

Q2 2023

# Thornburg Investment Management Quarterly Update: **Income Builder Opportunities Trust**

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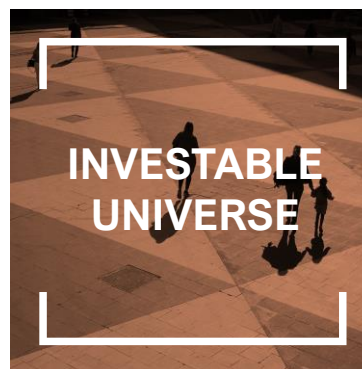
Adam Sparkman, CFA | Client Portfolio Manager

# A Solution That Consistently Seeks to Provide Attractive Income



Pay attractive yield today

Long-term capital appreciation



Global dividend-paying stocks

Global bonds and hybrid securities

Options



Focus on firms' ability and willingness to pay dividends

There is no guarantee that the Fund will meet its investment objectives. Neither the payment of, or increase in, dividends is guaranteed.

# Key Macroeconomic Issues

July 2023

- The COVID-19 pandemic has faded in most of the world. China has switched from a “zero tolerance” policy that shut in much of its economy last year to a virtually open economy. Recovery is below prior expectations.
- Inflationary pressures persist across a broad range of services, but these are moderating. Prices of commodities and many tradeable goods have declined, with further soft readings expected in the coming months.
- Inflation rates remain well above central bank targets, keeping upward pressure on policy interest rates even as rate increases moderate.
- Labor compensation is growing, the Atlanta Fed Wage Growth Tracker was up +6.0% YoY in May, the number of unfilled jobs exceeds the number of unemployment insurance claimants in the U.S.
- Deposits at U.S. commercial banks increased from \$13.3 trillion March 1, 2020, to \$18.4 trillion in April 2022, During most of this period, the effective Federal Funds rate was 8 basis points. Deposits are now \$17.3 trillion.
- Lacking accretive short maturity investment opportunities, many banks invested deposit inflows in longer duration securities. These fell sharply in value as the Fed Funds rate increased by +5% in 5 quarters. Unable to sell these securities to fund deposit outflows while maintaining solvent capital in the rising rate environment, some banks have failed. Many are stressed.
- The ability of small and mid-sized U.S. banks to provide loans while also remaining liquid enough to fund deposit outflows is expected to lead to some degree of credit crunch in the U.S. economy.
- It remains to be seen to what extent the Federal Reserve decision makers will factor bank stress and tighter credit into their decision making on rates.
- Most forecasts predict a recession in the U.S. and other developed economies in late 2023 or 2024. The predicted timing of the downturn is being pushed out vs earlier forecasts. Developed country economies have been more resilient than expected to higher interest rates.
- The U.S. unemployment rate averaged 3.7% in 2022, now at 3.6%.
- Russia’s invasion of Ukraine, and the ensuing sanctions, maintain uncertainty around supplies of certain key commodities, including grains, hydrocarbons, metals, and fertilizers.
- 10-year US Treasury yield increased from 1.51% on 12/31/21 to 3.88% on 12/31/22 (now 4%). Credit spreads widened over the same period. Bloomberg U.S. Corporate High Yield Index is 8.68% on 7/11/23, vs 4.21% on 12/31/21.
- Higher bond yields pressured equity multiples lower in 2022. Bond and equity prices have risen in early 2023 on optimism about softer near-term inflation readings and an “artificial intelligence” productivity boom.
- Volatility of financial asset prices have increased since the Fed rate tightening cycle has begun.
- Investors struggle to assess the degree of persistence of inflation, the consequences of banking/financial industry liquidity stress and the Ukraine war, and the immediate and longer run impacts of all of these on various issuers of stocks and bonds.

