

Thornburg Investment Income Builder Strategy

Portfolio Manager Commentary
31 December 2023



This note will highlight the results of the Thornburg Investment Income Builder Strategy investment portfolio for Q4 2023. It is published amidst the ongoing developments associated with the Russian invasion of Ukraine, moderating inflation figures in the U.S., Mideast tensions, and upcoming political contests in the U.S. and many other countries. Most bond and equity indices delivered price increases in the December quarter and calendar 2023.

The quarter ending 31 December 2023 was the 84th full calendar quarter since the inception of Thornburg Investment Income Builder in December 2002. In 61 of these quarters the strategy delivered a positive total return. The strategy has delivered positive total returns in 16 of its 21 calendar years of existence. Importantly, for an investor reinvesting dividends Thornburg Investment Income Builder has delivered an average annualized total return of more than 9.1% (net of fees) since its inception 21 years ago, split between quarterly income distributions and share price appreciation.*

We have maintained your portfolio's exposure to dividend paying firms that we believe have resilient businesses with strong capital structures. The recent increase in communications services sector investments was mostly due to the addition of AT&T to the portfolio in the December quarter. Compare the sector allocations of the equities in the Investment Income Builder portfolio over the trailing year in the table on page 2:

The value of the \$US vis-à-vis most developed market foreign currencies fluctuated within a relatively narrow range in 2023, finishing slightly lower from January 1 to December 31. As in prior years, we hedged a significant percentage of the foreign currency exposure of the underlying businesses of your portfolio's non-\$US investments.

* The portfolio may not have outperformed in all reporting periods.

We have maintained your portfolio's exposure to dividend-paying firms that we believe have resilient businesses with strong capital structures.

Portfolio Managers

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Supported by the entire Thornburg investment team

Average Annual Returns (% , as of 31 Dec 2023)

	QTD	YTD	1-YR	3-YR	5-YR	10-YR
Investment Income Builder Composite (Gross)	8.68	19.30	19.30	10.36	9.96	7.28
Investment Income Builder Composite (Net)	8.49	18.48	18.48	9.60	9.20	6.54
Investment Income Builder Blend Index	10.27	19.11	19.11	4.70	10.04	7.06

Annual Return Performance Summary (%)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Investment Income Builder Composite (Gross)	5.79	-4.36	10.83	16.23	-3.63	19.07	0.42	21.48	-7.24	19.30
Investment Income Builder Composite (Net)	5.07	-5.02	10.08	15.44	-4.29	18.27	-0.28	20.64	-7.89	18.48
Investment Income Builder Blend Index	5.25	-0.33	6.41	17.42	-6.42	22.87	14.41	15.64	-16.67	19.11

In US\$ terms. Returns may increase or decrease as a result of currency fluctuations. Periods less than one year are not annualized.

The Blended index is composed of 25% Bloomberg U.S. Aggregate Bond Index and 75% MSCI World Index.

Performance data for the Investment Income Builder Strategy is from the Investment Income Builder Composite, inception date of 1 January 2003. The Investment Income Builder Composite includes discretionary accounts invested in the Investment Income Builder Strategy.

Returns are calculated using a time-weighted and asset-weighted calculation including reinvestment of dividends and income. Periods less than one year are not annualized. Individual account performance will vary. The performance data quoted represents past performance; it does not guarantee future results. Gross of fee returns are net of transaction costs. Net of fee returns are net of transaction costs and investment advisory fees. For periods prior to 2011, net returns for some accounts in the composite also reflect the deduction of administrative expenses. Thornburg Investment Management Inc.'s fee schedule is detailed in Part 2A of its ADV brochure. Performance results of the firm's clients will be reduced by the firm's management fees. For example, an account with a compounded annual total return of 10% would have increased by 159% over ten years. Assuming an annual management fee of 0.75%, this increase would be 142%.

