

Why International Equities?

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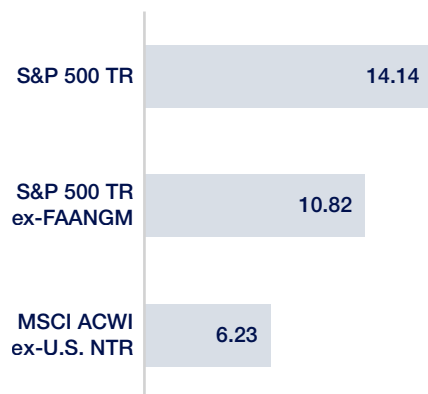
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U.S. equities have had a great run for more than a decade, although the breadth of the gains has narrowed in recent years. Investors may now be over-exposed to domestic stocks, particularly given the size of overseas equity markets and the number of idiosyncratic businesses within them. As the tailwinds of U.S. corporate tax policy wane amid elevated political risks, investors might also factor in lighter electoral calendars in other major regions, which generally enjoy smoother international and trade relations. That said, thorough fundamental research of individual stocks, diversified-yet-balanced portfolios and sound risk management are crucial to capitalizing on the many attractive opportunities internationally.

Top-Heavy U.S. Markets

U.S. markets have handily outperformed international equities since the Global Financial Crisis more than a decade ago. Yet a narrow set of tech-related, mega-cap stocks increasingly drove the rally as it reached its later stages. U.S. and overseas index stock returns over the past five years show the narrowing of U.S. stock market drivers.

Figure 1 | Mega-Cap Movers Annualized Gains
(%, 9/30/2015 to 9/30/2020)



Source: FactSet

Now a confluence of factors might be forming that present a headwind to continued U.S. equity market performance, while others should provide a tailwind to overseas stocks.

Less Electoral Risk

Every two years U.S. Congressional elections take place, and every four general elections are held, creating risks for U.S. companies and whole industries depending on the outcomes. Whether it is a presidential election or just mid-term balloting, U.S. securities always face varying degrees of political and regulatory risk. While international investing also, of course, involves electoral risks, it's usually more diversified across countries and timeframes. Beyond the now perennial Brexit uncertainty, the near-term electoral calendar abroad is lighter, offering less political uncertainty near-term than in the U.S., making

Figure 2 | Conventional and Preliminary Dynamic Revenue Effect of Biden's Tax Plan (Billions of Dollars)

PROPOSAL	2021–2030
Apply a Social Security payroll tax of 12.4% to earnings above \$400,000	\$819.9
Raise the top ordinary income tax rate from 37% to 39.6%	\$148.1
Reactivate the Pease limitation for income above \$400,000	\$96.6
Tax capital gains and dividends at 39.6 percent on income over \$1 million and repeal step-up in basis	\$469.4
Limit the tax benefit of itemized deductions at 28% of value for those earning over \$400,000	\$283.5
Phase out qualified business income deductions for income over \$400,000	\$177.1
Expand the Child Tax Credit (CTC) to \$3,000 maximum value, \$600 bonus for children under 6, and make the CTC fully refundable with no phase-in thresholds	-\$105.5
Expand the Child and Dependent Care Tax Credit (CDCTC) to a maximum value of \$8,000 and increase the refundability percentage to a maximum of 50 percent	-\$80.7
Provide a First-Time Homebuyer Credit up to \$15,000 in value	-\$164.6
Restore the gift and estate tax to 2009 levels	\$280.7
Raise the corporate income tax rate to 28%	\$1,050.8
Impose a 15 percent corporate minimum tax on book income	\$202.7
Double the tax rate on GILTI, eliminate the exemption for deemed returns to QBAI, and impose GILTI on a country-by-country basis	\$289.7
Miscellaneous credits	-\$134.3
Total Conventional Revenue	\$3,333
Total Dynamic Revenue	\$2,782

Source: Tax Foundation General Equilibrium Model, October 2020. Items may not sum due to rounding.

international stocks a good diversifier for political risk.

