

# Thornburg Investment Income Builder Fund

## Portfolio Manager Commentary

31 March 2024



This note will highlight the results of the Thornburg Investment Income Builder Fund investment portfolio for Q1 2024. It is published amidst the ongoing developments associated with the Russian invasion of Ukraine, moderating inflation figures in the U.S., Mideast tensions, and upcoming political contests in the U.S. and many other countries. Most equity indices delivered price increases in the March quarter. Returns from bonds were mixed.

Your fund paid ordinary dividends of \$0.24 per I share during Q1'2024, +7.8% versus the prior year comparable period. For the trailing 12-month period, your fund paid ordinary dividends of \$1.194 per I share. The dividends per share were lower for A and C shares, to account for varying class specific expenses. More than 65% of your Investment Income Builder's equity holdings increased dividends in local currencies in 2023, a slightly smaller percentage compared to the prior year. We are still petitioning to get refunds from certain European governments of withholding taxes on dividends received by your fund in prior years.

The net asset value of Investment Income Builder's I shares increased by \$1.11 per share (\$24.05 to \$25.16) during the March quarter and increased by \$2.83 per share (\$22.33 to \$25.16) for the trailing 12-month period ending March 31, 2024. Investment Income Builder's I share return of 5.74% for Q1 2024 trailed the blended benchmark return of 6.42% (the blended benchmark is 75% MSCI World Index and 25% Bloomberg U.S. Aggregate Bond Index). For the 12-month period ending March 31, 2024, Investment Income Builder's I share return of 18.38% trailed the blended benchmark return of 18.93% by 0.55%. Performance comparisons of Investment Income Builder to its blended benchmark over various periods are shown in the table below.

The quarter ending March 31, 2024, was the 85th full calendar quarter since the inception of Thornburg Investment Income Builder in December 2002. In 62 of these quarters, the fund delivered a positive total return. The fund has delivered positive total

We have maintained your portfolio's exposure to dividend-paying firms that we believe have resilient businesses with strong capital structures.

## Portfolio Managers

### Matt Burdett

Portfolio Manager

### Christian Hoffmann, CFA

Portfolio Manager

### Ben Kirby, CFA

Co-Head of Investments and Portfolio Manager

### Brian McMahon

Chief Investment Strategist and Portfolio Manager

Supported by the entire Thornburg investment team

## Average Annual Returns (% , as of 31 Mar 2024)

	QTR	YTD	1-YR	3-YR	5-YR	10-YR	ITD
<b>A Shares TIBAX (Incep: 24 Dec 2002)</b>							
With Sales Charge	0.97	0.97	12.87	6.47	7.43	5.83	8.71
Without Sales Charge	5.71	5.71	18.17	8.11	8.42	6.31	8.94
<b>I Shares* TIBIX (Incep: 3 Nov 2003)</b>	5.74	5.74	18.38	8.37	8.67	6.60	9.29
<b>Investment Income Builder Blended Index</b>	6.42	6.42	18.93	5.89	9.29	7.57	7.86

ITD = Inception to Date

Periods less than one year are not annualized.

\*Prior to inception of class I shares, performance is calculated from actual returns of the class A shares adjusted for the lower Institutional expenses.

The Blended index is composed of 25% Bloomberg U.S. Aggregate Bond Index and 75% MSCI World Index.

30-day SEC Yield as of 29 Feb 2024 – A shares: 3.30%; I shares: 3.70%

*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](http://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. The total annual fund operating expenses are as follows: A shares, 1.17%; I shares, 0.93%. For more detailed information on fund expenses and waivers/reimbursements please see the fund's prospectus.*

**This communication is not authorized for distribution to prospective investors in the Fund unless preceded or accompanied by an effective prospectus.**

returns in 16 of its 21 calendar years of existence. Importantly, for an investor reinvesting dividends Thornburg Investment Income Builder has delivered an average annualized total return of more than 8.9% since its inception 21 years ago, split between quarterly income distributions and share price appreciation. On a \$100,000 initial investment, a hypothetical investor taking all ordinary dividends in cash (no reinvestment of quarterly dividends) would have received total dividends of \$176,832 over these 85 quarters. In addition, the current value of the original investment stood at \$223,400 as of March 31, 2024.

