

Thornburg Municipal Bond Funds

Portfolio Manager Commentary

30 June 2025



Market Review

United States markets began the quarter experiencing elevated volatility due to the announcement of "reciprocal" tariffs on April 2nd, which included a 10% baseline tax on all imports, 34% on Chinese goods, 25% on car imports, and 20% on EU goods. This unanticipated shift in trade policy contributed to a sharp rise in Treasury yields, with the 2-year yield rising over 30 basis points and the 10- and 30-year yields rising around 25 basis points. However, policy uncertainty, trade tensions, and geopolitical shocks did little to dampen animal spirits during the second quarter of 2025. After an initial spike higher, interest rate volatility trended down, and the yield curve steepened with the front-end repricing interest rate cuts while long bonds reflected increasing inflationary concerns amid trade tensions. The Federal Reserve maintained their patient stance and kept rates on hold at the May and June meetings, at 4.25% - 4.50%. The decisions to hold rates steady each time were unanimous, and during the June press conference, Chair Powell noted that uncertainty about the economic outlook had diminished but remained elevated. Along with the spike in rate volatility early in the quarter, credit spreads widened out rapidly, nearing their average levels post-GFC before ultimately closing out the quarter tighter than at the start of it. The quarter concluded with markets closely monitoring trade discussions, geopolitical events, inflation data and central bank rhetoric for clearer signals on the future path of rates and the ultimate impact of fiscal policy on the broader economy.

Second Quarter 2025 Performance Highlights

- The Bloomberg Municipal Bond Index fell modestly, approximately -0.12%, driven by steepening in the yield curve and constrained new issuance. Yields on 10-year AAA munis ended the quarter roughly flat, declining roughly 2 basis points to end the quarter near 3.21%.
- Tax-exempt issuance remained subdued, with Q2 gross supply totaling around \$90 billion, down year-over-year amid continued rate uncertainty and tight borrowing windows. Net negative supply provided a supportive technical backdrop. Demand was present, driven by reinvestment flows from April coupon payments and an uptick in retail interest as market volatility abated.
- The yield curve steepened during the quarter, with yields on 5-7 year maturities falling 15-20 basis points and yields on 20-30 year maturities rising 20-25 basis points. As a result of the inverse relationship between bond yields and prices, longer maturity portfolios underperformed shorter maturity portfolios as duration drove absolute total returns.
- Credit underperformed with the High Yield Muni Index falling 114 basis points and revenue bonds underperformed general obligation bonds by 20 basis points.
- The Thornburg Municipal portfolios posted mixed total returns during the quarter as the AAA Muni curve steepened, with shorter maturities falling and yields rising on the long end in Q2. The market may have been understandably nervous about holding longer bonds with talk about potential policy changes impacting tax exemption.

Current Positioning and Outlook

Consistent with our mandate, we actively adjusted portfolio positioning throughout the quarter in response to evolving market conditions and relative value opportunities. We maintained broad diversification across fixed-income sectors and incrementally added to our spread product positioning. While detailed shifts are part of our continuous management, our active management approach proved crucial in navigating the quarter's volatility, particularly around "Liberation Day" and as spreads tightened throughout the quarter.

We actively adjusted portfolio positioning as volatility driven by record issuance coincided with market outflows that were amplified by policy uncertainty

Portfolio Managers

David Ashley, CFA

Portfolio Manager

Eve Lando, JD

Portfolio Manager

Craig Mauermann, ChFC

Portfolio Manager

Supported by the entire Thornburg investment team

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The strategy remained positioned with a longer duration and higher quality bias compared to its long-term range, driven by attractive real yields and tight credit spreads. However, the market rewarded the opposite with lower quality corporates delivering higher returns. Security selection, driven by our bottom-up fundamental credit research, was a key contributor, allowing us to identify resilient issuers across various sectors and industries.

We maintained broad diversification across fixed-income sectors with an emphasis on sectors demonstrating resilience or offering compelling risk/reward profiles identified through our research. The allocations to Treasuries, investment grade corporate credit and mortgage pass-throughs were all large drivers of absolute returns during the period.

Markets appear increasingly desensitized to geopolitical events—a trend that began around the onset of the Russia-Ukraine war. We view this complacency as dangerous, as the eventual tipping point could trigger an outsized reaction. As such, looking ahead, potential bouts of heightened volatility could present opportunities for active managers. With flexible mandates across many of our fixed income strategies—enabling us to dynamically adjust duration, credit exposure, and sector allocation—we remain positioned to take advantage of dislocations as they arise.

