Thornburg Strategic Income Fund

Portfolio Manager Commentary
30 June 2025

Thornburg

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.

> Despite volatility, our focus continues to be on generating attractive income and risk-adjusted total returns over the long term.

Portfolio Managers

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Portfolio Manager

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Supported by the entire Thornburg investment team

Second Quarter 2025 Performance Highlights

- In 2Q25 the portfolio (I share class) returned 1.78%, 38 basis points ahead of the Bloomberg U.S. Universal Index. Year to date the portfolio (I share class) returned 4.19%, 9 basis points ahead of the index.
- Sector allocation and yield curve positioning contributed positively to relative outperformance with the portfolio's corporate and treasury positioning providing notable uplift of 33 and 13 basis points respectively. The portfolio maintained an average duration of 4.18 versus 5.82 for the index with the underweight duration detracting from relative performance for the quarter.
- The portfolio's overweights to BBB and BB rated issues resulted in a net positive attribution of 41 basis points to relative outperformance.

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.

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)

								EXPENSE RATIOS (%)	
THORNBURG STRATEGIC INCOME FUND	QTR	YTD	1-YR	3-YR	5-YR	10-YR	ITD	GROSS	NET
A Shares TSIAX (Incep: 19 Dec 07)									
Without sales charge	1.68	3.99	6.82	5.42	3.38	3.63	5.09	--	--
With sales charge	-2.89	-0.72	2.05	3.81	2.44	3.15	4.82	1.00	1.00
I Shares TSIIX (Incep: 19 Dec 07)	1.78	4.19	7.22	5.83	3.77	4.02	5.45	0.74	0.60
Bloomberg U.S. Universal Index (Since: 19 Dec 07)	1.40	4.10	6.51	3.28	-0.15	2.11	3.23		

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. The maximum sales charge for the Fund's A shares is 4.50%. 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.

THORNBURG STRATEGIC INCOME FUND

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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.

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.

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 equity securities are subject to additional risks, such as greater market fluctuations. 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 the Fund are not FDIC insured, nor are they bank deposits or guaranteed by a bank or any other entity.

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

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

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 Bloomberg U.S. Universal Index (BBG US Universal TR Value) represents the union of the U.S. Aggregate Index, U.S. Corporate High-Yield, Investment Grade 144A Index, Eurodollar Index, U.S. Emerging Markets Index, and the non-ERISA eligible portion of the CMBS Index. The index covers USD denominated, taxable bonds that are rated either investment-grade or below investment-grade.

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.

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