Listed at right in descending order are the 25 largest equity holdings in the fund as of March 31, 2024, along with their Q1'24 and 2023 calendar year share price changes in \$US. Also noted are dividend yields at closing March 31, 2024, stock prices and the trailing 5-year *growth rate* of each firm's dividend/share in local currency. Together, these 25 firms comprised approximately 62% of the fund's total assets as of March 31, 2024. Cash and more than 250 interest-bearing debt and hybrid securities comprised around 15% of fund assets, and 36 other common equities comprised a total of approximately 23% of fund assets. Individual position sizes of the 25 equities listed range from 5% of fund assets (Orange SA) to approximately 1.4% for those shown near the bottom of the list.

These are not trivial businesses. These firms occupy important positions in their respective markets. They tend to be well capitalized. Most have made reasonable progress growing their bases of paying customers and distributable cash flows to support multi-year dividend growth. Among these top 25 holdings, only Vodafone (a special situation with various subsidiaries sold or put into joint ventures) and AT&T paid lower dividends in 2023 vs 2018.

The reader will notice a number of telecommunications, financial, and health care firms among these top 25 holdings,

### Table 1 | Investment Income Builder Fund—Top 25 Equity Holdings

(As of 31 Mar 2024. Together, these 25 firms comprised approximately 62% of the fund's total assets. Cash & more than 250 interest-bearing debt and hybrid securities comprised around 15% of fund assets, and 36 other common equities comprised a total of approximately 23% of fund assets.)

Name of Company	2024 Q1 (USD)	Calendar 2023 Price Change (USD)	Dividend Yield (at 31 Mar 24 price)	5-Year Local Currency Dividend Growth Rate
<b>Orange SA</b>	3.1%	14.7%	6.6%	+0.6%/year
Multi-national telecommunications network operator, home market is France Telecom				
<b>Total Energies SE</b>	0.5%	8.5%	4.7%	+3.1%/year
Produces, refines, transports, and markets oil and natural gas products globally				
<b>Broadcom Inc</b>	18.7%	99.6%	1.6%	+17.5%/year
Develops and markets digital and analogue semiconductors				
<b>BNP Paribas</b>	2.7%	21.4%	7.0%	+5.2%/year
Multinational commercial & capital markets bank. Most operations centered in Europe				
<b>Taiwan Semiconductor</b>	25.6%	32.9%	1.8%	+8.9%/year
Leading semiconductor chip foundry in the world, fabricating chips used in many digital devices				
<b>NN Group</b>	16.9%	-3.2%	7.5%	+11.3%/year
Netherlands based life and casualty insurer, with market leading positions in Netherlands				
<b>Citigroup</b>	22.9%	13.7%	3.4%	+4.7%/year
U.S. based global capital markets & retail bank				
<b>Enel SpA</b>	-11.3%	38.2%	7.0%	+8.8%/year
Generates, distributes, and sells electricity and gas in Southern Europe & Latam				
<b>Samsung Electronics</b>	0.5%	39.2%	1.8%	+0.4%/year
Manufactures consumer & industrial electronic products; leading semiconductor producer				
<b>AT&amp;T Inc.</b>	4.9%	-8.9%	6.3%	-11.1%/year
U.S. based wireless & wireline services. 113 million wireless, 14 million broadband customers				
<b>Vodafone</b>	1.7%	-14.1%	11.0%	-10.1%/year
Multinational telecom network operator. 280 million wireless, 24 million broadband customers				
<b>JP Morgan Chase &amp; Co</b>	17.6%	26.9%	2.3%	+8.5%/year
U.S. based global financial services conglomerate serving business & individuals				
<b>Tesco PLC</b>	1.0%	36.7%	3.7%	+20.8%/year
UK based food retailer				
<b>Roche Holding</b>	-12.5%	-7.5%	4.2%	+2.0%/year
Global health care company develops and sells medicines and diagnostic tools				
<b>CME Group</b>	2.2%	25.2%	4.5%	+16.1%/year
Operates exchanges that trade futures contracts & options on rates, F/X, equities, commodities				

Table continued on following page.

as well as other providers of various ingredients important to modern life. We believe their attractive current dividend yields and records of dividend growth indicate good value.