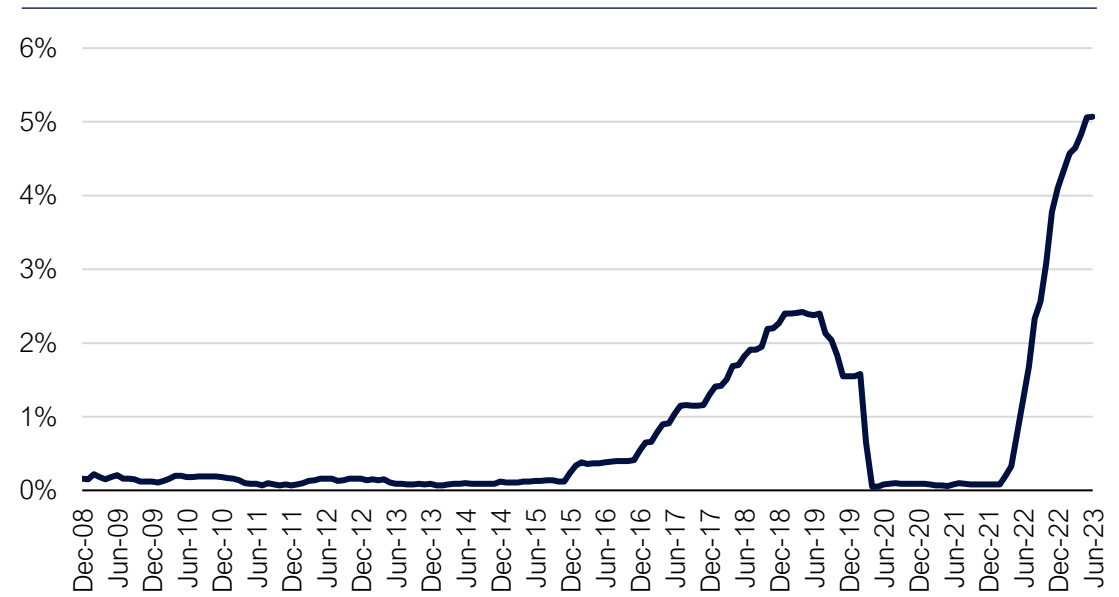
# Cost of Capital Normalization

Zero percent interest rates benefited growth-centric markets like the U.S.

**EFFECTIVE FED FUNDS RATE, 1982–2008: AVERAGE 5.31%**



**EFFECTIVE FED FUNDS RATE, 2008–2023 YTD: AVERAGE 0.75%**



*Past performance does not guarantee future results.*

Bloomberg

# Selected World Market Index Returns

Total Returns (USD)

	2016	2017	2018	2019	2020	2021	2022	YTD 2023
USA: S&P 500 Index	11.96%	21.83%	-4.38%	31.49%	18.40%	28.71%	-18.11%	16.89%
USA: Russell 3000 Growth Index	7.39%	29.59%	-2.12%	35.85%	38.26%	25.85%	-28.97%	28.05%
MSCI EAFE Index	1.00%	25.03%	-13.79%	22.01%	7.82%	11.26%	-14.45%	11.67%
MSCI AC World ex-U.S. Index	4.50%	27.19%	-14.19%	21.51%	11.08%	7.48%	-16.00%	9.47%
MSCI AC World Index	7.86%	23.97%	-9.42%	26.60%	16.25%	18.54%	-18.36%	13.94%
MSCI Emerging Markets Index	11.19%	37.28%	-14.58%	18.42%	18.31%	-2.54%	-20.09%	4.89%
EURO STOXX 50 Index	1.75%	25.25%	-15.61%	26.84%	6.01%	15.58%	-13.97%	21.48%
MSCI AC Asia Pacific (All-Cap) Index	4.82%	28.94%	-14.16%	18.70%	19.16%	5.54%	-9.89%	10.57%
Bloomberg Barclays U.S. Universal Bond Index	3.91%	4.09%	-0.25%	9.29%	7.58%	-1.10%	-12.99%	2.32%
Russell 2500 Growth Total Return Index	9.73%	24.46%	-7.47%	32.65%	40.47%	5.04%	-26.22%	13.37%
Russell 2500 Total Return Index	17.59%	16.81%	-10.00%	27.77%	19.99%	18.18%	-18.37%	8.79%

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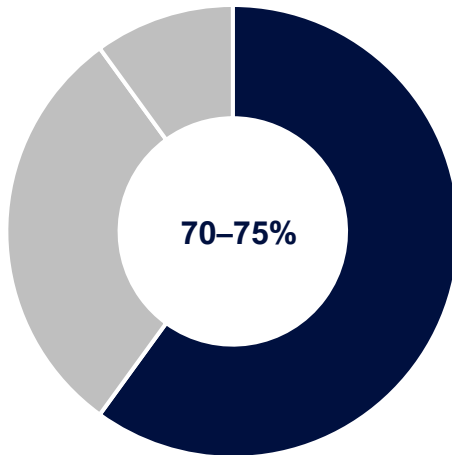
Source: MSCI, Bloomberg, Thornburg Investment Management



