

# Thornburg Investment Income Builder Fund

## Portfolio Manager Commentary

30 September 2024



This note will highlight the results of the Thornburg Investment Income Builder Fund investment portfolio for Q3 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. Most equity indices delivered price increases in the September quarter. Returns from bonds were solid as interest rates declined and credit spreads narrowed.

Your fund paid ordinary dividends of \$0.308 per I share during Q3'2024, unchanged versus the prior year comparable period. For the trailing 12-month period your fund paid ordinary dividends of \$1.20 per I share, similar to the prior year comparable period. 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 expect at least a similar percentage of your fund's equity holdings to increase dividends in local currencies in 2024. Income from our interest-bearing debt portfolio will be lower year on year. We await news of any special dividends since these tend to be announced late in the calendar year.

The net asset value of Investment Income Builder's I shares increased by +\$1.32 per share (\$25.55 to \$26.87) during the September quarter and increased by +\$4.37 per share (\$22.50 to \$26.87) for the trailing 12-month period ending September 30, 2024. Investment Income Builder's I share return of 6.38% for Q3 2024 exceeded the blended benchmark return of 6.07% for the September quarter (the blended benchmark is 75% MSCI World Index and 25% Bloomberg U.S. Aggregate Bond Index). For the 12-month period ending September 30, 2024, Investment Income Builder's I share return of 25.12% trailed the blended benchmark return of 26.96%. Performance comparisons of Investment Income Builder to its blended benchmark over various periods are shown in the table below.

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

**Brian McMahon**  
Chief Investment Strategist and  
Portfolio Manager

Supported by the entire Thornburg investment team

### Average Annual Returns (% , as of 30 Sep 2024)

	QTR	YTD	1-YR	3-YR	5-YR	10-YR	ITD
<b>A Shares TIBAX (Incep: 24 Dec 2002)</b>							
With Sales Charge	1.56	10.08	19.24	8.73	8.37	6.46	8.93
Without Sales Charge	6.32	15.25	24.85	10.41	9.37	6.95	9.16
<b>I Shares* TIBIX (Incep: 3 Nov 2003)</b>	6.38	15.44	25.12	10.67	9.62	7.24	9.51
<b>Investment Income Builder Blended Index</b>	6.07	15.13	26.96	6.52	9.97	8.15	8.06

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 31 Aug 2024 – A shares: 3.02%; I shares: 3.39%

*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. The total annual fund operating expenses are as follows: A shares, 1.17%; I shares, 0.92%. 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.**

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The quarter ending September 30, 2024, was the 87th full calendar quarter since the inception of Thornburg Investment Income Builder in December 2002. In 64 of these quarters the fund delivered a positive total return. The fund has delivered positive total 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 9% since its inception nearly 22 years ago, split between quarterly income distributions and share price appreciation. On a \$100,000 initial investment a hypothetical investor owning Thornburg Investment Income Builder A shares and taking all ordinary dividends in cash (no reinvestment of quarterly dividends) would have received total dividends of \$181,706 over these 87 quarters. In addition, the current value of the original investment stood at \$238,510 as of September 30, 2024.

Listed at right in descending order are the 25 largest equity holdings in the fund as of September 30, 2024, along with their share price changes in \$US for the first 9 months of 2024 and calendar year 2023. Also noted are dividend yields at closing September 30, 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 63% of the fund's total assets as of September 30, 2024. Cash and more than 250 interest-bearing debt and hybrid securities comprised around 15% of fund assets, and 33 other common equities comprised a total of approximately 22% of fund assets. Individual position sizes of the 25 equities listed range from 5.6% 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.

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

(As of 30 Sep 2024. Together, these 25 firms comprised approximately 63% of the fund's total assets. Cash & more than 250 interest-bearing debt and hybrid securities comprised around 15% of fund assets, and 33 other common equities comprised a total of approximately 22% of fund assets.)