We have maintained your portfolio's exposure to dividend-paying firms that we believe have resilient businesses with strong capital structures. The recent increase in communications services sector investments was mostly due to the addition of AT&T to the portfolio in the December quarter. Compare the sector allocations of the equities in the Income Builder portfolio over the trailing year in **Table 2**.

The value of the \$US vis-à-vis most developed market foreign currencies fluctuated within a relatively narrow range in Q1'2024, finishing slightly higher from December 31 to March 31. As in prior years, we hedged a significant percentage of the foreign currency exposure of the underlying businesses of your portfolio's non-\$US investments.

Ten of eleven sectors of the MSCI World Index delivered positive returns in \$US for Q1'24. Sector returns for the quarter ranged from +13% for the communications services sector to -0.5% for the real estate sector. For calendar 2023 all eleven sectors of the MSCI World Index delivered positive returns in \$US, ranging from +58% for the information technology sector to +1% for utilities. The MSCI World Index comprises 75%, and the entire equity portion, of the global performance benchmark for Thornburg Investment Income Builder.

Twenty-one equity investments contributed positive returns of at least 0.10% to overall Income Builder Fund portfolio performance during Q1'2024. The most positive equity contributors to quarterly performance included information

**Table 1 (continued)**

Name of Company	2024 Q1 (USD)	Calendar 2023 Price Change (USD)	Dividend Yield (at 31 Mar 24 price)	5-Year Local Currency Dividend Growth Rate
<b>Merck &amp; Co.</b>	21.0%	-1.7%	2.3%	+7.8%/year
Global health care company develops and sells medicines, vaccines, biologic therapies.				
<b>Glencore Plc</b>	-8.8%	-9.8%	9.5%	+22.5%/year
Diversified miner & commodities trader				
<b>Deutsche Telekom</b>	0.9%	20.5%	3.5%	+1.9%/year
Multinational telecom services provider, majority owner of T-Mobile U.S.				
<b>AstraZeneca Plc</b>	-0.4%	-0.3%	2.1%	+1.4%/year
Global health care company develops and sells medicines				
<b>Pfizer Inc.</b>	-3.6%	-43.8%	6.1%	+3.6%/year
Global health care company develops and sells medicines, vaccines, biologic therapies.				
<b>Equitable Holdings</b>	14.1%	16.0%	2.3%	+17.7%/year
Financial services, insurance, and savings products company				
<b>Home Depot</b>	10.7%	9.7%	2.4%	+13.9%/year
Home improvement & building materials retailer				
<b>LyondellBasell Industries</b>	7.6%	14.5%	4.9%	+7.6%/year
Manufactures plastic, chemical and fuel ingredients for multiple end markets				
<b>BAE Systems</b>	20.2%	36.9%	2.2%	+5.0%/year
Develops, delivers, and supports advanced defense and aerospace systems				
<b>Assicurazioni Generali</b>	19.8%	18.8%	5.5%	+6.4%/year
Italy-based multinational life & casualty insurer				

Past performance does not guarantee future results.

**Table 2 | Investment Income Builder Fund Sector Weights (%)**

Sector Weights as of:						Mar '23– Mar '24 +/- Weighting
Sector	31-Mar-24	31-Dec-23	30-Sep-23	30-Jun-23	31-Mar-23	
<b>Financials</b>	25.4	24.5	24.1	25.3	24.1	1.3
<b>Communications Services</b>	16.7	15.1	12.1	11.5	12.3	4.4
<b>Information Technology</b>	13.4	14.8	13.8	15.2	14.2	-0.8
<b>Health Care</b>	12.2	10.5	11.9	12.1	12.5	-0.3
<b>Energy (Diversified)</b>	10.6	11.3	13.4	10.7	9.2	1.4
<b>Utilities</b>	6.2	7.1	6.7	8.9	8.7	-2.5
<b>Materials</b>	5.5	7.2	8.0	6.4	7.1	-1.6
<b>Consumer Discretionary</b>	3.7	3.0	3.1	3.1	3.8	-0.1
<b>Consumer Staples</b>	3.6	3.8	3.9	3.7	3.8	-0.2
<b>Industrials</b>	2.3	2.0	1.9	2.0	3.8	-1.5
<b>Real Estate</b>	0.3	0.3	0.3	0.4	0.4	-0.1