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Sector	Sector Weights as of:					Dec '22- Dec '23 +/- Weighting
	31-Dec-23	30-Sep-23	30-Jun-23	31-Mar-23	31-Dec-22	
Financials	24.5	24.1	25.3	24.1	25.9	-1.4
Communications Services	15.1	12.1	11.5	12.3	11.0	+4.1
Information Technology	14.8	13.8	15.2	14.2	13.6	+1.2
Energy (Diversified)	11.3	13.4	10.7	9.2	10.6	+0.7
Health Care	10.5	11.9	12.1	12.5	12.5	-2.0
Materials	7.2	8.0	6.4	7.1	7.2	0.0
Utilities	7.1	6.7	8.9	8.7	6.9	+0.2
Consumer Staples	3.8	3.9	3.7	3.8	3.1	+0.7
Consumer Discretionary	3.0	3.1	3.1	3.8	3.7	-0.7
Industrials	2.0	1.9	2.0	3.8	4.7	-2.7
Real Estate	0.3	0.3	0.4	0.4	0.5	-0.2

May not add up to 100% due to rounding.

Ten of eleven sectors of the MSCI World Index delivered positive returns in \$US for Q4'23. Sector returns for the quarter ranged from +17% for the information technology and real estate sectors to -4% for the energy sector. For calendar 2023 all eleven sectors of the MSCI World Index delivered positive returns in \$US, ranging from +58% for the information technology sector to +1% for utilities. The MSCI World Index comprises 75%, and the entire equity portion, of the Thornburg Investment Income Builder's global performance benchmark.

Twenty-five equity investments contributed positive returns of at least 0.25% to overall Income Builder Strategy portfolio performance during calendar 2023. The most positive equity contributors to yearly performance included a variety of information technology firms, European utilities, financials, telecommunications network operators and consumer staples.

Only one of your portfolio's equity investments in the health care sector made a negative contribution to portfolio performance of less than -0.25% during calendar 2023.

Investment Income Builder's bond holdings delivered positive returns during Q4'23 and calendar 2023. 10-year U.S. Treasury bond yields, unchanged year over year in calendar 2023, dropped from 4.57% to 3.88% in the December quarter. Corporate and asset-backed bond prices rose as spreads to U.S. Treasury bonds mostly narrowed. The Bloomberg U.S. Corporate High Yield Index dropped from 8.88% to 7.59% during the December quarter (yield to lower of call price or maturity). On 31 December 2023, the \$65 trillion Bloomberg Global Aggregate Bond Index showed an average maturity of 8.53 years and a yield of 3.51%, the latter dropping by -0.71% over the December quarter and -0.19% during 2023. Developed world bond yields outside the U.S. lag domestic bond yields, a circumstance that has supported the U.S. dollar in the face of large fiscal and trade deficits over the last 8 quarters.

Readers of this commentary who are long time investors of Thornburg Investment Income Builder will recall that the interest-bearing debt portion of the strategy's portfolio has varied over time, ranging from less than 9% in 2015 to 45% on June 30, 2009. We tend to allocate more portfolio assets to interest bearing debt when debt yields are more attractive. 14% of portfolio assets were invested in interest bearing debt and near cash assets on 31 December 2023. The remaining 86% of portfolio assets were invested in equities as previously described.

The performance data quoted represents past performance; it does not guarantee future results.

The securities discussed are for illustrative purposes only and do not represent a recommendation to buy or sell any security. The analysis or data presented is not intended to represent performance of all securities within a portfolio, which can be lower than what is presented here or than what might be inferred given the analysis. It should not be assumed that the securities were or will be profitable, or that the investment decisions we make in the future will be profitable. Please see disclosure page for additional information.

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The outlook for financial asset returns remains uncertain. Earnings and other valuation multiples for most segments of the U.S. equity market are above historic averages. The “real” yield on the 10-year U.S. Treasury note (December 31 market yield on 10 year UST of 3.88% minus the core consumer price index of 3.2%) is positive at +0.68%, using the November 2023 core consumer price index. While showing a significant recovery from the negative real yields of recent years, this positive real yield level still lags levels typically experienced over the investment lifetimes of most readers of this note. The average “real yield” on 10-year U.S. Treasury notes over the last 30 years was +1.90%. Inflation headed lower through 2023 and is approaching Federal Reserves targets. A large supply of new government debt being issued plus ongoing corporate borrowing present a challenge to further reductions in bond yields unless the U.S. economy weakens considerably in the coming quarters.

Incoming economic data from around the world indicate a resilient global economy, resisting falling into a broadly predicted recession. Prices of traded financial assets will be volatile with day-to-day news changing perceptions of near-term economic performance. We are optimistic about the future return potential of Thornburg Investment Income Builder’s assets. Why?