Peak Fiscal Policy Accommodation

The U.S. slashed the corporate tax rate in 2018, paving the way for a significant jump in earnings per share. Earnings for S&P 500 companies grew roughly 23% in 2018, boosting valuations of companies over the long term. That said, the U.S. fiscal policy backdrop became more challenging. The budget deficit was already approaching 5% of GDP before the COVID-19 outbreak, but it

has since accelerated to 15% of GDP. U.S. corporate and personal income taxes are more likely to go up than down in the future. While other major economies are also facing deteriorating fiscal balances to offset the economic impact of the pandemic, magnitude matters. China's fiscal deficit is on track to deepen to 3.6% of GDP this year, while Germany's is likely to clock in at 8.3%. International stocks in many jurisdictions offer less concentrated policy risk for investors over-allocated to the U.S.

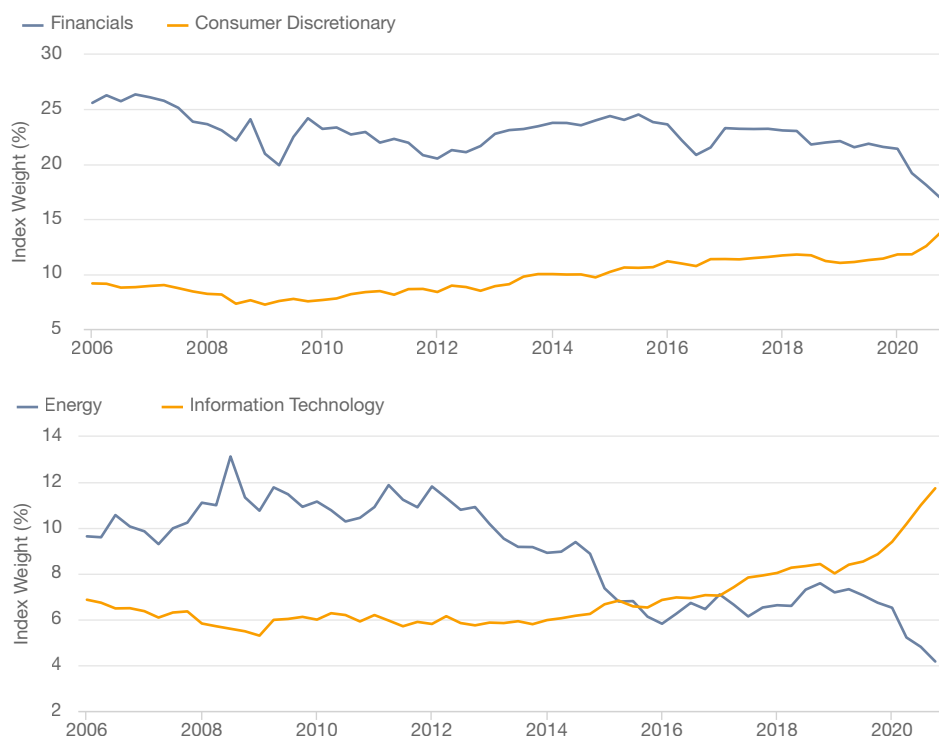
Bilateral Relations? It's Complicated

European stimulus began catching up to the U.S. policy support in the second quarter of 2020, which should provide a relative, short-term boost to European markets. There is also cyclicality in the relationships between U.S. and foreign governments and regions. This can take the form of meaningful policy differences, trade and investment disputes or changes in relationship status. While the U.S.-China trade war dominates the headlines, bilateral trade between the European Union and the U.S. amounted to \$712.5 billion last year, greater than the E.U.'s \$658.7 billion with China. In recent times the E.U., which is the world's largest trading bloc with nearly 450 million consumers, has sealed trade deals with several large countries, including Japan, Canada, Brazil, Mexico and Australia. A country-diversified international strategy can further mitigate risk of adverse policy and attitude changes over time.

