

# Thornburg Investment Income Builder Fund

## Portfolio Manager Commentary

31 December 2023



This note will highlight the results of the Thornburg Investment Income Builder Fund investment portfolio for Q4 2023. 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 bond and equity indices delivered price increases in the December quarter and calendar 2023.

Your fund paid ordinary dividends of \$0.384 per I share during Q4 2023, -2.1¢/share versus the prior year comparable period. For calendar 2023 your fund paid ordinary dividends of \$1.177. 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. Your fund received fewer special dividends in 2023 compared to 2022. We are still petitioning to get refunds from certain European governments of withholding taxes on dividends received by your fund in the prior decade. These receipts were lower in 2023 compared to 2022 and 2021.

The net asset value of Investment Income Builder's I shares increased by \$1.55 per share (\$22.50 to \$24.05) during the December quarter and increased by \$2.64 per share (\$21.41 to \$24.05) for calendar 2023. Investment Income Builder's I share return of 8.38% for Q4 2023 trailed the blended benchmark return of 10.27% (the blended benchmark is 75% MSCI World Index and 25% Bloomberg U.S. Aggregate Bond Index). For the 12-month period ending December 31, 2023, Investment Income Builder's I share return of 18.17% trailed the blended benchmark return of 19.05% by 0.88%. Performance comparisons of Investment Income Builder to its blended benchmark over various periods are shown elsewhere 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

### 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 Dec 2023)

	QTR	YTD	1-YR	3-YR	5-YR	10-YR	ITD
<b>A Shares TIBAX (Incep: 24 Dec 2002)</b>							
With Sales Charge	3.46	12.60	11.89	7.60	7.80	5.61	8.53
Without Sales Charge	8.33	17.90	17.18	9.25	8.79	6.09	8.77
<b>I Shares* TIBIX (Incep: 3 Nov 2003)</b>	8.38	18.17	17.45	9.51	9.06	6.38	9.11
<b>Investment Income Builder Blended Index</b>	10.27	19.05	18.67	4.78	10.16	7.10	7.64

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 30 Nov 2023 – A shares: 3.37%; I shares: 3.79%

*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, 1.18%; 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.**

The quarter ending December 30, 2023, was the 84th full calendar quarter since the inception of Thornburg Investment Income Builder in December 2002. In 61 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 8.9% since its inception 21 years ago, split between quarterly income distributions and share price appreciation. A hypothetical investor taking all dividends in cash (no reinvestment of dividends) would have received total dividends of \$174,815 over these 84 quarters on a \$100,000 initial investment. In addition, the current value of the investment stood at more than \$211,000 as of December 31, 2023.

Listed at right in descending order are the 25 largest equity holdings in the fund as of December 31, 2023, along with their 2023 and 2022 calendar year share price changes in \$US. Also noted are dividend yields at closing December 31, 2023, 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 December 31, 2023. Cash and more than 250 interest-bearing debt and hybrid securities comprised around 14% 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 4.9% 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 in growing their bases of paying customers and distributable cash flows to support multi-year dividend growth. The reader will notice that some of these top 25 fund holdings that had

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

(As of 31 Dec 2023. 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 14% of fund assets, and 36 other common equities comprised a total of approximately 23% of fund assets.)

