



LATAM ConsultUs Kick Off 2023

Panorama de la Renta Variable

10 preguntas por 2023 y una respuesta de ChatGPT

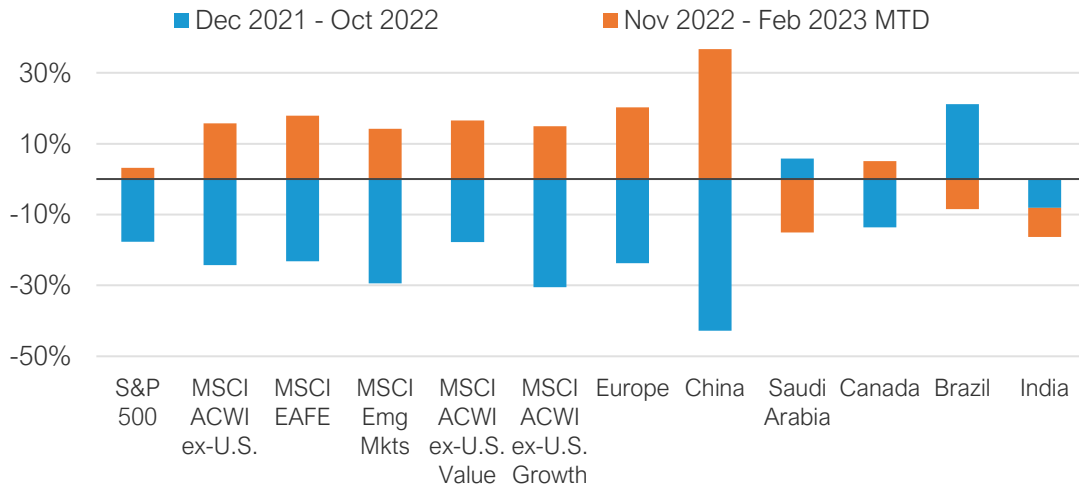


Craig Blessing
Client Portfolio Manager for International Equity

Global Equity Markets Still Down in 2022-2023

But with a significant bounce since last October

S&P 500, MSCI INDICES IN U.S. DOLLARS



	DEC 2021 – OCT 2022	NOV 2022 – FEB 2023 MTD	SINCE DEC 2021
S&P 500	-17.7%	3.2%	-15.1%
ACWI ex USA	-24.3%	15.8%	-12.4%
EAFE	-23.2%	17.9%	-9.5%
Emerging Markets	-29.4%	14.2%	-19.4%
ACWI ex USA Value	-17.8%	16.6%	-4.2%
ACWI ex USA Growth	-30.5%	14.9%	-20.1%
Europe	-23.7%	20.3%	-8.3%
China	-42.8%	36.7%	-21.8%
Saudi Arabia	5.8%	-15.1%	-10.2%
Canada	-13.6%	5.1%	-9.2%
Brazil	21.2%	-8.5%	10.8%
India	-8.12%	-8.2%	-15.7%

Past performance does not guarantee future results.

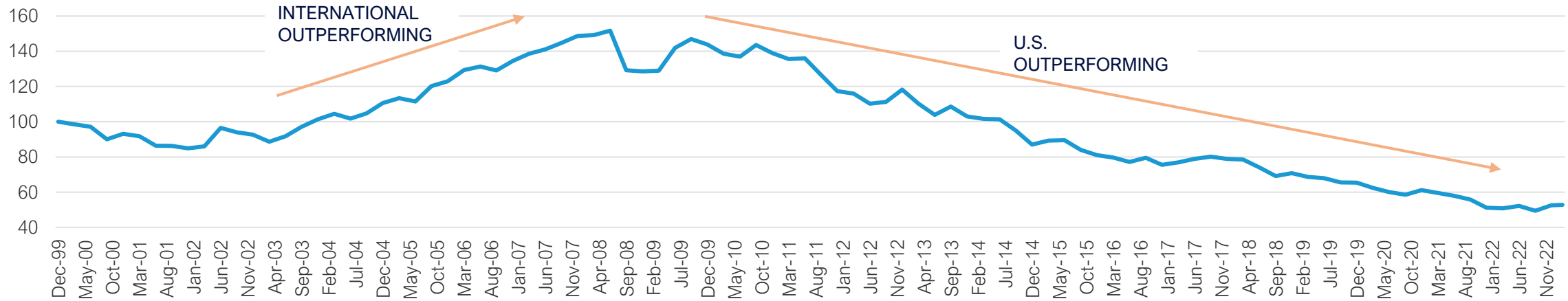
Source: S&P, MSCI
Returns since December 2021.

Why International?

U.S. stocks have outperformed for 15 years (fourth quarter 2007 through third quarter 2022)

MSCI ACWI ex-U.S. INDEX / S&P 500 TOTAL RETURN INDEX

2000 - 2023 YTD



Past performance does not guarantee future results.

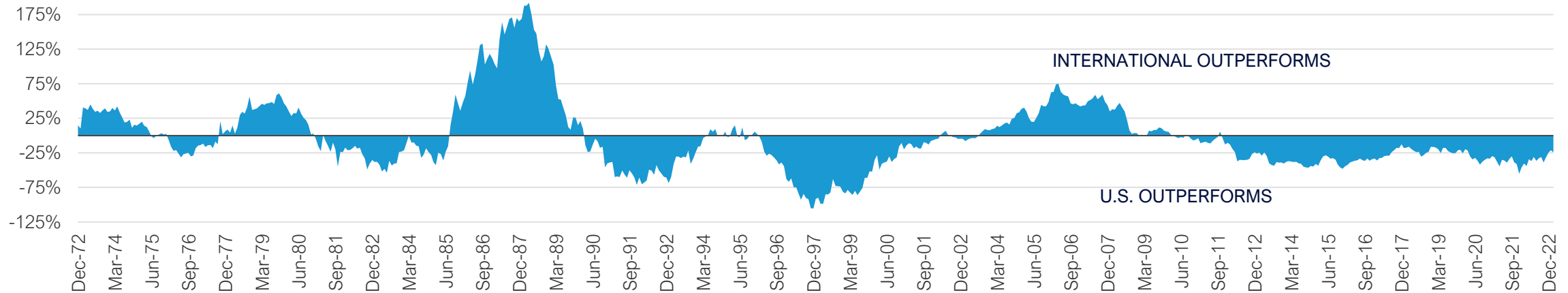
Source: MSCI, S&P, and Bloomberg

Performance of International vs. U.S. is Cyclical

Recent U.S. outperformance is now 15 years old and began in fourth quarter 2007

INTERNATIONAL vs U.S.

Rolling 3-year performance, 1972-2023 YTD



Past performance does not guarantee future results.

Source: S&P, MSCI
"International" is MSCI EAFE Index through 1998, MSCI ACWI ex USA Index since 1998. "US" is S&P 500 Index.