Name of Company	2024 YTD Share Price % Change (USD)	Calendar 2023 Share Price % Change (USD)	Dividend Yield (at 30 Sep 24 price)	5-Year Local Currency Dividend Growth Rate
<b>Orange SA</b>	0.6%	14.7%	7.3%	+0.6%/year
Multi-national telecommunications network operator, home market is France Telecom				
<b>Broadcom Inc</b>	54.5%	99.6%	1.2%	+14.7%/year
Develops and markets digital and analogue specific semiconductors				
<b>Taiwan Semiconductor</b>	55.9%	32.9%	1.6%	+11.8%/year
Leading semiconductor chip foundry in the world, fabricating chips used in many digital devices				
<b>Total Energies SE</b>	-4.3%	8.5%	5.3%	+3.5%/year
Produces, refines, transports, and markets oil and natural gas products globally				
<b>AT&amp;T Inc.</b>	31.1%	-8.9%	5.1%	-11.4%/year
U.S. based wireless & wireline services. 113 million wireless, 14 million broadband customers				
<b>NN Group</b>	26.2%	-3.2%	7.5%	+10.9%/year
Netherlands based life and casualty insurer, with market leading positions in Netherlands				
<b>Enel SpA</b>	7.4%	38.2%	6.0%	+8.9%/year
Generates, distributes, and sells electricity and gas in Southern Europe & Latam				
<b>BNP Paribas</b>	-0.9%	21.4%	7.5%	+8.8%/year
Multinational commercial & capital markets bank. Most operations centered in Europe				
<b>Tesco PLC</b>	29.7%	36.7%	3.4%	+10.6%/year
UK based food retailer				
<b>Citigroup</b>	21.7%	13.7%	3.6%	+2.9%/year
U.S. based global capital markets & retail bank and treasury services provider				
<b>Samsung Electronics</b>	-23.3%	39.2%	2.4%	+0.4%/year
Manufactures consumer & industrial electronic products; leading semiconductor producer				
<b>Roche Holding</b>	10.0%	-7.5%	3.6%	+2.0%/year
Global health care company develops and sells medicines and diagnostic tools				
<b>CME Group</b>	4.8%	25.2%	4.4%	+15.8%/year
Operates exchanges that trade futures contracts & options on rates, F/X, equities, commodities				
<b>Endesa</b>	7.1%	8.1%	5.1%	-6.9%/year
Generates, distributes, and sells electricity and gas in Spain & Latam				
<b>Vodafone</b>	14.9%	-14.1%	6.0%	-0.6%/year
Multinational telecom network operator. 255 million wireless, 21 million broadband customers				

Table continued on following page.

The reader will notice a number of telecommunications, financial, and health care firms among these top 25 holdings, 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 additions of AT&T and Zegona Communications to the portfolio in the December 2023 quarter and purchases of Singapore Telecommunications in H1'2024. Compare the sector allocations of the equities in the Income Builder portfolio over the trailing year:

The value of the \$US vis-à-vis most developed market foreign currencies declined almost -5% in Q3'2024. 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. Your fund's currency hedges were a modest headwind to performance in Q3'2024.

Ten of eleven sectors of the MSCI World Index delivered positive returns in \$US for Q3'24. Sector returns for the quarter ranged from around +17% for the utilities and real estate sectors to -3% for the energy sector. The MSCI World Index comprises 75%, and the entire equity portion, of the global performance benchmark for Thornburg Investment Income Builder.

Twenty-seven equity investments contributed positive returns of at least 0.10% to overall Income Builder Fund portfolio

**Table 1 (continued)**

Name of Company	2024 YTD Share Price % Change (USD)	Calendar 2023 Share Price % Change (USD)	Dividend Yield (at 30 Sep 24 price)	5-Year Local Currency Dividend Growth Rate
<b>Glencore Plc</b>	-4.9%	-9.8%	2.4%	-8.6%/year
Diversified miner & commodities trader				
<b>AstraZeneca Plc</b>	14.8%	-0.3%	2.0%	+1.5%/year
Global health care company develops and sells medicines				
<b>Deutsche Telekom</b>	22.2%	20.5%	2.9%	+1.9%/year
Multinational telecom services provider, majority owner of T-Mobile U.S.				
<b>Pfizer Inc.</b>	0.5%	-43.8%	5.8%	+3.3%/year
Global health care company develops and sells medicines, vaccines, biologic therapies.				
<b>Equitable Holdings</b>	26.2%	16.0%	2.3%	+10.4%/year
Financial services, insurance, and savings products company				
<b>Merck &amp; Co.</b>	4.2%	-1.7%	2.7%	+7.0%/year
Global health care company develops and sells medicines, vaccines, biologic therapies.				
<b>Home Depot</b>	16.9%	9.7%	2.2%	+11.6%/year
Home improvement & building materials retailer				
<b>JP Morgan Chase &amp; Co</b>	24.0%	26.9%	2.4%	+6.6%/year
U.S. based global financial services conglomerate serving business & individuals				
<b>Bank of Ireland</b>	23.0%	-4.6%	6.0%	+30.2%/year
Ireland based bank and financial services firm.				
<b>Singapore Telecommunications Ltd</b>	34.9%	-2.4%	4.0%	-4.6%/year
Asia centric multi-national communications services provider with > 700 million customers				

Past performance does not guarantee future results.