Name of Company	2023 YTD (USD)	Calendar 2022 Price Change (USD)	Dividend Yield (at 31 Dec 23 price)	5-Year Local Currency Dividend Growth Rate
<b>Orange SA</b>	14.7%	-7.2%	6.79%	+1.5%/year
Multi-national telecommunications network operator, home market is France Telecom				
<b>Total Energies SE</b>	8.5%	23.6%	4.80%	+2.6%/year
Produces, refines, transports, and markets oil and natural gas products globally				
<b>Broadcom Inc</b>	99.6%	-16.0%	1.88%	+19.2%/year
Develops and markets digital and analogue semiconductors				
<b>BNP Paribas</b>	21.4%	-17.6%	6.23%	+5.2%/year
Multinational commercial & capital markets bank. Most operations centered in Europe				
<b>NN Group</b>	-3.2%	-24.7%	8.14%	+11.3%/year
Netherlands based life and casualty insurer, with market leading positions in Netherlands				
<b>Enel SpA</b>	38.2%	-32.4%	6.39%	+11.0%/year
Generates, distributes, and sells electricity and gas in Southern Europe & Latam				
<b>Taiwan Semiconductor</b>	32.9%	-34.3%	2.36%	+7.5%/year
Leading semiconductor chip foundry in the world, fabricating chips used in many digital devices				
<b>Samsung Electronics</b>	39.2%	-33.4%	1.84%	+0.4%/year
Manufactures consumer & industrial electronic products; leading semiconductor producer				
<b>Vodafone Group PLC</b>	-14.1%	-32.9%	11.10%	+10.2%/year
Multi-national telecommunications company				
<b>CME Group</b>	25.2%	-26.4%	4.58%	+16.2%/year
Operates exchanges that trade futures contracts & options on rates, F/X, equities, commodities				
<b>Tesco PLC</b>	36.7%	-30.9%	3.75%	+20.8%/year
UK based food retailer				
<b>AT&amp;T Inc.</b>	-8.9%	-0.9%	6.61%	-11.1%/year
U.S. based wireless and wireline communications services provider				
<b>Citigroup</b>	13.7%	-25.1%	4.12%	+6.2%/year
U.S. based global capital markets & retail bank				
<b>JP Morgan Chase &amp; Co</b>	26.9%	-15.3%	2.47%	+10.3%/year
U.S. based global financial services conglomerate serving business & individuals				
<b>Qualcomm Inc</b>	31.6%	-39.9%	2.21%	+5.3%/year
Develops and delivers key components for digital wireless communications products				

Table continued on following page.

double digit % price declines in 2022 have not fully regained their year-end 2021 share price levels, though most of these delivered positive total returns in 2023. 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, as well as other providers of various ingredients important to modern life. We believe that 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 Investment Income Builder portfolio over the trailing year.

The value of the \$US vis-à-vis most developed market foreign currencies fluctuated within a relatively narrow range in 2023, finishing slightly lower from January 1 to December 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 Q4'23. Sector returns for the quarter ranged from +17% for the information technology and real estate sectors to -4% for the energy sector. For calendar 2023 all eleven sectors of the MSCI All Country World Index delivered positive

**Table 1 (continued)**

Name of Company	2023 YTD (USD)	Calendar 2022 Price Change (USD)	Dividend Yield (at 31 Dec 23 price)	5-Year Local Currency Dividend Growth Rate
<b>Glencore Plc</b>	-9.8%	31.7%	7.36%	+22.5%/year
Diversified miner & commodities trader				
<b>Endesa SA</b>	8.1%	-17.4%	11.30%	+8.6%/year
Spain-based multi-national electric utility. Invests heavily in renewable energy				
<b>Merck &amp; Co.</b>	-1.7%	44.8%	2.83%	+8.2%/year
Global health care company develops and sells medicines, vaccines, biologic therapies.				
<b>Regions Financial Corporation</b>	-10.1%	-1.1%	4.96%	+13.8%/year
U.S. regional banking group, mostly operating in Southeastern U.S. states				
<b>AstraZeneca Plc</b>	-0.3%	15.5%	2.23%	+2.9%/year
Global health care company develops and sells medicines				
<b>Pfizer Inc.</b>	-43.8%	-13.2%	5.84%	+4.0%/year
Global health care company develops and sells medicines, vaccines, biologic therapies.				
<b>Roche Holding</b>	-7.5%	-24.0%	3.90%	+2.7%/year
Global health care company develops and sells medicines and diagnostic tools				
<b>Equitable Holdings</b>	16.0%	-12.5%	2.64%	+27.0%/year
Financial services, insurance, and savings products company				
<b>LyondellBasell Industries</b>	14.5%	-9.9%	5.26%	+4.3%/year
Manufactures plastic, chemical and fuel ingredients for multiple end markets				
<b>Home Depot</b>	9.7%	-23.9%	2.41%	+15.2%/year
Home improvement & building materials retailer				

Past performance does not guarantee future results.

