst for sustainable financial performance.

Bouts of volatility reinforce the importance of valuation awareness, disciplined portfolio management, and a holistic investment framework that blends ESG with fundamental analysis. It's the key to the Fund's long-term outperformance.

TEN LARGEST EQUITY HOLDINGS (%)

AS OF 30 NOVEMBER 2025	REP. ACCT.
BNP Paribas S.A.	3.3
Endesa S.A.	3.3
Mitsubishi Electric Corp.	3.2
Mitsubishi UFJ Financial Group, Inc.	3.2
AstraZeneca plc	3.0
Iberdrola S.A.	3.0
L'Oreal S.A.	3.0
Enel SpA	3.0
Sony Group Corp.	2.9
Schneider Electric SE	2.9

TOP 5 CONTRIBUTORS (%)

REP. ACCT. (GROSS) 4Q25	AVERAGE WEIGHT	CONTRIB. TO RETURN
Samsung Electronics Co. Ltd.	1.64	0.71
Roche Holding AG	2.37	0.63
AstraZeneca plc	2.86	0.63
Hitachi Ltd.	2.76	0.58
LVMH Moët Hennessy Louis Vuitton SE	1.96	0.43

BOTTOM 5 DETRACTORS (%)

REP. ACCT. (GROSS) 4Q25	AVERAGE WEIGHT	CONTRIB. TO RETURN
Linde plc	2.79	-0.35
Alibaba Group Holding Ltd.	1.52	-0.34
Sony Group Corp.	2.87	-0.30
WiseTech Global Ltd.	0.76	-0.22
Kanzhun Ltd.	1.41	-0.19

Source: FactSet

Past performance does not guarantee future performance. Performance characteristics are reported gross of fees and do not reflect the deduction of all fees and expenses that an investor has paid or would have paid. Gross data could appear better in comparison to net data. The net and gross performance of the total portfolio from which the data was calculated is included on page one.

The securities discussed are for illustrative purposes only and do not represent a recommendation to buy or sell any security. The analysis or data presented is not intended to represent performance of all securities within a portfolio, which can be lower than what is presented here or than what might be inferred given the analysis. It should not be assumed that the securities were or will be profitable, or that the investment decisions we make in the future will be profitable. Please see disclosure page for additional information.

BASKET ALLOCATION (%)

	REP. ACCT.
Basic Value	44.4
Consistent Earner	41.9
Emerging Franchise	10.1
Cash & Equivalents	3.6

Cash and Equivalents includes cash, short-term securities, other assets less liabilities, accruals, derivatives and forwards. It may also include investments in money market or similar funds managed by Thornburg that are not offered to the public.

THORNBURG INTERNATIONAL EQUITY ESG STRATEGY

Portfolio Manager Commentary | 31 December 2025

Important Information

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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.

A strategy's adherence to its ESG ratings process may affect its exposure to certain companies, sectors, regions, and countries and may affect its performance depending on whether such investments are in or out of favor. This process may result in the strategy foregoing opportunities to buy certain securities when it might otherwise be advantageous to do so, or selling securities for ESG reasons when it might be otherwise disadvantageous for it to do so. Additionally, the process may result in incorrectly evaluating a company's commitment to positive ESG practices and may result in investment in companies with practices that are not consistent with the strategy's aspirations.

Investing in an ESG-focused strategy does not assure or guarantee better performance and cannot eliminate the risk of investment losses.

Environment, social and governance (ESG) integration is the practice of incorporating ESG information into investment decisions to help enhance risk-adjusted returns and is not a mandate to make a positive impact on society or the world. ESG integration does not assure or guarantee better performance and cannot eliminate the risk of investment losses.

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Basic Value: Companies generally operating in mature industries and which generally exhibit more economic sensitivity and/or higher volatility in earnings and cash flow.

Consistent Earners: Companies which generally exhibit predictable growth, profitability, cash flow and/or dividends.

Emerging Franchises: Companies with the potential to grow at an above average rate because of a product or service that is establishing a new market and/or taking share from existing participants.

Basis Point (bp) – A unit equal to 1/100th of 1%. 1% = 100 basis points (bps).

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 is calculated with net dividends reinvested in U.S. dollars.

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.

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