Virtually all the businesses in your portfolio retain their market positions providing important products and services that generate cash flows to pay attractive dividends. We believe they are valued very attractively in relation to their own histories and relative to other assets.

The weighted average price/earnings ratio for Thornburg Investment Income Builder’s equity portfolio tabulated using Bloomberg reported results was approximately 11.3x as of 31 December 2023, significantly below the 19.0x price/earnings ratio of the MSCI World Index. Income Builder’s 5.12% weighted average equity portfolio dividend yield significantly exceeds the 1.97% dividend yield of the MSCI World Index. We believe your Income Builder portfolio incorporates significant intrinsic value. The bond portion of your strategy’s portfolio has a duration below 4 years and a yield to maturity/call of more than 7%.

Important Information

The performance data quoted represents past performance; it does not guarantee future results.

Unless otherwise noted, the source of all data, charts, tables and graphs is Thornburg Investment Management, Inc., as of 31 December 2023.

Investments in the Strategy carry risks, including possible loss of principal. Carefully consider the Strategy’s investment objectives, risks, and expenses before investing. There is no guarantee that the portfolio will meet its investment objectives.

Neither the payment of, or increase in, dividends is guaranteed.

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Portfolio holdings and characteristics shown herein are from a representative account managed within the investment composite. The representative account is selected based on account characteristics that Thornburg believes accurately represent the investment strategy as a whole. Should these characteristics change materially, Thornburg may select a different representative account. Holdings may change daily and may vary among accounts, which may contribute to different investment results. The representative account information is supplemental to the strategy’s composite and GIPS compliant presentation.

Consumer Price Index (CPI) - Index that measures prices of a fixed basket of goods bought by a typical consumer, including food, transportation, shelter, utilities, clothing, medical care, entertainment and other items. The CPI, published by the Bureau of Labor Statistics in the Department of Labor, is based at 100 in 1982 and is released monthly. It is widely used as a cost-of-living benchmark to adjust Social Security payments and other payment schedules, union contracts and tax brackets. Also known as the cost-of-living index.

The MSCI ACWI Index (MSCI ACWI NTR) is a market capitalization weighted index that is representative of the market structure of 47 developed and emerging market countries in North and South America, Europe, Africa, the Middle East, and the Pacific Rim. The index is calculated with net dividends reinvested in U.S. dollars.

The MSCI World Index (MSCI World NTR) is an unmanaged market-weighted index that consists of securities traded in 23 of the world’s most developed countries. Securities are listed on exchanges in the U.S., Europe, Canada, Australia, New Zealand, and the Far East. The index is calculated with net dividends reinvested in U.S. dollars.

Portfolio construction will have significant differences from that of a benchmark index in terms of security holdings, industry weightings, asset allocations and number of positions held, all of which may contribute to performance, characteristics and volatility differences. The index shown is unmanaged, reflect total returns and assume the reinvestment of all income in U.S. dollars. It does not reflect any management fees or brokerage expenses associated with a portfolio’s returns. Returns for an actual portfolio may differ from those of an index due to (among other things) differences in timing and the amount invested and fees and expenses. Investors may not make direct investments into any index.

Price/Cash Flow - The measure of the market’s expectations regarding a firm’s future financial health. It is calculated by dividing price per share by cash flow per share.

Real Yield - Yield from an investment adjusted for the effects of inflation.

UST = United States Treasury

The Bloomberg U.S. Aggregate Index (BBG US Agg TR Value) is composed of approximately 8,000 publicly traded bonds including U.S. government, mortgage-backed, corporate and Yankee bonds. The index is weighted by the market value of the bonds included in the index.

The Bloomberg U.S. Corporate High Yield Index (BBG US Corp High Yield TR Value) measures the market of USD-denominated, non-investment grade, fixed-rate, taxable corporate bonds. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below. The index excludes emerging market debt.

The Bloomberg Global-Aggregate Index (BBG Global-Agg TR Value) provides a broad-based measure of the global investment-grade fixed-rate debt markets. It is comprised of the U.S. Aggregate, Pan European Aggregate, and the Asian-Pacific Aggregate indices. It also includes a wide range of standard and customized sub-indices by liquidity constraint, sector, quality, and maturity.

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