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

Sector	Sector Weights as of:					Dec '22–Dec '23 +/- Weighting
	31-Dec-23	30-Sep-23	30-Jun-23	31-Mar-23	31-Dec-22	
<b>Financials</b>	24.5	24.1	25.3	24.1	25.9	-1.4
<b>Communications Services</b>	15.1	12.1	11.5	12.3	11.0	+4.1
<b>Information Technology</b>	14.8	13.8	15.2	14.2	13.6	+1.2
<b>Energy (Diversified)</b>	11.3	13.4	10.7	9.2	10.6	+0.7
<b>Health Care</b>	10.5	11.9	12.1	12.5	12.5	-2.0
<b>Materials</b>	7.2	8.0	6.4	7.1	7.2	0.0
<b>Utilities</b>	7.1	6.7	8.9	8.7	6.9	+0.2
<b>Consumer Staples</b>	3.8	3.9	3.7	3.8	3.1	+0.7
<b>Consumer Discretionary</b>	3.0	3.1	3.1	3.8	3.7	-0.7
<b>Industrials</b>	2.0	1.9	2.0	3.8	4.7	-2.7
<b>Real Estate</b>	0.3	0.3	0.4	0.4	0.5	-0.2

May not add up to 100% due to rounding.

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 Thornburg Investment Income Builder's global performance benchmark.

Twenty-five equity investments contributed positive returns of at least 0.25% to overall Income Builder Fund portfolio performance during calendar 2023. The most positive equity contributors to yearly performance included information technology firms Broadcom, Samsung Electronics, Qualcomm and Taiwan Semiconductor; European utilities ENEL, Endesa, Engie and E.ON; financials BNP Paribas, CME Group, Generali, JPMorgan, and Citigroup; telecommunications network operators Orange and Deutsche Telekom, and UK grocer Tesco.

Pfizer was the only one of your fund's equity investments making a negative contribution to portfolio performance of less than -0.25% during calendar 2023. Other negative contributors for calendar 2023 included Regions Financial Corporation, Vodafone Group, apartment operator ELME Communities and pharmaceutical firm Roche Holding.

Investment Income Builder's bond holdings delivered positive returns during Q4'23 and calendar 2023. 10-year U.S. Treasury bond yields, unchanged year over year in calendar 2023, dropped from 4.57% to 3.88% in the December quarter. Corporate and asset-backed bond prices rose as spreads to U.S. Treasury bonds mostly narrowed. The Bloomberg U.S. Corporate High Yield Index dropped from 8.88% to 7.59% during the December quarter (yield to lower of call price or maturity). On December 31, 2023, the \$65 trillion Bloomberg Global Aggregate Bond Index showed an average maturity of 8.53 years and a yield of 3.51%, the latter dropping by -0.71% over the December quarter and -0.19% during 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 8 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. 14% of portfolio assets were invested in interest-bearing debt and near cash assets on December 30, 2023. The remaining 86% 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 (*December 31 market yield on 10 year UST of 3.88% minus the core Consumer Price Index of 3.2%*) is positive at +0.68%, using the November 2023 core Consumer Price Index. While showing a significant recovery from the negative real yields of recent years, this positive real yield level still 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 +1.90%. Inflation headed lower through 2023 and is approaching Federal Reserves targets. A large supply of new government debt being issued plus ongoing corporate borrowing present a challenge 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. 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 11.3x as of December 31, 2023, significantly below the 19.0x price/earnings ratio of the MSCI World Index. Income Builder's 5.12% weighted average equity portfolio dividend yield significantly exceeds the 1.97% 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 below 4 years and a yield to maturity/call of more than 7%.

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 December 2023.

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

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.

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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 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.**