Why We are Constructive on International Equity in 2023

Difficult to time the turn, but current conditions rhyme with those that preceded past market pivots

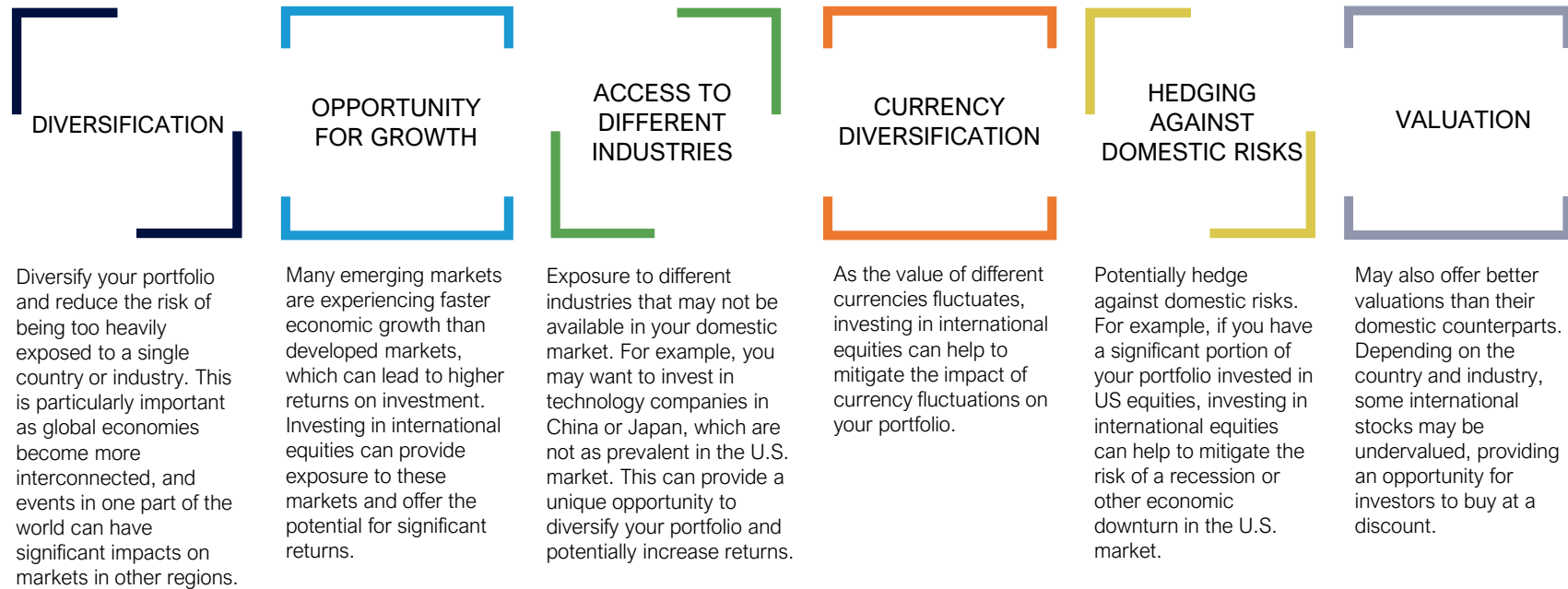


1. U.S. Dollar stretched and is a major driver of returns
2. U.S. Market concentrated
3. U.S. Fed tightening cycle has/could continue to be harder than other regions/countries
4. Valuation differentials between U.S. and key international markets still at an extreme
5. Negative sentiment has created opportunity in key international markets (Europe, China)
6. Attractively valued opportunities in quality global companies
7. A bottom-up, high conviction, relative value-driven approach could be ideal for 2023

Let's Ask ChatGPT

Write a discussion piece on “Why should I buy international equities in 2023?” ChatGPT’s answer:

Investing in international equities can be a great way to diversify your portfolio and potentially enhance your returns. With the global economy becoming more interconnected, investing in international stocks can provide exposure to new markets, industries, and companies that may not be available domestically. In this discussion piece, we'll explore the reasons why you should consider buying international equities in 2023.



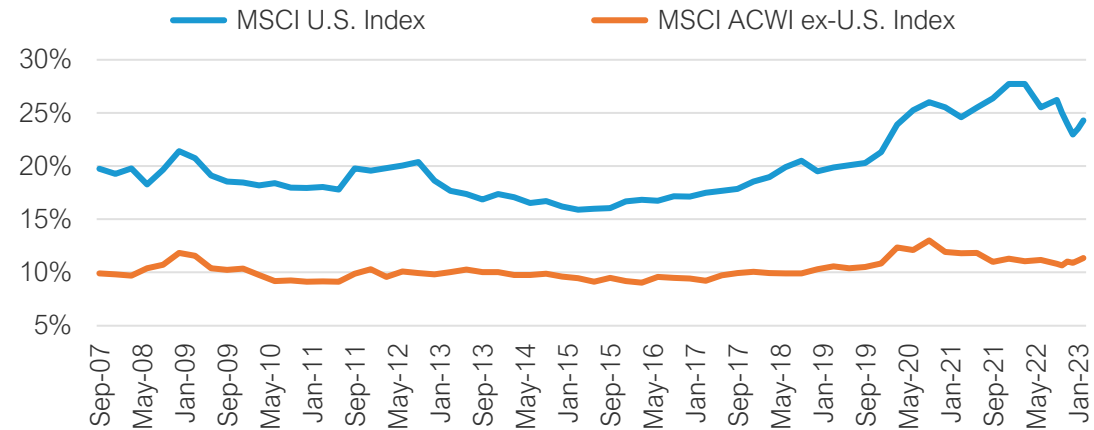
In conclusion, investing in international equities can be a smart move in 2023. By diversifying your portfolio, accessing new industries and markets, and hedging against domestic risks, you can potentially enhance your returns and reduce your overall risk. Additionally, international equities offer unique currency diversification and potentially better valuations, providing an opportunity to invest in undervalued stocks. However, as with any investment, it's important to do your research and consult with a financial advisor to determine the best strategy for your individual needs and goals.

Time to Diversify? U.S. Market Remains Concentrated in Top 10 Stocks

Top 10 U.S. stocks as of 31 Dec 2021 contributed 54% of 2022 loss. Top 10 International contributed 18%

MSCI U.S., MSCI ACWI ex-U.S. INDICES

Top 10 Companies, % of Total Market Cap Sep-07 to Feb-23



MSCI U.S. INDEX*

	YE 2021 WEIGHT	YE 2022 RETURN
TOP 10 COMPANIES	27.7%	-35.8%
APPLE INC.	6.8%	-26.4%
MICROSOFT CORPORATION	5.6%	-28.0%
AMAZON.COM, INC.	3.5%	-49.6%
TESLA, INC.	2.1%	-65.0%
ALPHABET INC. CLASS A	2.0%	-39.1%
ALPHABET INC. CLASS C	1.9%	-28.7%
META PLATFORMS INC. CLASS A	1.9%	-64.2%
NVIDIA CORPORATION	1.7%	-50.3%
UNITED HEALTH GROUP, INC.	1.1%	-12.6%
JPMORGAN CHASE & CO.	1.1%	-12.6%
MSCI U.S. INDEX		-19.9%

Past performance does not guarantee future results.