AVERAGE ANNUAL TOTAL RETURNS (AS OF 30 JUNE 2025)

THORNBURG SHORT DURATION MUNICIPAL FUND

	QTR	YTD	1-YR	3-YR	5-YR	10-YR	ITD
A Shares TLMAX (Incep: 30 Dec 13)							
Without sales charge	0.86	1.80	3.49	2.60	1.08	0.97	0.86
With sales charge	-1.38	-0.46	1.19	1.81	0.77	0.81	0.73
I Shares TLMIX (Incep: 30 Dec 13)	0.83	1.82	3.61	2.81	1.28	1.16	1.06
ICE BofA 1-3 Year U.S. Municipal Securities Index (Since: 30 Dec 13)	0.98	2.00	3.94	2.70	1.37	1.48	1.37

EXPENSE RATIOS (%)

GROSS	NET
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1.23	0.70
0.63	0.50

THORNBURG LIMITED TERM MUNICIPAL FUND

	QTR	YTD	1-YR	3-YR	5-YR	10-YR	ITD
A Shares LTMFX (Incep: 28 Sep 84)							
Without sales charge	0.82	1.78	3.38	2.52	0.62	1.25	4.13
With sales charge	-1.45	-0.51	1.05	1.75	0.32	1.09	4.09
I Shares LTMIX (Incep: 5 Jul 96)	0.88	1.91	3.64	2.77	0.85	1.51	4.47
ICE BofA 1-10 Year U.S. Municipal Securities Index (Since: 28 Sep 84)	1.23	1.86	3.79	2.76	1.04	1.87	N/A*

GROSS	NET
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0.77	0.77
0.51	0.51

THORNBURG INTERMEDIATE MUNICIPAL FUND

	QTR	YTD	1-YR	3-YR	5-YR	10-YR	ITD
A Shares THIMX (Incep: 22 Jul 91)							
Without sales charge	0.39	0.74	1.94	2.82	0.96	1.77	4.01
With sales charge	-1.65	-1.29	-0.10	2.13	0.55	1.56	3.95
I Shares THMIX (Incep: 5 Jul 96)	0.44	0.86	2.18	3.07	1.20	2.02	4.31
ICE BofA 3-15 Year U.S. Municipal Securities Index (Since: 22 Jul 91)	1.00	1.19	2.91	2.88	0.85	2.23	N/A*

GROSS	NET
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0.93	0.72
0.67	0.48

THORNBURG STRATEGIC MUNICIPAL INCOME FUND

	QTR	YTD	1-YR	3-YR	5-YR	10-YR	ITD
A Shares TSSAX (Incep: 1 Apr 09)							
Without sales charge	0.01	0.34	2.07	3.04	0.94	1.78	4.03
With sales charge	-1.95	-1.69	0.00	2.34	0.54	1.57	3.90
I Shares TSSIX (Incep: 1 Apr 09)	0.07	0.45	2.29	3.24	1.15	2.01	4.30
ICE BofA U.S. Municipal Securities Index (Since: 1 Apr 09)	-0.12	-0.61	1.05	2.56	0.57	2.26	3.62

GROSS	NET
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1.27	0.81
1.01	0.59

*Index not inception yet.

Returns for less than one year are not annualized. ITD is inception to date.

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.

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. Short Duration Municipal and Limited Term Municipal: The maximum sales charge for the Fund's A shares is 2.25%. Intermediate Municipal and Strategic Municipal Income: The maximum sales charge for the Fund's A shares is 2.00%. There is no up-front sales charge for class I shares. Thornburg Investment Management and/or Thornburg Securities LLC have contractually agreed to waive fees and reimburse expenses through at least 1 February 2026, for some of the share classes; these are reflected in the net expense ratio. For more detailed information on fund expenses and waivers/reimbursements, please see the fund's prospectus.

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AVERAGE ANNUAL TOTAL RETURNS (AS OF 30 JUNE 2025)

THORNBURG CALIFORNIA LIMITED TERM MUNICIPAL FUND

	QTR	YTD	1-YR	3-YR	5-YR	10-YR	ITD	EXPENSE RATIOS (%)	
								GROSS	NET
A Shares LTCAX (Incep: 19 Feb 87)									
Without sales charge	0.60	1.35	2.84	2.38	0.55	1.00	3.55	--	--
With sales charge	-1.63	-0.89	0.56	1.59	0.24	0.85	3.51	0.96	0.74
I Shares LTCIX (Incep: 1 Apr 97)	0.74	1.56	3.17	2.66	0.82	1.27	3.89	0.71	0.49
ICE BofA U.S. Municipal Securities Index (Since: 19 Feb 87)	-0.12	-0.61	1.05	2.56	0.57	2.26	N/A*		

THORNBURG NEW MEXICO INTERMEDIATE MUNICIPAL FUND

	QTR	YTD	1-YR	3-YR	5-YR	10-YR	ITD	EXPENSE RATIOS (%)	
								GROSS	NET
A Shares THNMX (Incep: 18 Jun 91)									
Without sales charge	0.41	0.88	1.85	1.88	0.12	1.19	3.55	--	--
With sales charge	-1.60	-1.13	-0.17	1.20	-0.27	0.99	3.48	1.06	0.99
I Shares THNIX (Incep: 1 Feb 07)	0.49	0.96	2.09	2.18	0.44	1.51	3.89	0.75	0.67
ICE BofA U.S. Municipal Securities Index (Since: 18 Jun 91)	-0.12	-0.61	1.05	2.56	0.57	2.26	N/A*		

