Thornburg Better World International Fund

Portfolio Manager Commentary
31 December 2024

Thornburg

Market Review

The U.S. Federal Reserve began its well-telegraphed monetary loosening in September with a hefty 50-basis point cut to its target range, following up with two more 25-basis point reductions in November and December. Yet monetary policymakers' rather hawkish rhetoric tempered expectations for faster easing, bolstering the U.S. dollar and weighing on international and emerging market equities.

Yields on longer-term U.S. Treasuries rose around as much as the Fed cut its benchmark rate, as U.S. sovereign bond prices fell. The re-election of president Donald Trump boosted U.S. equities amid expectations of a business-friendly administration taking over. A new de-regulation drive and potential tax cuts may help sustain U.S. economic resilience, but tariffs and a gaping fiscal deficit make fixed income markets nervous.

China's recovery in domestic consumption proved elusive as weakness in its property sector lingered. While Beijing's fiscal and monetary stimulus helped, structural reforms remain pending. Tensions with the incoming Trump administration also weighed on sentiment. In Europe, elevated energy costs continued to hit industry and contributed to sticky inflation. Nonetheless, the European Central Bank (ECB) lowered its key rate four times in the second half of 2024, even as it raised or held steady its core inflation projections.

The Bank of Japan (BOJ) ended its negative rate policy last spring, hiking its key rate for the first time in 17 years, as inflationary pressures simmered. The BOJ lifted it again in July but held it steady at 0.25% in December, given the volatility unleashed by the unwinding of the yen carry trade and economic uncertainties more generally.

The AI theme continued to buoy the tech sector not just in the U.S., but in Japan, the U.K., Switzerland, France, China, South Korea and Taiwan. Demand for AI infrastructure-related hardware and software continued to run strong as the hyperscalers devote massive capex for the buildout, which promises real productivity enhancements down the road. But it's not a smooth ride, as some semiconductor stocks showed toward the end of 2024. There's always turbulence within long-term structural tailwinds.

Deep ESG factor and fundamental analysis drives superior risk-adjusted returns in this high-conviction, diversified portfolio.

Portfolio Managers

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Supported by the entire Thornburg investment team

AVERAGE ANNUAL TOTAL RETURNS (%)
AS OF 31 DECEMBER 2024

	QTR	YTD	1-YR	3-YR	5-YR	ITD	EXPENSE RATIOS (%) GROSS	NET
A Shares TBWAX (Incep: 30 Sep 15)								
Without sales charge	-6.76	6.53	6.53	-0.88	8.09	8.46	--	--
With sales charge	-10.95	1.72	1.72	-2.39	7.10	7.92	1.60	1.60
I Shares TBWIX (Incep: 30 Sep 15)	-6.68	7.11	7.11	-0.34	8.69	9.17	1.26	0.90
MSCI ACWI ex-U.S. Index	-7.60	5.53	5.53	0.82	4.10	6.23		

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 2025, 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.

Fourth Quarter 2024 Performance Highlights

- In 4Q24 the portfolio (I share class) returned -6.68%, 92 basis points ahead of the MSCI ACWI ex-U.S. Index. Year to date the portfolio (I share class) returned 7.11%, 158 basis points ahead of the MSCI ACWI ex-U.S. Index.
- On a geographic basis, stock selection in Japan, Australia and Finland led contribution to the portfolio's relative outperformance in the last quarter, while allocation and selection effects in France and selection effects in Canada were the largest drags to it. For the full year, stock selection in Japan, Australia and Germany were the top contributors to performance. An overweight allocation and selection effects in France, along with an underweight allocation in Taiwan were the biggest detractors in 2024.
- By sector, stock selection in consumer staples and materials led contributions to relative outperformance last quarter, while an underweight allocation to financials and stock selection in information technology were the main drags to it. For the full year, stock selection in industrials and health care, along with selection and allocation effects in materials were the main contributors to relative performance. An underweight allocation and stock selection in financials along with an overweight allocation to consumer staples were the biggest detractors in the period.

Current Positioning and Outlook

We are often surprised by the misunderstanding around the use of environmental, social and governance factors, which are key tools, not constraints, to identifying asymmetric risk/reward opportunities. While some peers may use it for negative screening of stocks, it does not limit our coverage universe. Rather, ESG is integral to our bottom-up, fundamental analysis.

Why? Efficient use of resources is not just about reducing environmental impact. Improved cost efficiency and effective risk management can lead to more predictable financial performance. Companies with high energy efficiency are less vulnerable to energy price volatility, which is advantageous when prices spike or inflationary pressures persist.

On the social pillar, companies that attract, retain and incentivize talent tend to exhibit gains in innovation and productivity, boosting financial resilience and earnings power. An attractive corporate culture leads to lower employee turnover, access to a broader talent pool, enhanced brand reputation and customer loyalty, all of which are needed for long-term growth and profitability.

Effective governance involves aligning the interests of management and shareholders. Such alignment usually prevents ethical breaches or mismanagement that can lead to poor financial performance or reputational damage. Companies with transparent books, independent board members and executive compensation tied to performance metrics generally have more disciplined capital allocation and return on invested capital, which is essential for a high-conviction portfolio of roughly 50 stocks.

