

Thornburg Investment Income Builder Strategy

Portfolio Manager Commentary

31 March 2024



This note will highlight the results of the Thornburg Investment Income Builder Strategy investment portfolio for Q1 2024. 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 equity indices delivered price increases in the March quarter. Returns from bonds were mixed.

The quarter ending 31 March 2024, was the 85th full calendar quarter since the inception of Thornburg Investment Income Builder in December 2002. In 62 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 10.3% (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 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 Q1'2024, finishing slightly higher from December 31 to March 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.

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Average Annual Returns (% , as of 31 Mar 2024)

	QTD	YTD	1-YR	3-YR	5-YR	10-YR
Investment Income Builder Composite (Gross)	5.99%	5.99%	19.57%	9.37%	9.66%	7.54%
Investment Income Builder Composite (Net)	5.81%	5.81%	18.75%	8.61%	8.91%	6.80%
Investment Income Builder Blend Index	6.42%	6.42%	18.93%	5.89%	9.29%	7.57%

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:					+/- y/y Weighting
	31-Mar-24	31-Dec-23	30-Sep-23	30-Jun-23	31-Mar-23	
Financials	25.4	24.5	24.1	25.3	24.1	+1.3
Communications Svcs	16.7	15.1	12.1	11.5	12.3	+4.4
Information Technology	13.4	14.8	13.8	15.2	14.2	-0.8
Energy	10.6	11.3	13.4	10.7	9.2	+1.4
Health Care	12.2	10.5	11.9	12.1	12.5	-0.3
Materials	5.5	7.2	8.0	6.4	7.1	-1.6
Utilities	6.2	7.1	6.7	8.9	8.7	-2.5
Consumer Staples	3.6	3.8	3.9	3.7	3.8	-0.2
Consumer Discretionary	3.7	3.0	3.1	3.1	3.8	-0.1
Industrials	2.3	2.0	1.9	2.0	3.8	-1.5
Real Estate	0.3	0.3	0.3	0.4	0.4	-0.1

May not add up to 100% due to rounding.

Ten of eleven sectors of the MSCI World Index delivered positive returns in \$US for Q1'24. Sector returns for the quarter ranged from +13% for the communications services sector to -0.5% for the real estate 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 global performance benchmark for Thornburg Investment Income Builder.

Twenty-one equity investments contributed positive returns of at least 0.10% to overall Income Builder Strategy portfolio performance during Q1'2024. The most positive equity contributors to quarterly performance included information technology firms, financials, pharmaceuticals firms, telecommunications network operators, motor vehicle producers, and a UK defense contractor.

Six of your strategy's equity investments made negative contributions to portfolio performance of less than -0.10% during Q1'2024.

Investment Income Builder's bond holdings delivered modest positive returns during Q1'2024. Ten-year U.S. Treasury bond yields, unchanged year over year in calendar 2023, rose from 3.88% to 4.20% in the March quarter. Corporate and asset-backed bond yield spreads to U.S. Treasury bonds mostly narrowed. The market yield of the Bloomberg U.S. Corporate High Yield Index increased slightly from 7.59% to 7.66% during the March quarter (yield to lower of call price or maturity), but the interest income overcame the slight bond price decline to deliver a positive return. On 31 March 2023, the \$65 trillion Bloomberg Global Aggregate Bond Index showed an average maturity of 8.52 years and a yield of 3.74%, the latter increasing by +0.23% over the March quarter after dropping by -0.19% during calendar 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 9 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 30 June 2009. We tend to allocate more portfolio assets to interest-bearing debt when debt yields are more attractive. Approximately 15% of portfolio assets were invested in interest-bearing debt and near cash assets on 31 March 2024. The remaining 85% of portfolio assets were invested in equities as previously described.

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 (March 31 market yield on 10-year UST of 4.20% minus the core consumer price index of 3.8%) is positive at +0.4%, using the February 2024 core Consumer Price

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

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Index. While showing a significant recovery from the negative real yields of recent years, this positive real yield level 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 +1.40%. U.S. price inflation headed lower in recent quarters and is approaching Federal Reserve targets, but recent progress has slowed. A large supply of new government debt being issued plus ongoing corporate borrowing present challenges 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 and interest rate policies. 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 11.6x as of 31 March 2024, well below the 19.3x price/earnings ratio of the MSCI World Index. Income Builder's 4.85% weighted average equity portfolio dividend yield significantly exceeds the 1.79% 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 7.5%.

Thank you for being an investor in Thornburg Investment Income Builder Strategy. Remember that you can review additional information about your portfolio by going to our website, www.thornburg.com.

Important Information

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Unless otherwise noted, the source of all data, charts, tables and graphs is Thornburg Investment Management, Inc., as of 31 March 2024.

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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