## Investment Mix

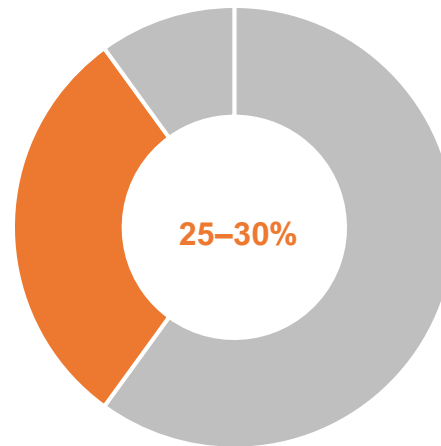
Building a diversified portfolio with asset class flexibility, designed to perform in various conditions.

### EQUITY



- Domestic equity
- International equity
- Emerging Markets equity
- Preferred Stock
- REITs

### CREDIT



- International & Domestic
- Investment Grade
- High Yield
- Mortgage-Backed Securities
- Agencies Debt
- Non-Agency RMBS
- Commercial MBS
- Convertible Securities
- Collateralized Debt Obligations
- Treasuries

### OTHER

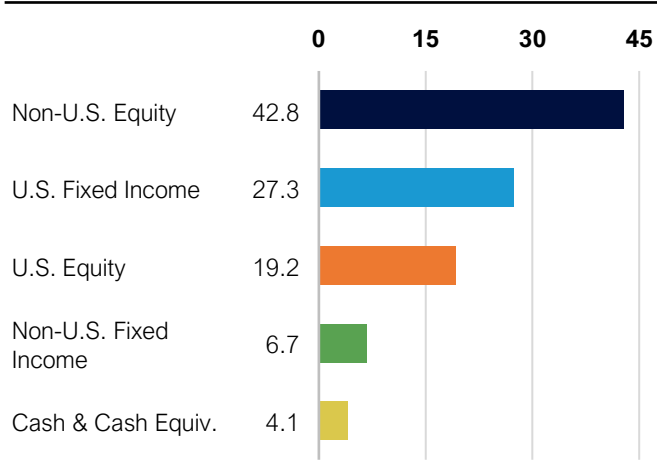


- Options Overlay
- Derivatives



# Overview and Allocation

## ASSET ALLOCATION (%)



## CHARACTERISTICS

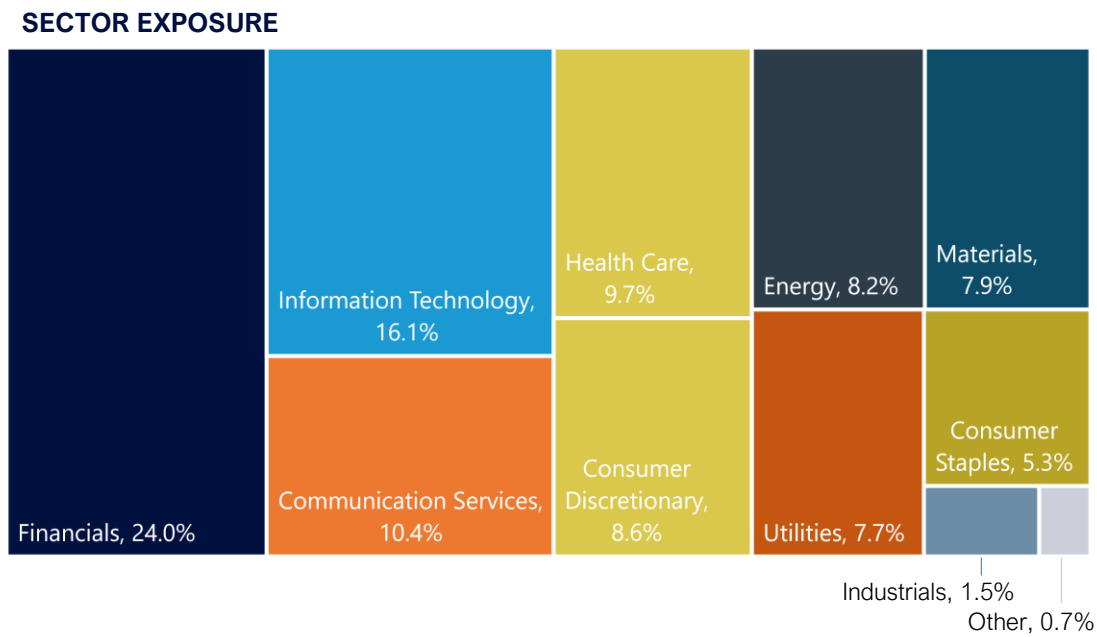
Total Managed Assets	\$567 million	Number of Holdings <sup>†</sup>	178 (57 equity / 121 bond)
Common Shares Outstanding	32,081,883	Inception Distributions / Share	\$2.396
NAV	\$17.66	Option Overlay (% of total portfolio)	9.1%
Market Price	\$15.23	Regulatory Leverage	0.00%
Premium / Discount	-13.76%	Term	2 August 2033
Current Distribution (monthly)*	\$0.10417	Benchmark:	25% Bloomberg U.S. Aggregate Bond Index and 75% MSCI World Index.