Source: MSCI, FactSet Data

*Weight data as of 31 December 2021. Return data for calendar year 2022 ending 31 December 2022.

Sector Concentration of U.S. vs. International Markets

	SECTOR WEIGHTS*		% CONTRIBUTION TO 2022 LOSSES	
	S&P 500 INDEX	MSCI ACWI ex-U.S. INDEX	MSCI U.S. INDEX	MSCI ACWI ex-U.S. INDEX
INFORMATION TECHNOLOGY	27.1%	11.3%	45.0%	29.2%
CONSUMER DISCRETIONARY	10.7%	11.7%	25.6%	16.1%
COMMUNICATION SERVICES	7.8%	6.0%	21.6%	10.0%
FINANCIALS	11.6%	21.1%	6.3%	8.9%
REAL ESTATE	2.7%	2.2%	4.2%	3.8%
INDUSTRIALS	8.4%	12.4%	2.3%	12.5%
MATERIALS	2.7%	8.4%	1.7%	6.6%
CONSUMER STAPLES	6.8%	8.6%	0.6%	6.0%
UTILITIES	2.9%	3.1%	0.3%	2.5%
HEALTH CARE	14.6%	9.5%	-0.3%	6.3%
ENERGY	4.8%	5.8%	-7.4%	-1.9%
INDEX RETURN 2022			-19.85%	-16.00%

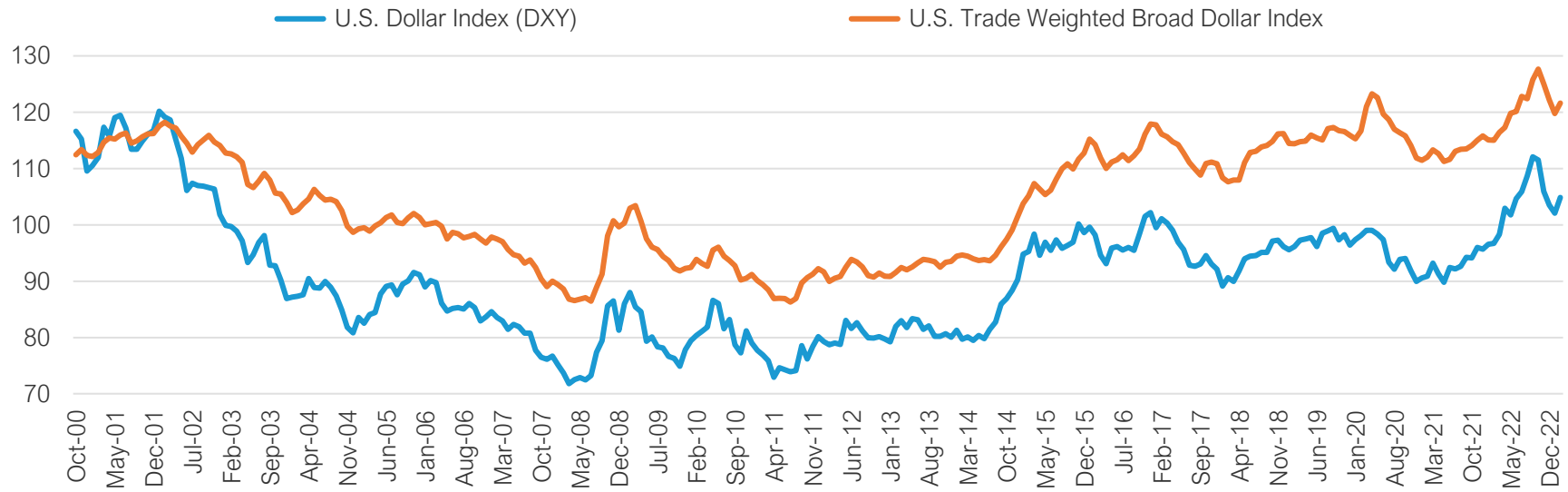
Past performance does not guarantee future results.

Source: FactSet

*As of 31 January 2023.

Has the U.S. Dollar Peaked?

MSCI ACWI ex-U.S. outperformed S&P 500 by 125% in 2002-2007 when DXY was down 36%



- U.S. Dollar Index (DXY) last peaked in Jan-02
- Relative performance of ACWI ex-U.S. vs. S&P 500 turned the same month
- From Jan-02 through Oct-07 International outperformed U.S. by 125%
- 40% of Intl's performance 2002-2007 was USD weakness (DXY down 36%)

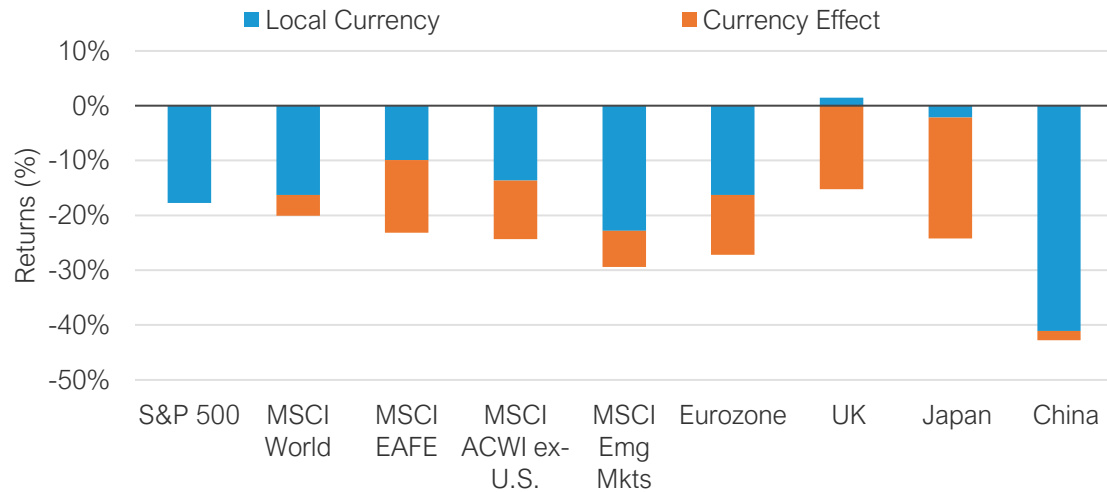
Past performance does not guarantee future results.