Idiosyncratic Investment Opportunities

A growing number of unique stock stories are only available outside of the U.S., from the main contenders in the 5G race to develop the predominate cellular infrastructure of tomorrow, to the emerging e-commerce, digital payments and social network and gaming platforms in some of the most populous countries of the world. A small handful of overseas

Figure 3 | MSCI ACWI ex-U.S. Index Evolution



Source: FactSet

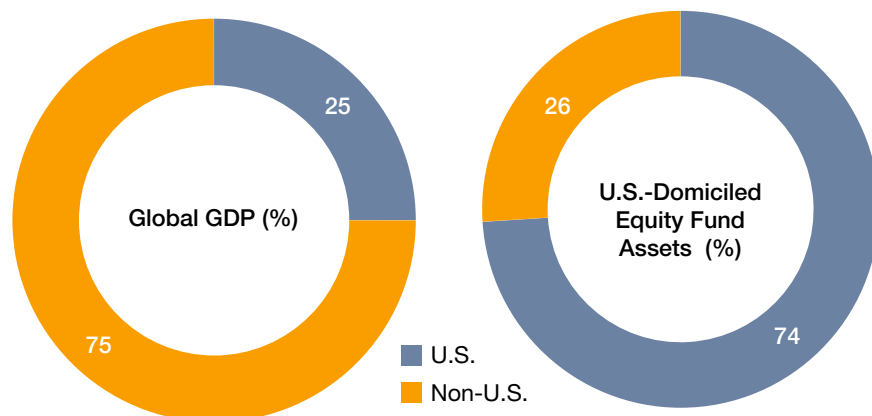
semiconductor equipment makers and foundries are largely creating the building blocks of the “new economy.” Digitization is spreading in leapfrog fashion across various regions of the developing world. Meanwhile, various links in the EV supply chain, including key chemical companies involved in battery cathodes to the battery makers themselves, are foreign-domiciled. Others focused on the

transition to renewable sources of energy can only be accessed abroad.

U.S. Equity Markets Narrower, With More Opportunities Abroad

While U.S. companies have comprised 30%–55% of world market capitalization over the past 40 years, currently hovering around the 50% mark, these companies make up an increasingly smaller share of the world's publicly listed companies. In 1980, the U.S. had 30% of the world's publicly listed companies. Today, that number stands at 10%. Part of this is due to U.S. companies staying private longer and the wider availability of venture and private equity investment dollars. Another reason is just the growth of the rest of the world, and the innovation taking place abroad. Given that international investing also offers investors more companies to choose from on an absolute and relative basis, it makes the opportunity set for fundamental research to add value greater than the narrow, top-heavy domestic universe.

Figure 4 | Home Bias



Sources: World GDP, International Monetary Fund, World Economic Outlook Database, updated as of October 2019. Equity Fund Assets, Investment Company Institute Factbook, December 31, 2019.

Why Thornburg International

Solutions for Different Allocations

Whether you desire international growth, core international developed market or emerging market equity strategies, or indeed, a core international ESG strategy, Thornburg offers proven solutions that fit these allocations. We maintain a consistent and repeatable process and approach to stock selection by utilizing bottom-up fundamental analysis with an identifiable path toward the realization of our investment theses in each of these overseas strategies.

3 Baskets: A Differentiated Approach to Risk

At Thornburg, we both target and mitigate risk in international investing by diversifying holdings across the style spectrum. Our distinct style baskets help our strategies maintain balance amid abrupt market volatility and over full economic cycles, affording both protection in down markets and participation in upswings. Such balance, we find, facilitates portfolio compounding off a higher base and creates a smoother, more lucrative client experience. We start by classifying and assigning companies that make the final cut for portfolio inclusion

to one of three baskets: consistent earners, industry leaders and emerging franchises. By targeting allocations in these three baskets and adhering to their respective weighting ranges, we can maintain the strategy's balance whether market conditions are more or less volatile. Rather than trying to time market shifts, we monitor the relative weighting changes in each of the baskets. That informs the management of individual position sizes and allows us to focus more on the evolution of each investment thesis within the baskets. While we are often overweight or underweight stocks relative to strategy benchmarks, we will maintain fidelity to our basket weighting parameters.