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.

\*Distribution rates are not performance and are calculated by summing the monthly distributions per share over 12 months and dividing by the NAV or market price, as applicable, as of the latest month end. Distributions may be comprised of ordinary income, net capital gains, and/or a return of capital (ROC) of the investment in the fund. Because the distribution rate may include a ROC, it should not be confused with yield or income.

<sup>†</sup>Excludes options  
Source: Thornburg Investment Management; State Street Corporation

# Portfolio Positioning: Focus on Companies Who Provide Ingredients Important to Modern Life



**REGIONAL EXPOSURE (%)**

North America	48.6
Europe ex-U.K.	27.9
Asia Pacific ex-Japan	6.2
Japan	4.7
Latin America	3.3
UK	3.0
Other	2.1
Cash & Cash Equiv.	4.1

Sector weights are percentages of total equity. Geographic regions weights are percentage of total net assets. Portfolio holdings are subject to change daily.



# Top 10 Equity Holdings

NAME OF COMPANY	2023 YTD PRICE CHANGE USD (%)	2022 YEAR PRICE CHANGE USD (%)	WEIGHT (%)
Enel Ord	25.0%	-32.4%	3.1
NN Group N.V.	-9.4%	-22.8%	2.6
Pfizer Ord	28.4%	-13.2%	2.2
Cisco Systems Ord	8.6%	-24.8%	2.1
Assicurazioni Generali Ord	14.2%	-15.6%	2.0
Bhp Group Ord	-3.6%	15.6%	2.0
Mercedes-Benz Group N Ord	22.2%	-14.0%	1.9
Meta Platforms, Inc.	138.5%	-64.2%	1.9
Taiwan Semiconductor Manufacturing Co. Ltd.	26.7%	-38.1%	1.8
Altria Group, Inc.	-0.9%	-3.6%	1.8

*Past performance does not guarantee future results.*

Source: Bloomberg

Any securities, sectors, or countries mentioned are for illustrative purposes only. Holdings are subject to change.

Under no circumstances does the information contained within represent a recommendation to buy or sell any security.

# Performance

	<b>INCEP.</b>	<b>1Q23</b>	<b>2Q23</b>
Share Price (\$)	20.0	15.61	15.23
NAV (\$)	20.0	17.41	17.66
Premium / Discount (%)	0.0	-10.34	-13.76