Source: Bloomberg

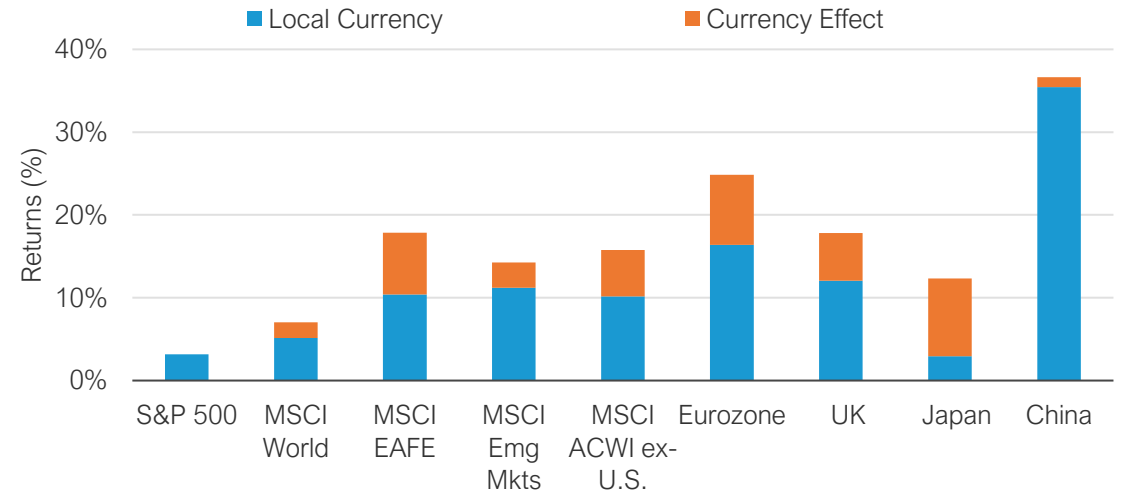
Dollar Has Been a Major Component of Returns in 2022-2023

U.S. Dollar > 40% of MSCI ACWI ex-U.S. decline in 2022, 40% of index's bounce since October

JANUARY THROUGH OCTOBER



NOVEMBER THROUGH FEBRUARY

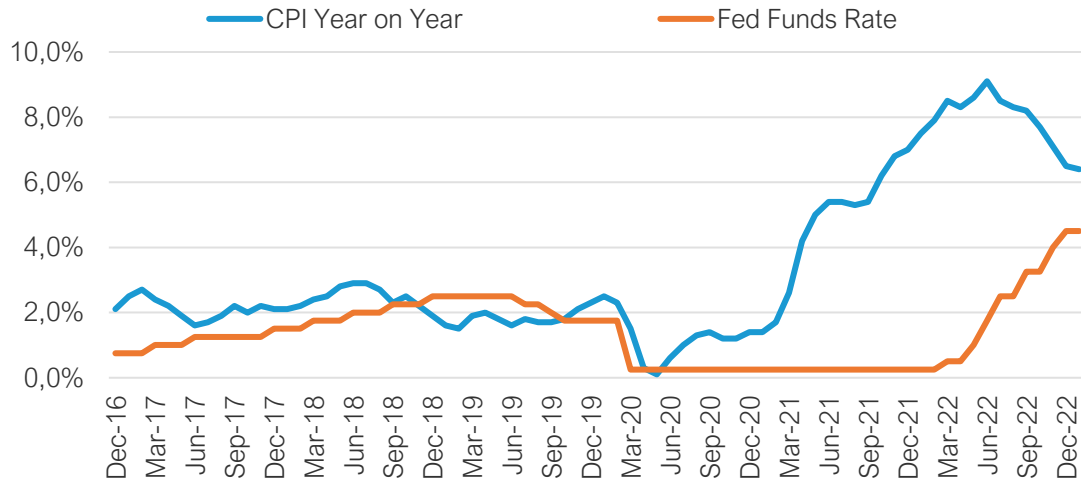


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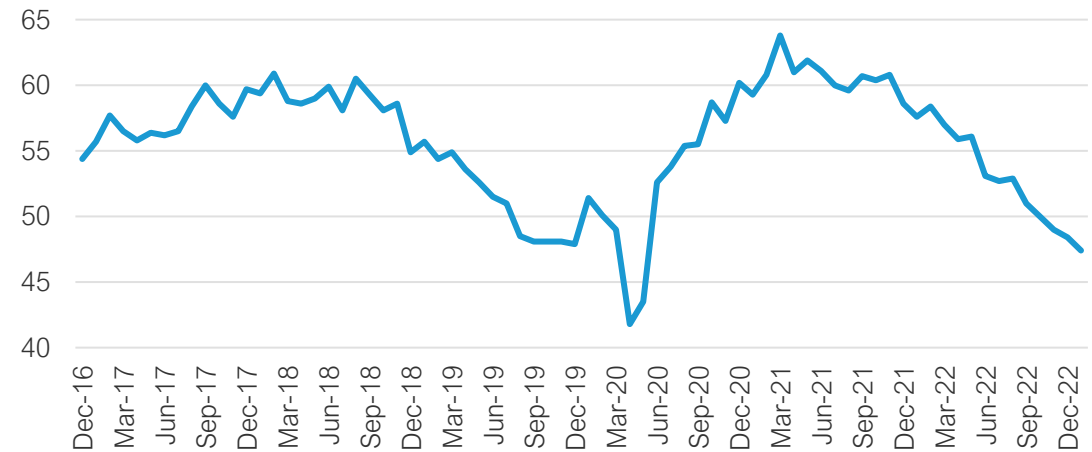
Source: Bloomberg

What's More Important Now? - Inflation or Growth?

U.S. CPI, FED FUNDS RATE



U.S. ISM MANUFACTURING PMI



Past performance does not guarantee future results.

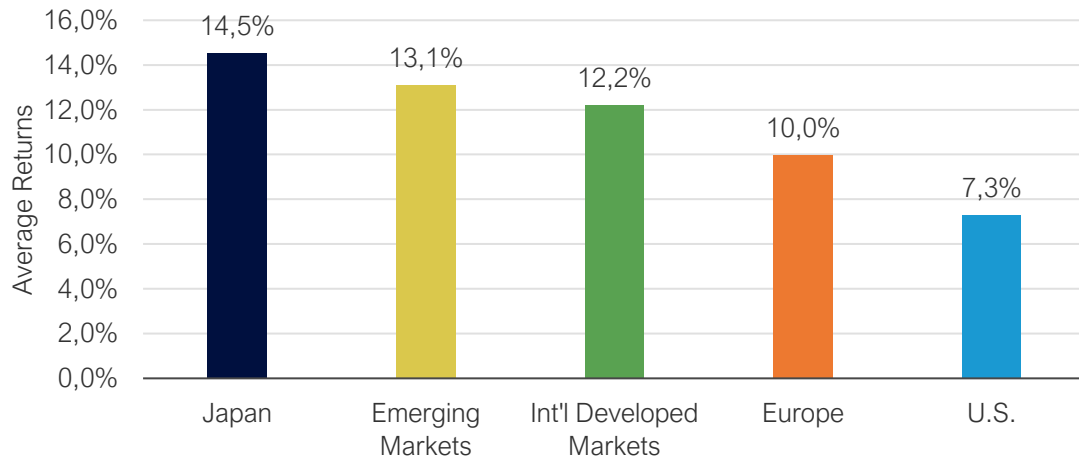
Source: Bureau of Labor Statistics, Institute for Supply Management, Bloomberg

