

Thornburg Strategic Income Fund

Portfolio Manager Commentary

31 March 2025



Market Review

The first quarter of 2025 was characterized by significant volatility and complexity across global financial markets that was not driven by a singular trend but was a tug-of-war between multiple forces. Aggressive fiscal measures, particularly new tariffs, injected uncertainty and inflationary pressures, initially steepening the yield curve. However, the Federal Reserve maintained a patient stance, signaling potential rate cuts later in the year amid concerns of slowing economic momentum. This dovish tilt capped longer-term yields and supported risk assets, including corporate credit, which saw modest spread tightening despite the macro headwinds. Inflation-linked bonds also garnered attention as tariff-induced price pressures became a focal point. The quarter concluded with markets closely watching 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.

First Quarter 2025 Performance Highlights

- In 1Q25 the portfolio (I share class) returned 2.37%, -29 basis points behind the Bloomberg U.S. Universal Index. Year to date the portfolio (I share class) returned 2.37%, -29 basis points behind the index.
- The portfolio maintained a duration roughly 1.5 years shorter than the index, which was problematic during a period of falling yields. As a result, duration was the largest detractor from relative performance, accounting for -76bps of relative performance. Despite the portfolio's shorter duration, relative performance during the period was bolstered by active management decisions made with regards to yield curve positioning and bond selection. Both factors were key drivers of relative performance during the quarter, accounting for 33bps and 30bps, respectively.
- The portfolio's slight underperformance during the quarter was driven by its underweight allocation to Treasuries and mortgage pass-through (MPT) securities, which accounted for -29bps and -25bps respectively. The portfolio's relative performance did benefit from its larger allocation to commercial mortgage-backed securities (CMBS) and high yield corporate exposure. The allocation to CMBS contributed 22bps during the quarter while the high yield corporate exposure contributed 16bps to relative performance.

Portfolio Managers

Lon Erickson, CFA

Portfolio Manager

Ali Hassan, CFA, FRM

Portfolio Manager

Christian Hoffmann, CFA

Head of Fixed Income

Supported by the entire Thornburg investment team

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. While detailed shifts are part of our continuous management, our active management approach proved crucial in navigating the quarter's volatility.

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

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.

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. There is no up-front sales charge for class I shares.

The portfolio continued to invest across the credit spectrum, focused on fundamentally sound issuers offering attractive compensation for risk. This included selectively chosen high-yield bonds with stronger balance sheets and more predictable cash flows which helped drive absolute performance during the quarter. Our primary approach remained identifying mispriced securities regardless of rating category through rigorous bottom-up analysis, but opportunities were few and far between given spread levels.

Looking ahead, uncertainty surrounding inflation, central bank policy paths, economic growth trajectories, and geopolitical events, including trade policy, persists. We anticipate continued market volatility, which often creates opportunities for active managers. The portfolio's flexible mandate allows us to adjust duration, credit exposure, and sector allocation dynamically. We remain committed to our disciplined investment process, combining top-down macroeconomic insights with intensive bottom-up credit research to identify relative value across the global fixed income universe. Our focus continues to be on generating attractive income and risk-adjusted total returns for our clients over the long term.

Thank you for your continued trust and support investing alongside of us in the Thornburg Strategic Income Fund.

AVERAGE ANNUAL TOTAL RETURNS (AS OF 31 MARCH 2025)

THORNBURG STRATEGIC INCOME FUND	QTR	YTD	1-YR	3-YR	5-YR	10-YR	ITD	EXPENSE RATIOS (%)	
								GROSS	NET
A Shares TSIAX (Incep: 19 Dec 07)									
Without sales charge	2.28	2.28	6.04	3.48	4.63	3.51	5.06	--	--
With sales charge	-2.36	-2.36	1.23	1.92	3.66	3.04	4.79	1.00	1.00
I Shares TSIX (Incep: 19 Dec 07)	2.37	2.37	6.34	3.88	5.02	3.89	5.42	0.74	0.60
Bloomberg U.S. Universal Index (Since: 19 Dec 07)	2.66	2.66	5.24	1.01	0.32	1.83	3.19		

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.

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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 31 March 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.

Commercial Mortgage-backed Securities (CMBS) - A type of mortgage-backed security backed by commercial mortgages rather than residential real estate. CMBS tend to be more complex and volatile than residential mortgage-backed securities due to the unique nature of the underlying property assets. CMBS issues are usually structured as multiple tranches, similar to collateralized mortgage obligations, rather than typical residential pass-throughs.

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.

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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 \$46.6* billion in total assets across mutual funds, institutional accounts, separate accounts and UCITS.

*Includes assets under management (\$45.5B) and assets under advisement (\$1.2B).