May not add up to 100% due to rounding.

technology firms Taiwan Semiconductor, Broadcom, and Qualcomm; financials Citigroup, JPMorgan Chase, NN Group, Generali, Equitable Holdings, and Bank of Ireland; pharmaceuticals firms Merck and Abbvie; telecommunications network operators Orange, Zegona Communications, and AT&T; motor vehicle producers Stellantis and Mercedes-Benz Group; UK defense contractor BAE Systems, and Home Depot.

Six of your fund's equity investments made negative contributions to portfolio performance of less than -0.10% during Q1'2024. These negative contributors included European utilities Enel and Endesa, miners Glencore and BHP Group, pharmaceutical firm Roche, and energy producer Equinor.

Investment Income Builder's bond holdings delivered modest positive returns during Q1'2024. Ten-year U.S. Treasury bond yields, unchanged year over year in calendar 2023, rose from 3.88% to 4.20% in the March quarter. Corporate and asset-backed bond yield spreads to U.S. Treasury bonds mostly narrowed. The market yield of the Bloomberg U.S. Corporate High Yield Index increased slightly from 7.59% to 7.66% during the March quarter (yield to lower of call price or maturity), but the interest income overcame the slight bond price decline to deliver a positive return. On March 31, 2023, the \$65 trillion Bloomberg Global Aggregate Bond Index showed an average maturity of 8.52 years and a yield of 3.74%, the latter increasing by +0.23% over the March quarter after dropping by -0.19% during calendar 2023. Developed world bond yields outside the U.S. lag domestic bond yields, a circumstance that has supported the U.S. dollar in the face of large fiscal and trade deficits over the last 9 quarters.

Readers of this commentary who are long-time shareholders of Thornburg Investment Income Builder will recall that the interest-bearing debt portion of the fund's portfolio has varied over time, ranging from less than 9% in 2015 to 45% on June 30, 2009. We tend to allocate more portfolio assets to interest-bearing debt when debt yields are more attractive. Approximately 15% of portfolio assets were invested in interest-bearing debt and near cash assets on March 31, 2024. The remaining 85% of portfolio assets were invested in equities as previously described.

The outlook for financial asset returns remains uncertain. Earnings and other valuation multiples for most segments of the U.S. equity market are above historic averages. The "real" yield on the 10-year U.S. Treasury note (*March 31 market yield on 10-year UST of 4.20% minus the core consumer price index of 3.8%*) is positive at +0.4%, using the February 2024 core Consumer Price Index. While showing a significant recovery from the negative real yields of recent years, this positive real yield level lags levels typically experienced over the investment lifetimes of most readers of this note. The average "real yield" on 10-year U.S. Treasury notes over the last 30 years was +1.40%. U.S. price inflation headed lower in recent quarters and is approaching Federal Reserve targets, but recent progress has slowed. A large supply of new government debt being issued plus ongoing corporate borrowing present challenges to further reductions in bond yields unless the U.S. economy weakens considerably in the coming quarters.

Incoming economic data from around the world indicate a resilient global economy, resisting falling into a broadly predicted recession. Prices of traded financial assets will be volatile with day-to-day news changing perceptions of near-term economic performance and interest rate policies. We are optimistic about the future return potential of Thornburg Investment Income Builder's assets. Why?

Virtually all the businesses in your portfolio retain their market positions providing important products and services that generate cash flows to pay attractive dividends. We believe they are valued very attractively in relation to their own histories and relative to other assets.

The weighted average price/earnings ratio for Thornburg Investment Income Builder's equity portfolio tabulated using Bloomberg reported results was approximately 11.6x as of March 31, 2024, well below the 19.3x price/earnings ratio of the MSCI World Index. Income Builder's 4.85% weighted average equity portfolio dividend yield significantly exceeds the 1.79% dividend yield of the MSCI World Index. We believe your Income Builder portfolio incorporates significant intrinsic value. The bond portion of your fund's portfolio has a duration below 4 years and a yield to maturity/call of more than 7.5%.