Our International Funds (as of 9/30/20)

Thornburg International Growth Fund

Mutual Fund & SMA

International Growth Fund

(A shares: TIGAX; I shares: TINGX)

International Growth ADR Strategy

Key Differentiators

- High-quality international growth portfolio
- Offers differentiated outcomes from international growth indexes and other growth strategies across economic cycles
- Balanced across the growth spectrum
- Focused on high-quality companies with durable growth prospects

Key Portfolio Attributes

Portfolio P/E Trailing 12 months*	39.3x
Portfolio Price to Cash Flow*	24.6x
Portfolio Price to Book Value*	6.8x
Median Market Cap*	\$27.8 B
7-Yr Beta (A shares vs. MSCI ACWI ex-U.S. Growth)*	1.02
Holdings	46
Fund Assets	\$1.7 B
Cash & Cash Equivalents	8.0%

Upside/Downside Capture Ratios (%)

VS. MSCI ACWI EX-U.S. GROWTH	3-YR	5-YR	7-YR
Upside Capture Ratio	104.3	102.3	98.1
Downside Capture Ratio	98.6	95.2	93.7

Basket Weights (%)

Consistent Growth	27.9
Emerging Growth	33.7
Growth Industry Leaders	30.4
Cash & Cash Equivalents	8.0

Consistent Growth Companies: generally exhibit steady earnings and revenue growth, often with subscription or other recurring revenue profiles. These firms tend to buoy the portfolio in weak markets.

Emerging Growth Companies: are often addressing a new market or carving out a niche in an existing market. Companies in this basket tend to be smaller, earlier-stage companies. Successful emerging growth companies are often reclassified as their businesses mature.

Growth Industry Leaders: often have leadership positions in growing markets. These firms tend to be larger, more established, and have dominant market share.

Thornburg International Value Fund

Mutual Fund & SMA

International Value Fund

(A shares: TGVAX; I shares: TGVIX)

International ADR Strategy

Key Differentiators

- A core international equity portfolio
- Seeks to deliver differentiated risk-adjusted returns across market cycles
- Focuses on promising companies across the valuation spectrum
- High conviction portfolio of 45–70 stocks

Key Portfolio Attributes

Portfolio P/E Trailing 12 months*	22.2x
Portfolio Price to Cash Flow*	11.7x
Portfolio Price to Book Value*	3.2x
Median Market Cap*	\$50.5 B
7-Year Beta (A shares vs. MSCI EAFE)*	1.00
7-Year Beta (A shares vs. MSCI ACWI ex-U.S.)*	0.97
Holdings	63
Fund Assets	\$3.2 B
Cash & Cash Equivalents	3.1%

Upside/Downside Capture Ratios (%)

VS. MSCI EAFE	3-YR	5-YR	7-YR
Upside Capture Ratio	120.8	108.7	106.7
Downside Capture Ratio	103.9	104.0	97.7
VS. MSCI ACWI EX-U.S.			
Upside Capture Ratio	116.0	104.8	102.2
Downside Capture Ratio	102.6	104.7	93.6

Basket Weights (%)

Basic Value	44.6
Consistent Earners	35.0
Emerging Franchises	17.3
Cash & Cash Equivalents	3.1

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.