Fed Pivot or Higher for Longer? Monetary Cycle Favors International Equity

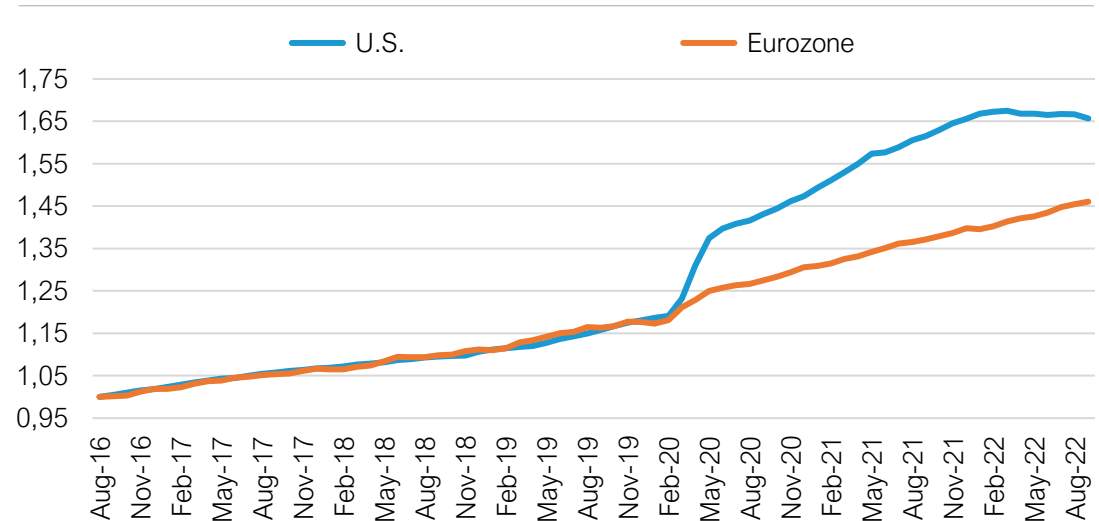
U.S. underperforms in Fed tightening cycles, U.S. eased more than other regions during COVID and may need to tighten more

GLOBAL EQUITY MARKET PERFORMANCE

Last Six Fed Tightening Cycles 1987-2023, Annualized



U.S., EUROZONE M2 GROWTH - AUGUST 2016 = 1.0X



Past performance does not guarantee future results.

Source: US Federal Reserve, ECB, Bloomberg

Catchphrase for 2023? “Cost of Capital”

Higher rates favor companies with positive cash flow, better stewardship of investor capital

GLOBAL STOCK OF NEGATIVE YIELDING DEBT, 2009-2023



10-YEAR U.S. TREASURY YIELD, 1994-2023



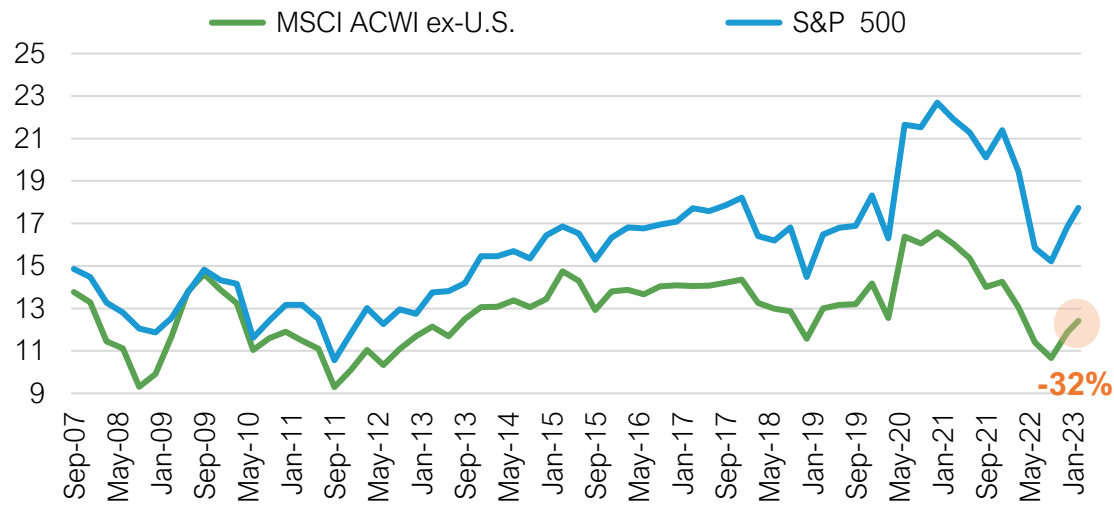
Past performance does not guarantee future results.

Source: Bloomberg Global Aggregate Negative Yielding Debt Index Market Value, Bloomberg

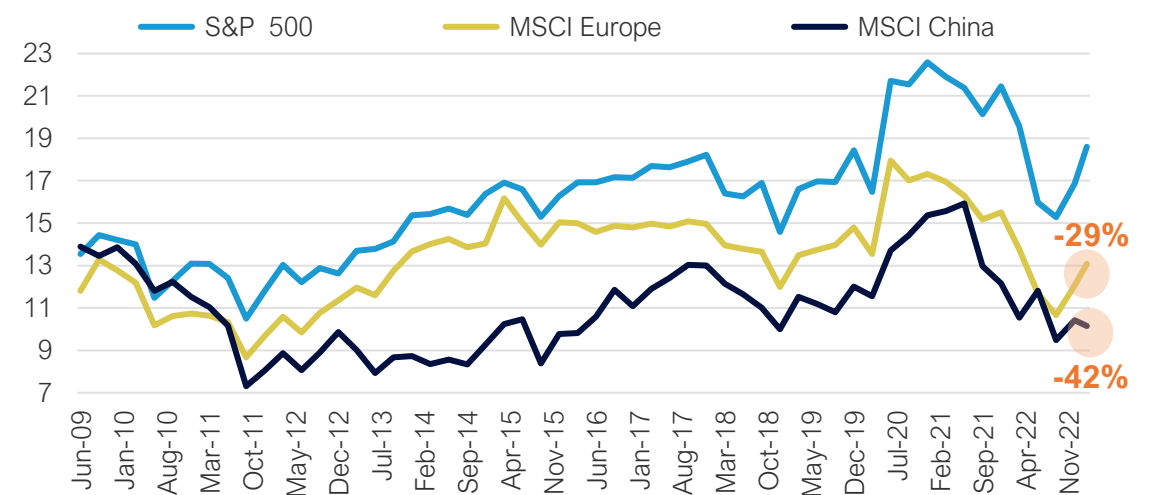
Regression to the Mean? Relative Valuations Near a 15-Year Low

-32% MSCI ACWI ex-U.S., -29% MSCI Europe, -42% MSCI China vs. S&P 500

12-MONTH FORWARD P/E: U.S. VS. INTERNATIONAL



12-MONTH FORWARD P/E: U.S. VS. EUROPE, CHINA



Past performance does not guarantee future results.

