Thornburg Better World International Fund

Portfolio Manager Commentary
31 March 2025

Thornburg

Market Review

Let's acknowledge the shared challenges faced by both portfolio managers and clients as we navigate today's volatile market landscape. With headlines dominated by inflation concerns, recession fears, and tariff tensions, it is no surprise investors are feeling uneasy. Uncertainty causes doubt. Yet, it is precisely in these moments of uncertainty that opportunities emerge, especially in international markets.

For the past decade and a half, U.S. equities have taken center stage. But now, international markets—often underappreciated—are revealing compelling potential. As the U.S. contends with persistent inflation, China faces deflation and plans a massive stimulus, Japan moves beyond a decades-long deflationary environment, and Europe begins to assert greater economic independence, international markets offer a diverse set of investment conditions worth exploring.

While tariffs remain a topical issue for the U.S., they are far less of a focus among other regions. It's important not to project the U.S. experience onto other economies—each operates under its own unique set of circumstances.

Market swings can be unsettling, but volatility isn't inherently negative. For long-term investors, it can be a powerful ally. Volatility creates windows of opportunity—periods when patience, discipline, and a long-term mindset can pave the way for positive outcomes. During the recent bouts of market turbulence, We have been actively capitalizing on select opportunities.

Every economic cloud has a silver lining. Our team is here to help our clients navigate through uncertain waters—with perspective, conviction, a steady hand, and some grey hairs, too.

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

Portfolio Managers

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Portfolio Manager

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Portfolio Manager

Joe Salmond
Portfolio Manager

Supported by the entire Thornburg investment team

AVERAGE ANNUAL TOTAL RETURNS (%)

AS OF 31 MARCH 2025	QTR	YTD	1-YR	3-YR	5-YR	ITD	EXPENSE RATIOS (%) GROSS	NET
A Shares TBWAX (Incep: 30 Sep 15)								
Without sales charge	4.09	4.09	5.99	3.24	13.81	8.68	--	--
With sales charge	-0.59	-0.59	1.24	1.68	12.76	8.16	1.58	1.58
I Shares TBWIX (Incep: 30 Sep 15)	4.24	4.24	6.57	3.80	14.45	9.39	1.24	0.90
MSCI ACWI ex-U.S. Index	5.23	5.23	6.09	4.48	10.92	6.63		

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.

First Quarter 2025 Performance Highlights

- In 1Q25 the portfolio (I share class) returned 4.24%, -99 basis points behind the MSCI ACWI ex-U.S. Index. Year to date the portfolio (I share class) returned 4.24%, -99 basis points behind the MSCI ACWI ex-U.S. Index.
- From a sector perspective, the portfolio's leading contributors to performance were utilities and financials, where the underweight allocation hurt but was handily offset by strong stock picking and currency effects. Selection effect in health care also contributed to relative performance. On the flip side, overweight allocations and selection effects in industrials and information technology were drags to relative performance, along with stock picking in consumer staples.
- By geography, relative returns were led by an underweight and zero-weight allocations, respectively, to Taiwan and India, along with an overweight allocation and strong stock picking in Hong Kong. Leading drags to relative returns were overweight allocations to Japan and the U.S. But while selection effect in Japan was also a negative, it was positive in the U.S., where selection effect was squarely positive, just not enough to offset the negative impact from the broad U.S. market drop.

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 doesn't 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, firms 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, 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 by sector and geography, and with our proprietary basic value, consistent earner 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 ESG momentum can have on a portfolio, our second-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, it was a top contributor to portfolio performance over the last 12 months, despite a rough patch in early 2025. It's 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 long-run outperformance against the MSCI ACWI ex-U.S. Index, which does not incorporate ESG factors, since we launched the portfolio nearly a decade ago.

TEN LARGEST HOLDINGS AS OF 28 FEBRUARY 2025	% FUND
BNP Paribas S.A.	3.3
SAP SE	3.2
Linde plc	3.2
LVMH Moet Hennessy Louis Vuitton SE	3.2
Canadian Pacific Kansas City Ltd.	3.1
Alcon AG	3.1
L'Oreal S.A.	3.0
Hitachi Ltd.	3.0
Mitsubishi UFJ Financial Group, Inc.	3.0
Constellation Software, Inc./Canada	2.9

TOP 5 CONTRIBUTORS (%) 1Q25	AVERAGE WEIGHT	CONTRIB. TO RETURN
BNP Paribas SA	3.01	0.89
Sony Group Corp	2.92	0.48
Mitsubishi UFJ Financial Group Inc	3.19	0.48
Hong Kong Exchanges & Clearing Ltd	2.44	0.45
Endesa SA	1.95	0.44

BOTTOM 5 DETRACTORS (%) 1Q25	AVERAGE WEIGHT	CONTRIB. TO RETURN
Recruit Holdings Co Ltd	2.01	-0.62
Globant SA	1.01	-0.51
Nebius Group NV	0.43	-0.34
Alimentation Couche-Tard Inc	2.25	-0.26
Disco Corp	1.82	-0.26

Source: FactSet

BASKET ALLOCATION	% FUND
Consistent Earner	49.1
Basic Value	39.8
Emerging Franchise	5.9
Cash	5.2

Important Information

Unless otherwise noted, the source of all data, charts, tables and graphs is Thornburg Investment Management, Inc., as of 31 March 2025.

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

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