* Source: FactSet

Thornburg Better World International Fund

Mutual Fund & SMA

Better World International Fund
(A shares: TBWAX; I shares: TBWIX)

International Equity ESG Strategy

Key Differentiators

- A core international equity portfolio with ESG values
- Portfolio of attractively valued companies believed to be making or will make a positive impact on the world
- Integrates material ESG factors into investment analysis
- Considers companies which are on a clear path towards improvement in their ESG and financial metrics

Key Portfolio Attributes

Portfolio P/E Trailing 12 months*	21.3x
Portfolio Price to Cash Flow*	10.9x
Portfolio Price to Book Value*	1.9x
Median Market Cap*	\$38.5 B
3-Yr Beta (A shares vs. MSCI ACWI ex-U.S.)*	0.98
Holdings	64
Fund Assets	\$97 M
Cash & Cash Equivalents	6.7%

Upside/Downside Capture Ratios (%)

VS. MSCI ACWI EX-U.S.	3-YR	5-YR
Upside Capture Ratio	118.2	101.8
Downside Capture Ratio	89.9	84.0

Basket Weights (%)

Basic Value	33.5
Consistent Earners	36.6
Emerging Franchises	23.3
Cash & Cash Equivalents	6.7

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.

Thornburg Developing World Fund

Mutual Fund & SMA

Developing World Fund
(A shares: THDAX; I shares: THDIX)

Emerging Markets ADR Strategy

Key Differentiators

- A balanced approach to risk
- All-weather portfolio that participates across markets, whether led by growth or value
- Seeks to provide attractive returns through careful stock selection
- Combines bottom-up fundamental analysis with disciplined portfolio construction

Key Portfolio Attributes

Portfolio P/E Trailing 12 months*	19.8x
Portfolio Price to Cash Flow*	12.1x
Portfolio Price to Book Value*	3.1x
Median Market Cap*	\$20.7 B
7-Yr Beta (A shares vs. MSCI EM Index)*	0.89
Holdings	54
Fund Assets	\$885 M
Cash & Cash Equivalents	4.1%

Upside/Downside Capture Ratios (%)

VS. MSCI EM INDEX	3-YR	5-YR	7-YR
Upside Capture Ratio	111.9	96.3	89.2
Downside Capture Ratio	100.3	92.9	86.0

Basket Weights (%)

Basic Value	38.6
Consistent Earners	42.5
Emerging Franchises	14.8
Cash & Cash Equivalents	4.1

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.

* Source: FactSet

Average Annual Total Returns (as of 9/30/20)

	TICKER	YTD	1-YR	3-YR	5-YR	10-YR	SINCE INCEP.	ANNUAL OPERATING EXPENSE RATIOS		
								NET	GROSS	
Thornburg International Growth Fund										
A Shares (without sales charge), Incep: 2/1/07	TIGAX	20.16	32.88	8.72	11.54	10.51	8.16			
(with sales charge)		14.77	26.91	7.07	10.51	10.00	7.80	–	1.32	
I Shares, Incep: 2/1/07	TINGX	20.45	33.31	9.09	11.94	10.96	8.67	–	1.03	
MSCI ACWI ex US Growth NTR Index (Since 2/1/07)		7.27	17.54	7.33	10.16	6.38	4.23			
Thornburg International Value Fund										
A Shares (without sales charge), Incep: 5/28/98	TGVAX	6.40	15.33	4.25	6.52	5.17	7.32			
(with sales charge)		1.60	10.14	2.67	5.54	4.68	7.10	–	1.26	
I Shares*, Incep: 3/30/01	TGVIX	6.68	15.74	4.59	6.88	5.55	7.78	–	0.97	
MSCI EAFE NTR Index (Since 5/28/98)		-7.09	0.49	0.62	5.26	4.62	3.90			
MSCI ACWI ex US (GR/NR) Index (Since 5/28/98)		-5.44	3.00	1.16	6.23	4.00	4.43			
Thornburg Better World International Fund										
A Shares (without sales charge), Incep: 9/30/15	TBWAX	10.28	22.65	7.75	9.64	–	9.64			
(with sales charge)		5.31	17.09	6.10	8.64	–	8.64	1.83	2.10	
I Shares, Incep: 9/30/15	TBWIX	10.91	23.62	8.54	10.48	–	10.48	1.09	1.44	
MSCI ACWI ex US NTR Index (Since 9/30/15)		-5.44	3.00	1.16	6.23	–	6.23			
Thornburg Developing World Fund										
A Shares (without sales charge), Incep: 12/16/09	THDAX	0.84	13.31	5.55	9.37	5.04	6.52			
(with sales charge)		-3.70	8.23	3.94	8.37	4.55	6.07	–	1.50	
I Shares, Incep: 12/16/09	THDIX	1.12	13.68	5.95	9.80	5.51	7.02	1.09	1.19	
MSCI Emerging Markets NTR Index (Since 12/16/09)		-1.16	10.54	2.42	8.97	2.50	3.45			