THORNBURG NEW YORK INTERMEDIATE MUNICIPAL FUND

	QTR	YTD	1-YR	3-YR	5-YR	10-YR	ITD	EXPENSE RATIOS (%)	
								GROSS	NET
A Shares THNYX (Incep: 5 Sep 97)									
Without sales charge	-0.16	-0.17	0.73	2.05	0.32	1.23	3.02	--	--
With sales charge	-2.15	-2.14	-1.24	1.38	-0.08	1.02	2.94	1.39	0.99
I Shares TNYIX (Incep: 1 Feb 10)	-0.08	-0.01	1.05	2.38	0.64	1.55	3.35	1.12	0.67
ICE BofA U.S. Municipal Securities Index (Since: 5 Sep 97)	-0.12	-0.61	1.05	2.56	0.57	2.26	4.28		

*Index not inception yet.

Returns for less than one year are not annualized. ITD is inception to date.

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.

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. California Limited Term Municipal: The maximum sales charge for the Fund's A shares is 2.25%. New Mexico Intermediate Municipal and New York Intermediate Municipal: The maximum sales charge for the Fund's A shares is 2.00%. There is no up-front sales charge for class I shares. Thornburg Investment Management and/or Thornburg Securities LLC have contractually agreed to waive fees and reimburse expenses through at least 1 February 2026, for some of the share classes; these are reflected in the net expense ratio. For more detailed information on fund expenses and waivers/reimbursements, please see the fund's prospectus.

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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 June 2025.

Investments carry risks, including possible loss of principal. 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. This effect is more pronounced for longer-term bonds. Unlike bonds, bond funds have ongoing fees and expenses. Investments in lower rated and unrated bonds may be more sensitive to default, downgrades, and market volatility; these investments may also be less liquid than higher rated bonds. Investments in derivatives are subject to the risks associated with the securities or other assets underlying the pool of securities, including illiquidity and difficulty in valuation. Investments in the Funds 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 investment objectives will be met.

Basis Point (bp) – A unit equal to 1/100th of 1%. 1% = 100 basis points (bps).

Income earned from municipal bonds is exempt from regular federal and in some cases, state and local income tax. Income may be subject to the alternative minimum tax (AMT).

U.S. Treasury securities, such as bills, notes and bonds, are negotiable debt obligations of the U.S. government. These debt obligations are backed by the "full faith and credit" of the government and issued at various schedules and maturities. Income from Treasury securities is exempt from state and local, but not federal, taxes.

A bond credit rating assesses the financial ability of a debt issuer to make timely payments of principal and interest. Ratings of AAA (the highest), AA, A, and BBB are investment-grade quality. Ratings of BB, B, CCC, CC, C and D (the lowest) are considered below investment grade, speculative grade, or junk bonds.

Credit Spread/Quality Spread – The difference between the yields of securities with different credit qualities.

Duration – A bond's sensitivity to interest rates. Bonds with longer durations experience greater price volatility than bonds with shorter durations.

Yield Curve – A line that plots the interest rates, at a set point in time, of bonds having equal credit quality, but differing maturity dates.

Mortgage Pass-Through – A security consisting of a pool of residential mortgage loans. Payments of principal, interest and prepayments are "passed through" to investors each month.

The ICE BofA 1-3 Year U.S. Municipal Securities Index (ICE BofA 1-3 Yr US Muni) is a subset of the ICE BofA U.S. Municipal Securities Index including all securities with a remaining term to final maturity less than 3 years.

The ICE BofA 1-10 Year U.S. Municipal Securities Index (ICE BofA 1-10 Yr US Muni) is a subset of the ICE BofA U.S. Municipal Securities Index including all securities with a remaining term to final maturity less than 10 years.

The ICE BofA 3-15 Year U.S. Municipal Securities Index (ICE BofA 3-15 Yr US Muni) is a subset of the ICE BofA U.S. Municipal Securities Index including all securities with a remaining term to final maturity greater than or equal to three years and less than 15 years.

The ICE BofA U.S. Municipal Securities Index (ICE BofA US Muni) tracks the performance of U.S. dollar-denominated investment grade tax-exempt debt publicly issued by U.S. states and territories, and their political subdivisions, in the U.S. domestic market.

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.

Not FDIC Insured. May lose value. No bank guarantee.

Before investing, carefully consider the Fund's investment goals, risks, charges and expenses. For a prospectus or summary prospectus containing this and other information, contact your financial advisor or visit thornburg.com. Read them carefully before investing.

Thornburg is a global investment firm delivering on strategy for institutions, financial professionals and investors worldwide. The privately held firm, founded in 1982, is an active, high-conviction manager of fixed income, equities, multi-asset solutions and sustainable investments with \$49.5* billion in total assets across mutual funds, institutional accounts, separate accounts and UCITS.



*Includes assets under management (\$48.4B) and assets under advisement (\$1.1B).