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

Sector	Sector Weights as of:					Sep '23–Sep '24 +/- Weighting
	30-Sep-24	30-Jun-24	31-Mar-24	31-Dec-23	30-Sep-23	
<b>Financials</b>	22.80	22.8	25.4	24.6	24.2	-1.4
<b>Communications Services</b>	18.80	17.7	16.7	15.1	12.2	+6.6
<b>Information Technology</b>	13.80	14.1	13.4	14.8	13.9	-0.1
<b>Health Care</b>	11.80	11.9	12.2	10.6	12.0	-0.2
<b>Energy (Diversified)</b>	10.40	10.8	10.6	11.4	13.5	-3.1
<b>Utilities</b>	7.50	7.5	6.2	7.1	6.7	+0.8
<b>Materials</b>	5.00	5.2	5.5	7.2	8.1	-3.1
<b>Consumer Staples</b>	4.4	4.0	3.6	3.8	3.9	+0.4
<b>Industrials</b>	2.9	2.9	2.3	2.0	1.9	+1.0
<b>Consumer Discretionary</b>	2.4	2.7	3.7	3.0	3.1	-0.8
<b>Real Estate</b>	0.4	0.4	0.3	0.3	0.3	+0.1

May not add up to 100% due to rounding.

performance during Q3'2024. The most positive equity contributors to quarterly performance included telecommunications network operators Orange, AT&T, Deutsche Telekom, Vodafone, Singapore Telecommunications, and Zegona Communications; information technology firms Broadcom and Taiwan Semiconductor, financials NN Group, BNP Paribas, CME Group, and Generali; pharmaceuticals firms Abbvie and Roche Holding; food retailer Tesco; electric utilities Endesa, TC Energy, and Enel, and Home Depot.

Two of your fund's equity investments made negative contributions to portfolio performance of less than -0.10% during Q3'2024. These negative contributors to quarterly performance included Samsung Electronics and Merck & Co.

Investment Income Builder's bond holdings delivered positive returns during Q3'2024. Ten-year U.S. Treasury bond yields, which increased from 3.88% to 4.40% during the first 6 months of 2024, dropped from 4.40% to 3.78% in the September quarter. Corporate and asset-backed bond yield spreads to U.S. Treasury bonds tightened. The market yield of the Bloomberg U.S. Corporate High Yield Index decreased from 7.91% to 6.99% during the September quarter (yield to lower of call price or maturity). On September 30, 2024, the \$70 trillion Bloomberg Global Aggregate Bond Index showed an average maturity of 8.49 years and a yield of 3.33%, the latter decreasing by -0.6% over the September quarter and -0.89% for the trailing year. Developed world bond yields outside the U.S. mostly lag domestic bond yields, a circumstance that has supported the U.S. dollar in the face of large fiscal and trade deficits over most of the last 11 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 September 30, 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 (*September 30 market yield on 10-year UST of 3.78% minus the August core Consumer Price Index of 3.2%*) is positive at +0.58%. While showing a significant recovery from the negative real yields of recent years, this positive real yield 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 +1.34%. U.S. price inflation headed lower in recent months and is approaching Federal Reserve targets, leading to expectations of further declines in money market interest rates. A large supply of new government debt being issued plus ongoing corporate borrowing present challenges to further reductions in longer maturity 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, so far 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, interest rate policies, and political outcomes. 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, today and in the future. 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 13.8x as of September 30, 2024, well below the 19.8x price/earnings ratio of the MSCI All Country World Index. Income Builder's 4.95% weighted average equity portfolio dividend yield significantly exceeds the 1.91% dividend yield of the MSCI Index. We believe your Income Builder portfolio incorporates significant intrinsic value. The bond portion of your fund's portfolio has a duration of approximately 4 years and a yield to maturity/call of approximately 8%.

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).

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### Important Information

Unless otherwise noted, the source of all data, charts, tables and graphs is Thornburg Investment Management, Inc., as of 30 Sep 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.

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.

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 Index (BBG US Agg TR Value) is composed of approximately 8,000 publicly traded bonds including U.S. government, mortgage-backed, corporate and Yankee bonds. 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.

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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 MSCI World Index is a broad global equity index that represents large and mid-cap equity performance across all 23 developed markets countries. It covers approximately 85% of the free float-adjusted market capitalization in each country.

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.**