Periods less than one year are not annualized.

*Prior to inception of this share class, performance is hypothetical and was calculated from actual returns of the class A shares adjusted for the expenses of the newer share class.

Performance data shown represents past performance and is no guarantee of future results. Investment return and principal value will fluctuate so shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than quoted. For performance current to the most recent month end, visit thornburg.com or call 877-215-1330.

The maximum sales charge for the Fund's A shares is 4.50%. There is no up-front sales charge for class I shares. Thornburg Investment Management and/or Thornburg Securities Corporation have contractually agreed to waive fees and reimburse expenses through at least February 1, 2021, for some of the share classes; these are reflected in the net expense ratio. For more detailed information on fund expenses and waivers/reimbursements, please see the fund's prospectus. Class I shares may not be available to all investors. Minimum investments for the I share class may be higher than those for other classes.

Important Information

Investments in the strategy carry risks, including possible loss of principal. Special risks may be associated with investments outside the United States, especially in emerging markets, including currency fluctuations, illiquidity, volatility, and political and economic risks. Investments in small capitalization companies may increase the risk of greater price fluctuations. Carefully consider the strategy's investment objectives, risks, fees and expenses before investing. There is no guarantee that the strategy 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.

Any securities, sectors, or countries mentioned are for illustration purposes only. Holdings are subject to change. Under no circumstances does the information contained within represent a recommendation to buy or sell any security.

FAANGM – Facebook, Apple, Amazon, Netflix, Google, Microsoft

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.

Beta – A measure of market-related risk. Less than one means the portfolio is less volatile than the index, while greater than one indicates more volatility than the index.

Active Share – A measure of the percentage of stock holdings in a manager's portfolio that differ from the benchmark index.

Price/Book ratio (P/B ratio) – A ratio used to compare a stock's market value to its book value. It is calculated by dividing the current closing price of the stock by the latest quarter's book value per share.

Price/Cash Flow – The measure of the market's expectations regarding a firm's future financial health. It is calculated by dividing price per share by cash flow per share.

Expense Ratios – Expressed as a percentage of total fund assets and include management fees and operating costs. Expense ratios fluctuate over time and the expense ratio in the prospectus may differ from the actual expense ratio. The fund's total return includes the deduction of expenses.

Important Information (continued)

Upside/Downside Capture Ratio – A ratio that shows whether a given fund has outperformed—gained more or lost less than—a broad market benchmark during periods of market strength and weakness, and if so, by how much.

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.

The MSCI EAFE (Europe, Australasia, Far East) Net Total Return USD Index 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.

The MSCI ACWI ex USA (Gross/Net) Index 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. Beginning in January 2001, the index is calculated with net dividends reinvested in U.S. dollars. Prior data is calculated with gross dividends.

The MSCI ACWI ex USA Net Total Return USD Index 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 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.

The S&P 500 Total Return Index is an unmanaged broad measure of the U.S. stock market.

The performance of any index is not indicative of the performance of any particular investment. Unless otherwise noted, index returns reflect the reinvestment of income dividends and capital gains, if any, but do not reflect fees, brokerage commissions or other expenses of investing. Investors may not make direct investments into any index.

Before investing, carefully consider the Fund's investment goals, risks, charges, and expenses. For a prospectus or summary prospectus containing this and other information, contact your financial advisor or visit thornburg.com. Read them carefully before investing.