Source: Bloomberg

Why Europe? Perception vs Reality

Many quality global leaders, with 56% of MSCI Europe’s revenues coming from outside of Europe

EURO AREA INFLATION IS AN ENERGY STORY



DUTCH TTF NATURAL GAS FRONT MONTH FUTURES

European Gas Prices Have Fallen Sharply As Storage Filled, Supply Worries Waned



Past performance does not guarantee future results.

Source: Eurostat (left), NY Mercantile Exchange, Bloomberg (right)

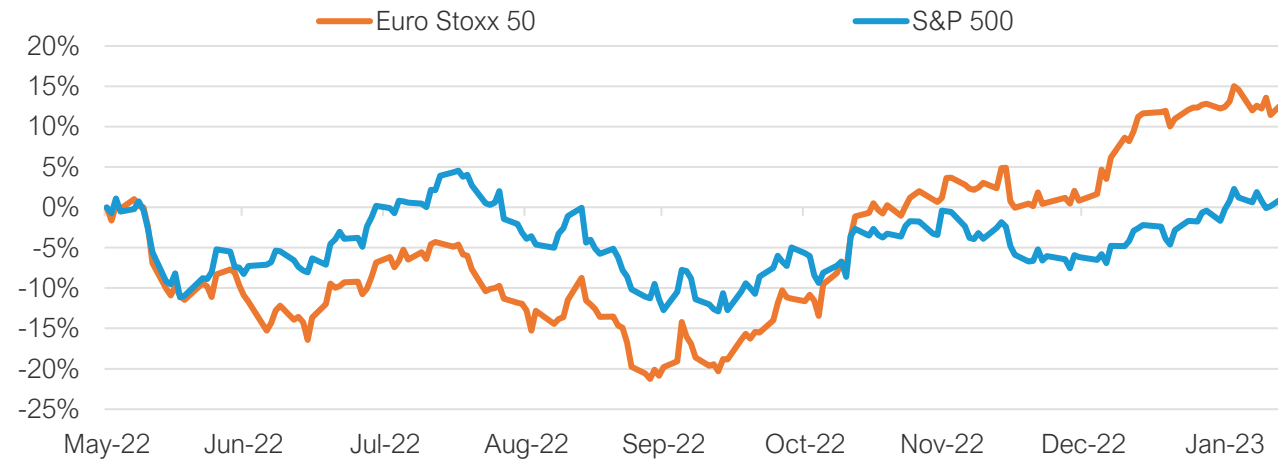
High-quality Companies With the Durability to Navigate the Current Landscape

How we're thinking about European investment given the current environment

- **Global Operators:** companies based in Europe but operating globally. Businesses providing essential products and services with balanced revenue exposure to Europe
 - Pharmaceuticals (Astrazeneca, Roche)
 - Consumer Goods (LVMH, L'Oreal)
- **Beneficiaries of the Current Situation:** Companies in sectors benefiting from higher prices and providing solutions in a difficult situation
 - Energy (Total, Shell)
- **Bounce Back Stocks:** companies that have suffered from the uncertainty but are likely to see the most dramatic recoveries as sentiment improves
 - Utilities (E.On, Enel, Endesa)
 - Industrials (ABB, Kuehne & Nagel)
 - Materials (Air Liquide)

Investors See Shift in Europe's Fortunes: Concern about energy prices, inflation and central-bank rates has eased

EURO STOXX 50, S&P 500 INDICES – TOTAL RETURN



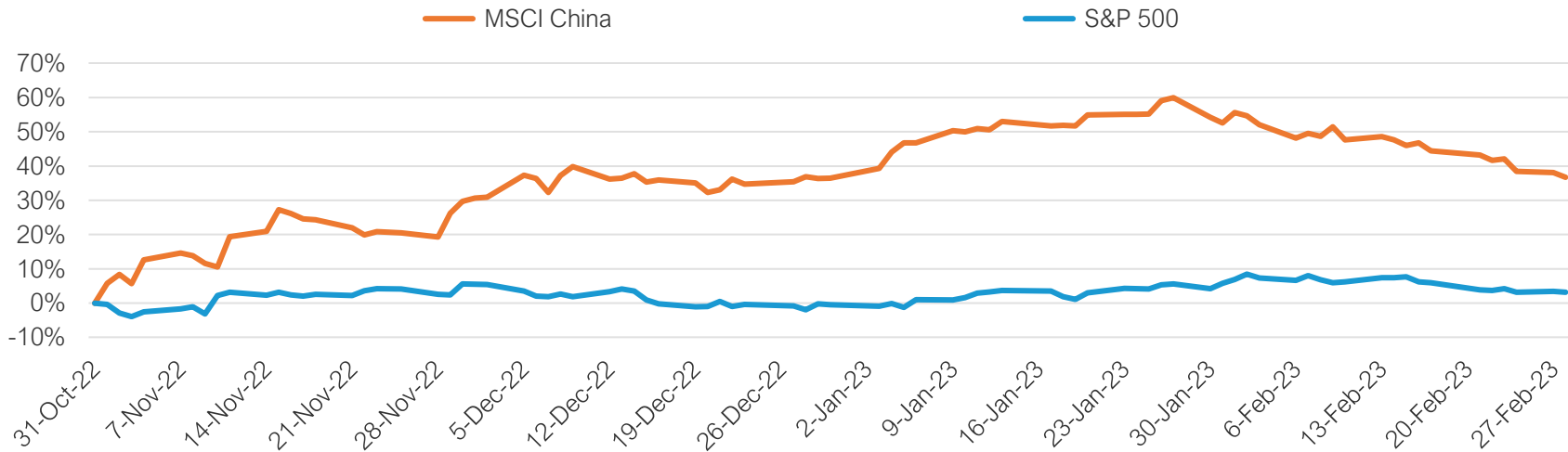
Past performance does not guarantee future results.