Thank you for being a shareholder of Thornburg Investment Income Builder Fund. Remember that you can review additional information about your portfolio by going to our website, [www.thornburg.com](http://www.thornburg.com).

## **Important Information**

Unless otherwise noted, the source of all data, charts, tables and graphs is Thornburg Investment Management, Inc., as of 31 Mar 2024.

Investments carry risks, including possible loss of principal. Additional 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- and mid-capitalization companies may increase the risk of greater price fluctuations. Portfolios investing in bonds have the same interest rate, inflation, and credit risks that are associated with the underlying bonds. The value of bonds will fluctuate relative to changes in interest rates, decreasing when interest rates rise. Investments in the Fund are not FDIC insured, nor are they bank deposits or guaranteed by a bank or any other entity.

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.

There is no guarantee that the Fund will meet its investment objectives.

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.

Neither the payment of, or increase in, dividends is guaranteed.

**Asset-backed Security (ABS)** - A security whose value and income payments are derived from and collateralized (or "backed") by a specified pool of underlying assets. The pool of assets is typically a group of small and illiquid assets that are unable to be sold individually. Pooling the assets into financial instruments allows them to be sold to general investors, a process called securitization, and allows the risk of investing in the underlying assets to be diversified because each security will represent a fraction of the total value of the diverse pool of underlying assets.

**Consumer Price Index (CPI)** - Index that measures prices of a fixed basket of goods bought by a typical consumer, including food, transportation, shelter, utilities, clothing, medical care, entertainment and other items. The CPI, published by the Bureau of Labor Statistics in the Department of Labor, is based at 100 in 1982 and is released monthly. It is widely used as a cost-of-living benchmark to adjust Social Security payments and other payment schedules, union contracts and tax brackets. Also known as the cost-of-living index.

**Dividend Yield** - A ratio that shows how much a company pays out in dividends each year relative to its share price.

**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.

**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.

**Real Yield** - Yield from an investment adjusted for the effects of inflation.

**UST** = United States Treasury

The Blended index is composed of 25% Bloomberg U.S. Aggregate Bond Index and 75% MSCI World Index. The Bloomberg U.S. Aggregate Bond Index is composed of approximately 8,000 publicly traded bonds including U.S. government, mortgage-backed, corporate and Yankee bonds. The index is weighted by the market value of the bonds included in the index. The MSCI World Index is an unmanaged market-weighted index that consists of securities traded in 23 of the world's most developed countries. Securities are listed on exchanges in the U.S., Europe, Canada, Australia, New Zealand, and the Far East. The index is calculated with net dividends reinvested, in U.S. dollars.

The Bloomberg US Corporate High Yield Index measures the market of USD-denominated, non-investment grade, fixed-rate, taxable corporate bonds. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below. The index excludes emerging market debt.

The Bloomberg Global Aggregate Index is a flagship measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

"Bloomberg®" and the Bloomberg index(es) mentioned in this piece are service marks of Bloomberg Finance L.P. and its affiliates, including Bloomberg Index Services Limited ("BISL"), the administrator of the index (collectively, "Bloomberg") and have been licensed for use for certain purposes by Thornburg Investment Management. Bloomberg is not affiliated with Thornburg, and Bloomberg does not approve, endorse, review, or recommend Thornburg. Bloomberg does not guarantee the timeliness, accurateness, or completeness of any data or information relating to Thornburg.

The MSCI All Country World Index is an unmanaged market-weighted index that consists of securities traded in 23 of the world's most developed countries. Securities are listed on exchanges in the U.S., Europe, Canada, Australia, New Zealand, and the Far East. The index is calculated with net dividends reinvested in U.S. dollars.

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.

**This communication is not authorized for distribution to prospective investors in the Fund unless preceded or accompanied by an effective prospectus. Investors should consider the Fund's investment objectives, risks, charges and expenses carefully before investing. The prospectus contains this and other information about the Fund.**