



**Thornburg Investment Management, Inc.**  
**All Cap Growth Strategy**  
**Third Quarter 2015 Commentary**

The third quarter of 2015 was marked by the return of volatility and the first extended market correction since 2011. Global markets declined significantly during the period, continuing the downward trend that started toward the end of the second quarter. The move completely erased all gains from earlier in the calendar year. Year-to-date stock returns are now broadly negative. The U.S. fared slightly better than most markets in Europe, while emerging markets extended their long streak of underperformance.

The Thornburg All Cap Growth Strategy shed -8.68% (net of fees in USD) in the July-through-September period, while the Russell 3000 Growth Index lost -5.93%. That brought the strategy's annualized performance since its inception to 5.92% (net of fees in USD), versus the benchmark's 4.05% return in the period.

Ongoing growth concerns surrounding China were exacerbated by an unexpected devaluation of the country's currency. The Chinese economy has decelerated as the new government attempts to shift from an investment- (infrastructure) driven economy to a healthier, more sustainable, consumer-driven economy. This is a difficult task that typically occurs over decades. That the People's Bank of China resorted to devaluing the renminbi raised fears that the Chinese economy may be weaker than it appears.

In the United States, the Federal Reserve Bank also contributed to the weakness. The new leadership seems unable to craft a clear, consistent message regarding when it will begin raising interest rates. The longer the delay, the more concern grows that the Fed's assessment of the U.S. and world economies is less rosy than many market participants' views. And we have in fact seen some softness in recent economic data. The Fed's timing decision will likely impact global currency exchange rates and, as a reminder, most global commodities trade in U.S. dollars. The value of the dollar directly impacts many economies around the world.

As always the primary driver of our performance is the stocks we choose to own. Following is a discussion of our top five contributors and detractors for the quarter.

<b>Contributors to Performance<sup>1</sup></b> (Representative Account)			<b>Detractors from Performance<sup>1</sup></b> (Representative Account)		
<b>Name</b>	<b>Contrib %</b>	<b>Avg Wgt %</b>	<b>Name</b>	<b>Contrib %</b>	<b>Avg Wgt %</b>
Solera Holdings	0.43	1.87	Lifelock Inc	-0.89	0.49
Google (Class A and C)	0.42	3.32	Shutterstock Inc	-0.75	0.75
Amazon	0.35	2.25	Biogen Inc	-0.60	1.99
Vantiv Inc	0.33	2.21	Affiliated Managers Group	-0.57	2.46
Priceline	0.14	2.16	Las Vegas Sands	-0.52	1.82

---

<sup>1</sup> 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 [mcg@thornburg.com](mailto:mcg@thornburg.com). The holdings identified do not represent all of the securities purchased, sold or recommended for advisory clients.

### **Top 5 Contributors:**

Solera Holdings - Historically, Solera provided a database to help insurance companies estimate the cost of vehicle repairs after an accident. Recently, Solera has been diversifying into other insurance-related products, such as repair-shop databases and a system to report driver moving violations to insurance companies. Solera received an offer to be taken private, driving the returns this quarter.

Amazon is the largest and most dominant online retailer in the world. The company continues to benefit from the shift from offline-to-online shopping. Amazon also continues to roll out adjacent products and services, creating a more dominant and sticky platform.

Vantiv is a merchant acquirer. The company facilitates the processing of credit- and debit-card payments at brick-and-mortar retailers and online. The industry enjoys a secular tailwind as payments shift from cash and check to electronic, and Vantiv has been able to gain share with competitive products and expanded distribution.

Google delivered solid revenue growth as well as better cost management that helped drive second-quarter earnings ahead of market expectations. Google also announced plans for a new operating structure, creating a new company called Alphabet that will serve as the parent company for Google's various operating companies. The new structure is a positive step toward greater transparency.

Priceline is an online travel agent. The stock traded up on strong second quarter results. Priceline continues to benefit from the shift of bookings to online, and take advantage of their large market share, especially in Europe.

### **Top 5 Detractors:**

Lifelock provides identity theft protection products. We liked the business due to its recurring revenue model and low churn. Lifelock has been involved in ongoing negotiations with the U.S. Federal Trade Commission regarding potential violations of an earlier FTC order. During the quarter, Lifelock announced it was unable to reach a settlement and that the violations may be more serious than it initially let on.

Shutterstock operates a stock digital image library that companies use in their websites, marketing materials, corporate communications, etc. The stock was weak on concerns of increased competition in the space; Adobe acquired a competitor and re-launched the service as part of a bundled service. To compound the issue, the chief financial officer, who had taken the company public in late 2012, resigned without having another job lined up. The combination of these factors sent its shares down.

Biogen reported that global sales of its multiple sclerosis drug, Tecfidera, fell short of market expectations. Furthermore, stocks across the entire pharmaceutical and biotech space have come under selling pressure over the past several weeks as politicians have highlighted some aggressive pricing practices at many pharma companies. The increased potential for some sort of drug price regulation has led to a compression of multiples in the sector.

Affiliated Managers Group - As an asset manager, negative market volatility reduces assets under management and consequentially earnings power. With global market indices broadly down in the third quarter, we saw Affiliated Managers Group stock trade off as well.



Las Vegas Sands performed poorly during the period as the company's Macau casinos saw a noticeable slowdown in gaming revenues. The slowdown was driven by a combination of China's lackluster economy and the continued crackdown on corruption, reduced conspicuous consumption, and visitor traffic from the mainland.

Market pullbacks are always difficult to stomach. But there is a silver lining. They allow us to buy high-quality growth names at more attractive valuations. We have already added to a number of existing holdings. We have repurchased companies owned in the past that had hit price targets, but have now returned to more attractive levels. And we have also purchased new, exciting growth companies. We will continue to upgrade the portfolio as opportunities present themselves.

Thank you for investing in the Thornburg All Cap Growth Strategy.

*Performance data for the All-Cap Growth Strategy is from the All-Cap Growth Composite, inception date of January 1, 2001. The composite represents all non-wrap discretionary, taxable and non-taxable accounts invested in multi-cap growth equity securities. Returns are calculated using a time-weighted and asset-weighted calculation including reinvestment of dividends and income. Returns are annualized for periods greater than one year. Individual account performance will vary. The performance data quoted represents past performance; it does not guarantee future results. Portfolio returns net of fees may include management, advisory and/or custodial fees. Thornburg Investment Management Inc.'s fee schedule is detailed in Part 2A of its ADV Brochure. Portfolio returns gross of fees do not reflect the deduction of management fees. 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 .75%, this increase would be 142%.*

As of 9/30/2015	1 Yr	3 Yr	5 Yr	10 Yr	Inception 1/1/2001
All-Cap Growth Composite (Gross)	0.05%	12.49%	15.17%	8.00%	7.29%
All-Cap Growth Composite (Net)	-0.80%	11.54%	14.18%	6.78%	5.92%
Russell 3000 Growth Index	3.21%	13.54%	14.38%	8.05%	4.05%

The views expressed by the portfolio managers reflect their professional opinions and should not be considered buy or sell recommendations. These views are subject to change and are not intended to predict or guarantee the future performance of any individual security or the markets generally, nor are they intended to predict the future performance of any Thornburg Investment Management Inc., account, strategy or fund.

Holdings may change daily and may vary among accounts.

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.



#### INVESTMENT MANAGEMENT

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.

The Russell 3000 Growth Index is an unmanaged index comprised of those Russell 3000 companies with higher price-to-book ratios and higher forecasted growth values. The stocks in this index are also members of either the Russell 1000 Growth or the Russell 2000 Growth indices.

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.