As active managers, we assess select, idiosyncratic, attractively valued opportunities in less efficient international markets. We diversify the portfolio not just by sector and geography, but with our proprietary basic value, consistent earning and emerging franchise baskets. Allocating to ESG leaders, which have a proven track record of ESG leadership, is part and parcel of our process. They comprise roughly two-thirds of portfolio holdings. Companies with improving ESG metrics, which tend to improve earnings power over time, make up the balance.

To illustrate the impact that such ESG momentum can have on a portfolio, our largest industrial holding has simplified its business structure and improved its capital allocation, increasing its return on equity and stock multiple. Domiciled in Japan, where improving corporate governance has been taking place for a decade now, it was a top contributor to portfolio performance in 2024. It is well positioned to capitalize on the build-out in AI infrastructure from advanced data storage and analytics to the internet of things (IoT) and operational technologies (OT), to AI-enabled renewable energy management solutions.

Integrating ESG into our investment process enhances our decision-making. We believe it has driven our material outperformance against our benchmark MSCI All Country World ex-U.S. Index, which does not incorporate ESG factors, since we launched the Better World International Fund nearly a decade ago.

TEN LARGEST HOLDINGS AS OF 30 NOVEMBER 2024	% FUND
Hitachi Ltd.	3.2
Sony Group Corp.	3.1
Mitsubishi UFJ Financial Group, Inc.	3.0
Linde plc	3.0
SAP SE	3.0
Canadian Pacific Kansas City Ltd.	2.9
Hong Kong Exchanges & Clearing Ltd.	2.9
Schneider Electric SE	2.8
Constellation Software, Inc./Canada	2.7
Samsung Electronics Co. Ltd.	2.7

TOP 5 CONTRIBUTORS (%) 4Q24	AVERAGE WEIGHT	CONTRIB. TO RETURN
Mitsubishi UFJ Financial Group Inc	3.05	0.47
Sony Group Corp	3.31	0.33
Amer Sports Inc	0.60	0.30
Recruit Holdings Co Ltd	1.89	0.28
Pro Medicus Ltd	1.08	0.28

BOTTOM 5 DETRACTORS (%) 4Q24	AVERAGE WEIGHT	CONTRIB. TO RETURN
Samsung Electronics Co Ltd	2.73	-0.69
L'Oreal SA	2.77	-0.63
Nexans SA	1.99	-0.59
Novo Nordisk A/S	1.96	-0.58
New Oriental Education & Technology Group Inc	0.99	-0.55

Source: FactSet

BASKET ALLOCATION	% FUND
Consistent Earner	51.4
Basic Value	37.0
Emerging Franchise	7.8
Cash	3.8

Past performance does not guarantee future results.

Important Information

Unless otherwise noted, the source of all data, charts, tables and graphs is Thornburg Investment Management, Inc., as of 31 December 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. Investments in the Fund are not FDIC insured, nor are they bank deposits or guaranteed by a bank or any other entity.

The Better World International Fund's adherence to its ESG ratings process may affect the fund's exposure to certain companies, sectors, regions, and countries and may affect the Fund's performance depending on whether such investments are in or out of favor. This process may result in the Fund foregoing opportunities to buy certain securities when it might otherwise be advantageous to do so, or selling securities for ESG reasons when it might be otherwise disadvantageous for it to do so. Additionally, the process may result in incorrectly evaluating a company's commitment to positive ESG practices and may result in investment in companies with practices that are not consistent with the Fund's aspirations.

Investing in an ESG-focused strategy does not assure or guarantee better performance and cannot eliminate the risk of investment losses.

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.

Funds invested in a limited number of holdings may expose an investor to greater volatility.

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

The Fund may invest in shares of companies through initial public offerings (IPOs). IPOs have the potential to produce substantial gains and there is no assurance that the Fund will have continued access to profitable IPOs. As Fund assets grow, the impact of IPO investments on performance may decline.

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.

Environmental, social and governance (ESG) criteria are a set of standards for a company's operations that socially conscious investors use to screen potential investments. Environmental criteria consider how a company performs as a steward of nature. Social criteria examine how it manages relationships with employees, suppliers, customers, and the communities where it operates. Governance deals with a company's leadership, executive pay, audits, internal controls, and shareholder rights.

Basic Value: Companies generally operating in mature industries and which generally exhibit more economic sensitivity and/or higher volatility in earnings and cash flow.

Consistent Earners: Companies which generally exhibit predictable growth, profitability, cash flow and/or dividends.

Emerging Franchises: Companies with the potential to grow at an above average rate because of a product or service that is establishing a new market and/or taking share from existing participants.

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

The MSCI ACWI ex-U.S. Index (MSCI ACWI ex US NTR) is a market capitalization weighted index representative of the market structure of 46 developed and emerging market countries in North and South America, Europe, Africa, the Middle East, and the Pacific Rim, excluding securities of United States' issuers. 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.

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 $45.3* billion in total assets across mutual funds, institutional accounts, separate accounts and UCITS.

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*Includes assets under management ($44.1B) and assets under advisement ($1.2B).