Source: STOXX/Deutsche Borsse Group, S&P, Bloomberg

Why China? U.S. May Not have Pivoted Yet, but China Has

MSCI China down 45% since February 2021 peak, but 45% bounce since 31 October 2022

MSCI CHINA VS. S&P 500 SINCE 30 SEPTEMBER 2022



- Market, investor sentiment, and valuations (50% P/E discount to U.S.) reached extremes in October, 32% bounce since on signals of change in COVID policy
- Short-term driver of markets, economy is the path of post-COVID reopening and ongoing policy easing
- Medium-term driver – Chinese consumption, support for real estate sector, evolving company policy in reaction to economy and government regulations
- Long-term economy – demographics, path of Chinese involvement in local economy, relationship with U.S. and rest of world and resulting China valuation discount

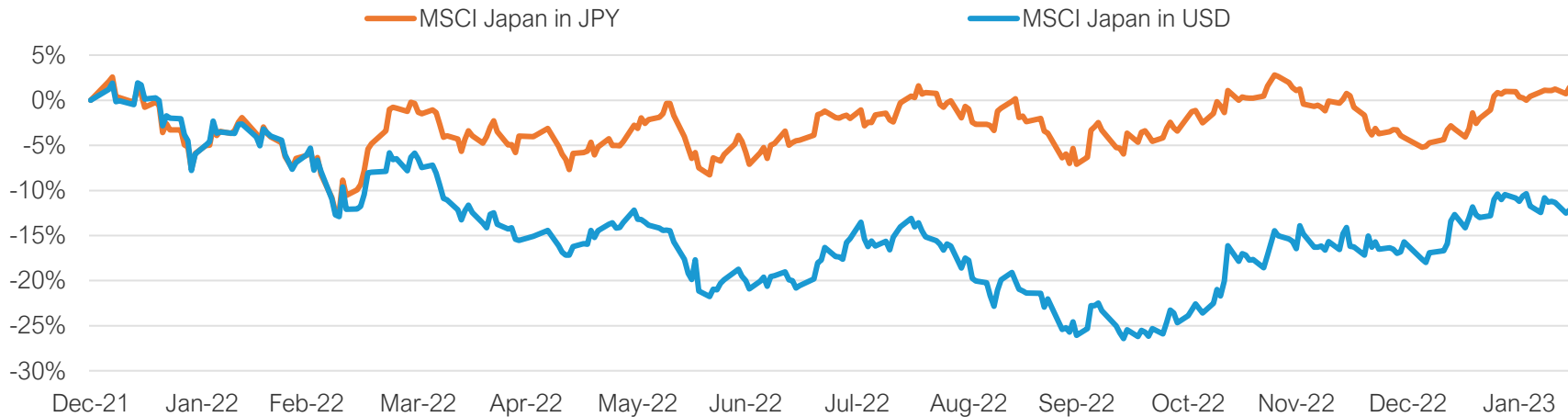
Past performance does not guarantee future results.

Source: MSCI, S&P, and Bloomberg

Don't Forget Japan

Japan has been a great source of bottom-up opportunities

MSCI JAPAN IN YEN, USD 2022-2023



- 1.5% annual returns over last 5 years in USD, but diverse corporate sector is a rich source of alpha
- Dollar has been biggest driver of recent returns in Japan, and could deliver upside on reversal in USD or change in BOJ monetary policy
- Has been fertile source of bottom-up stock ideas in recent years
- Gradual change in Japanese corporate culture and governance has benefitted shareholders

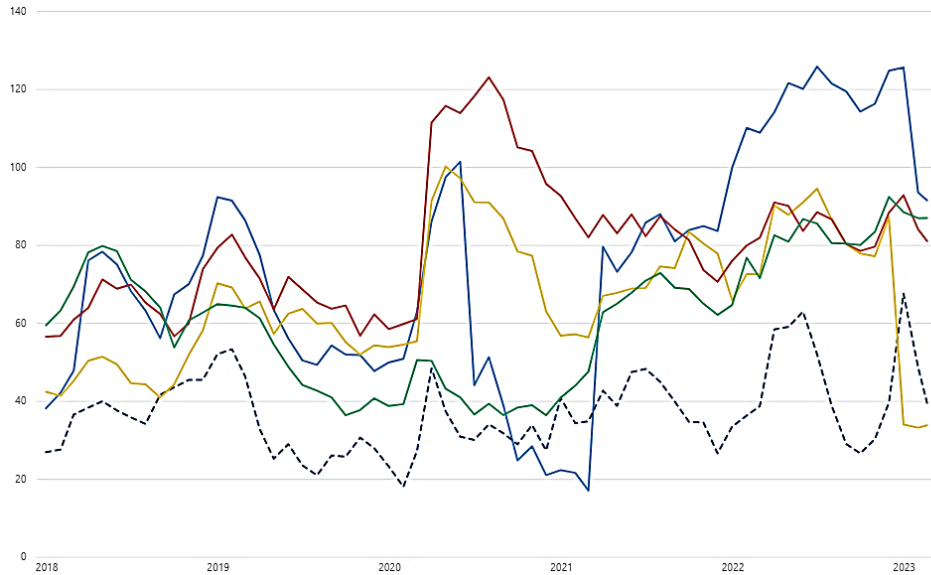
Past performance does not guarantee future results.

Source: Bloomberg

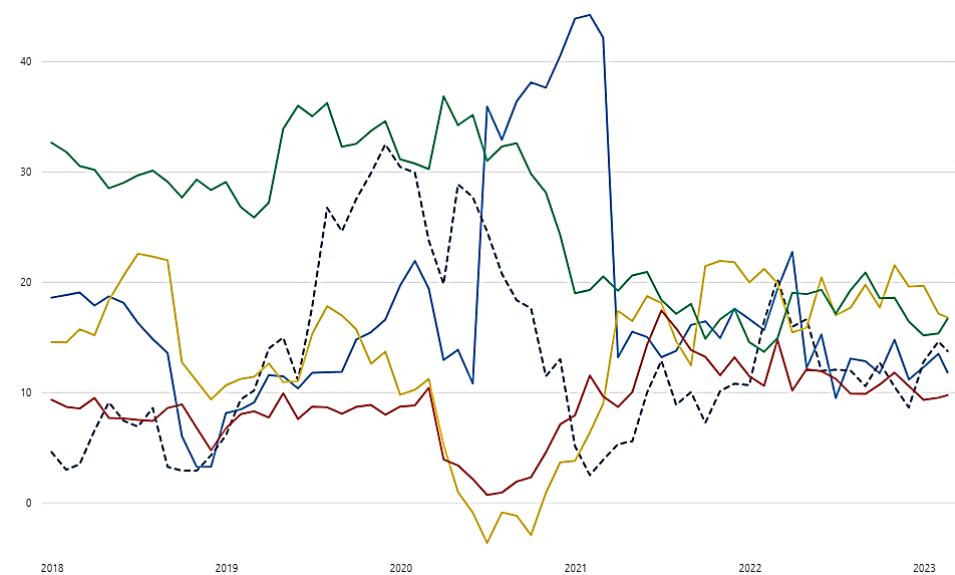
Factor Contributors to Active Risk

Example of five active International Funds, 2018-2023 YTD

CONTRIBUTION TO ACTIVE RISK BY COUNTRY



CONTRIBUTION TO ACTIVE RISK BY SECTOR



Past performance does not guarantee future results.