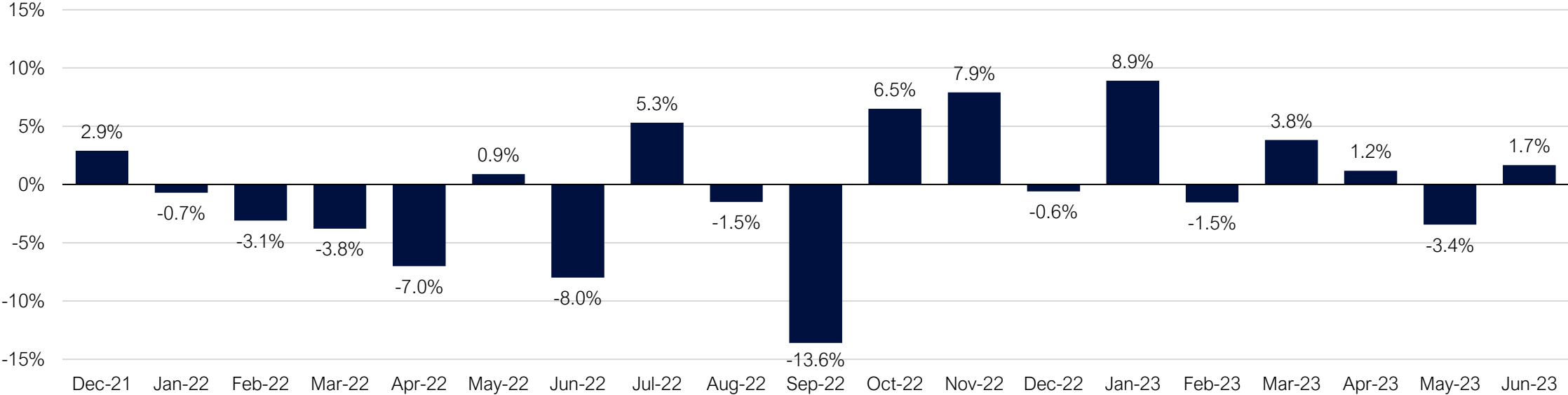
<b>AVERAGE ANNUAL TOTAL RETURNS (%)</b>	<b>QTD</b>	<b>YTD</b>	<b>1-YR</b>	<b>INCEP. 28 July 2021</b>
Total Price	-0.67	10.58	13.06	-7.19
Total NAV	3.27	11.17	15.43	0.22
Blended Benchmark	4.90	11.75	13.53	-1.56

*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.*

Returns for 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.