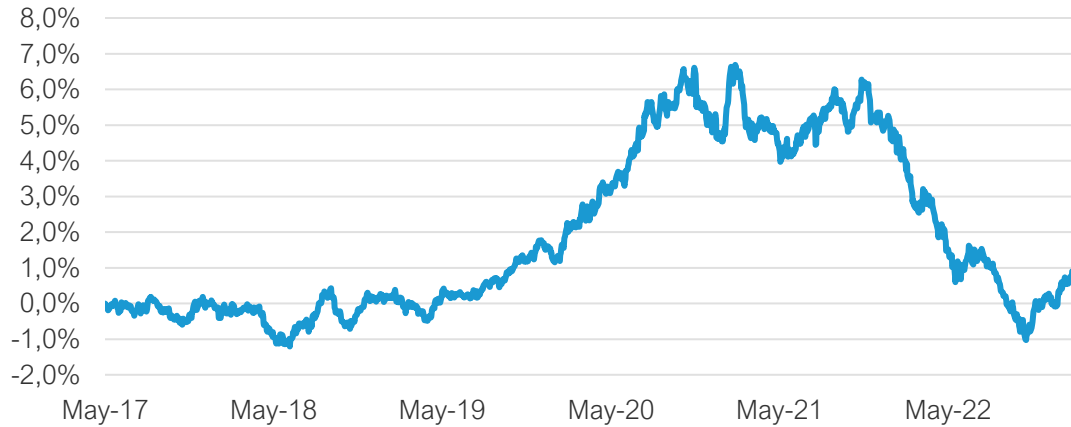
Source: Thornburg, Axioma

Charts are illustrative for presentation purposes only and may not reflect the actual portfolio. Some or all of the information on these charts may be dated, and, therefore, should not be the basis to purchase or sell any securities.

Invest in ESG in 2023?

CUMULATIVE RELATIVE PERFORMANCE

MSCI ACWI ex-U.S. ESG Leaders Index – MSCI ACWI ex-U.S. Index 2017-2023

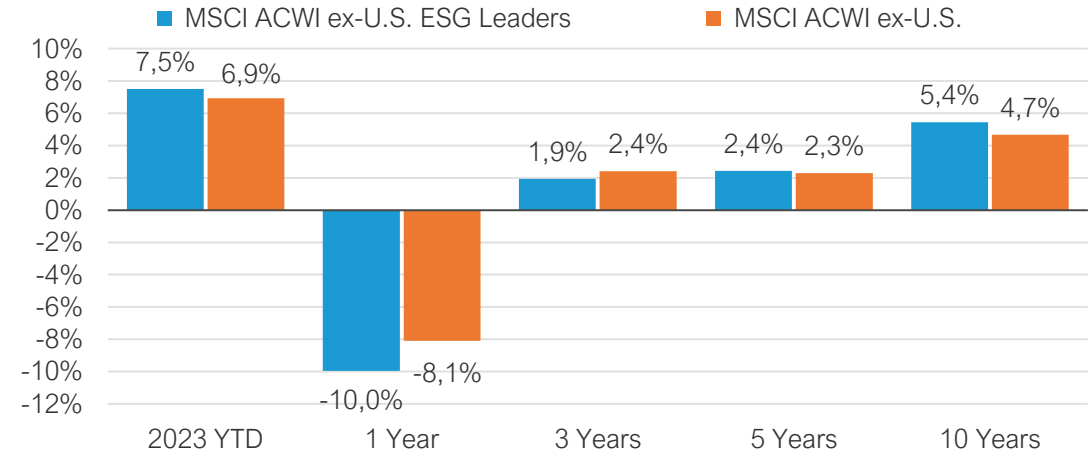


Past performance does not guarantee future results.

Source: MSCI

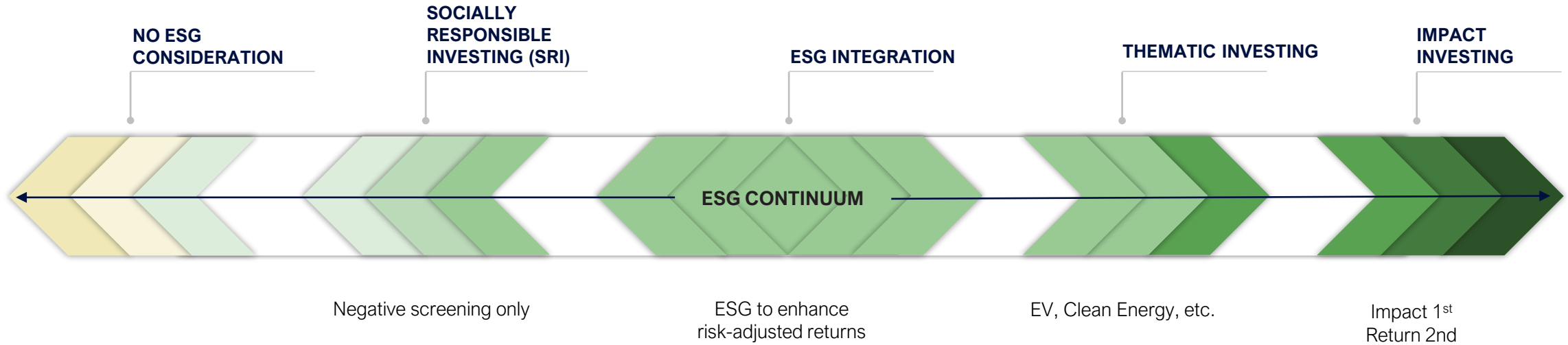
TOTAL RETURN AS OF 31 JANUARY 2023

MSCI ACWI ex-U.S. ESG Leaders Index vs. ACWI ex-U.S. Index



What is ESG?

No single definition but many approaches



What is Materiality? Sustainability information which is “reasonably likely to affect financial performance” (Sustainability Accounting Standards Board)

Source: Thornburg, SASB

Important Information: Outside the United States



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www.thornburgglobal.com

UCITS Administrator

State Street Fund Services (Ireland) Limited

78 Sir John Rogerson's Quay

Dublin 2, D02 HD32, Ireland

Email: ThornburgTA@statestreet.com or Call +353.1.242.5580

UCITS Distributor

Thornburg Investment Management, Inc.

2300 North Ridgetop Road

Santa Fe, New Mexico 87506

United States of America

Email: contactglobal@thornburg.com or Call +1.855.732.9301