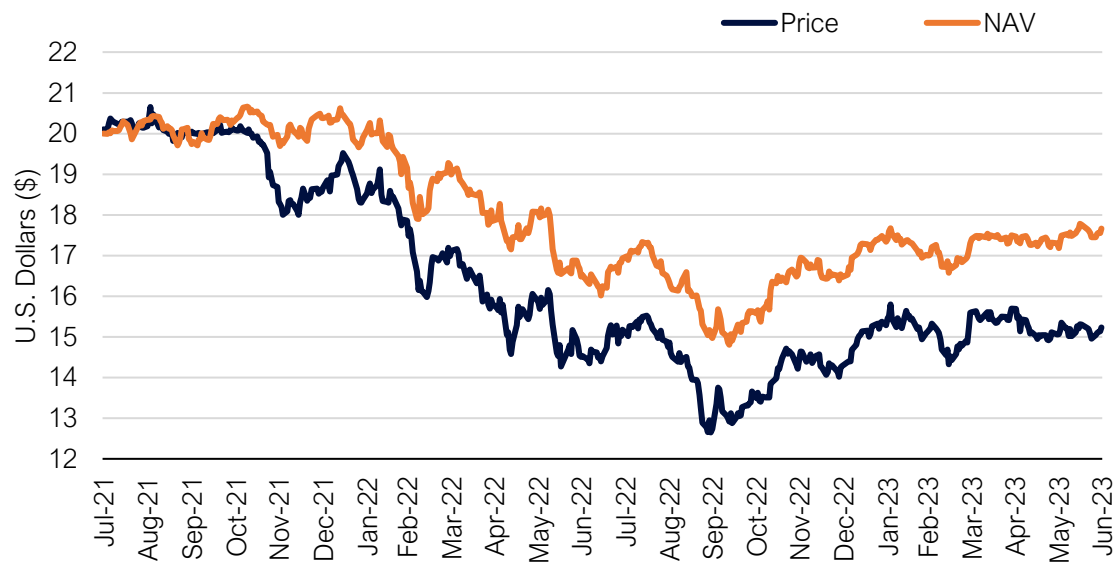
# Monthly Total Returns



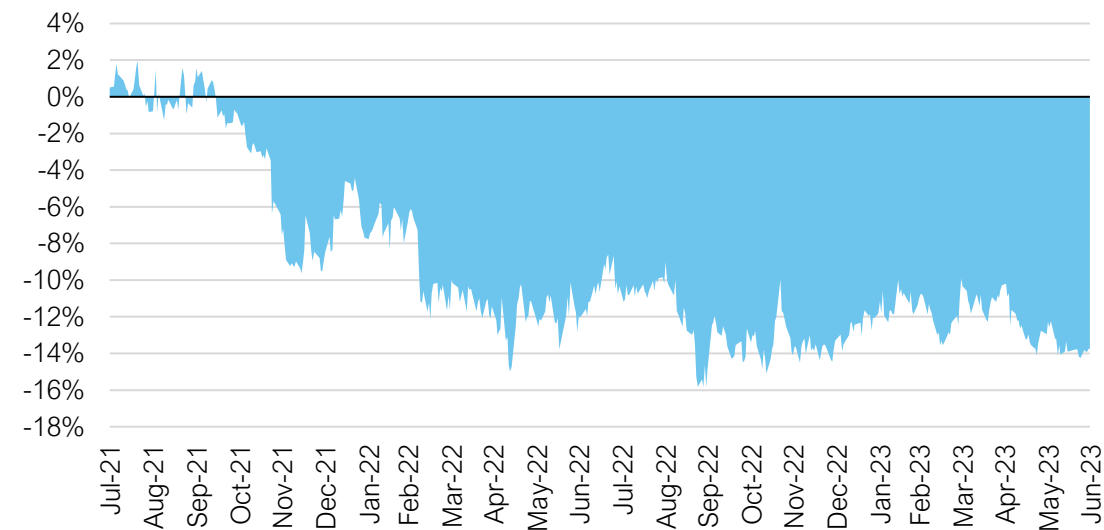
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# Price / NAV & Premium Discount History



## PREMIUM DISCOUNT HISTORY



Past performance does not guarantee future results.

## Distribution History

Since inception, TBLD has paid twenty-three distributions of \$0.10417 totaling \$2.396 per share.

TBLD declared its initial distribution on 25 August 2021 at a distribution rate of 6.25% on IPO price.

PAYABLE DATE	RECORD DATE	EX-DATE	DECLARATION DATE	AMOUNT
20 Jun 2023	12 Jun 2023	9 Jun 2023	1 Jun 2023	\$0.10417
19 May 2023	11 May 2023	10 May 2023	1 May 2023	\$0.10417
20 Apr 2023	13 Apr 2023	12 Apr 2023	3 Apr 2023	\$0.10417
20 Mar 2023	13 Mar 2023	10 Mar 2023	1 Mar 2023	\$0.10417
21 Feb 2023	13 Feb 2023	10 Feb 2023	1 Feb 2023	\$0.10417
23 Jan 2023	13 Jan 2023	12 Jan 2023	3 Jan 2023	\$0.10417
20 Dec 2022	12 Dec 2022	9 Dec 2022	1 Dec 2022	\$0.10417
21 Nov 2022	14 Nov 2022	10 Nov 2022	1 Nov 2022	\$0.10417
20 Oct 2022	11 Oct 2022	7 Oct 2022	3 Oct 2022	\$0.10417
20 Sept 2022	12 Sept 2022	9 Sept 2022	1 Sept 2022	\$0.10417
19 Aug 2022	11 Aug 2022	10 Aug 2022	1 Aug 2022	\$0.10417
20 Jul 2022	11 Jul 2022	8 Jul 2022	1 Jul 2022	\$0.10417
<b>TOTAL</b> (Last 12 months)				<b>\$1.25</b>

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Source: Thornburg Investment Management

Note: Distribution rates are not performance and are calculated by summing the monthly distributions per share over 12 months and dividing by the NAV or market price, as applicable, as of the latest month end. Distributions may be comprised of ordinary income, net capital gains, and/or a return of capital (ROC) of the investment in the fund. Because the distribution rate may include a ROC, it should not be confused with yield or income.

# Historically, Dividends Have Been Important to Total Return: S&P 500 Index

Over the long term, total shareholder returns (TSR) are roughly 50% price / 50% dividends

DECADE	PRICE APPRECIATION	INCOME COMPONENT	TOTAL RETURN	INCOME AS PERCENTAGE OF TOTAL RETURN
1871 – 1880	2.8%	6.1%	8.9%	68.5%
1881 – 1890	-2.1%	4.8%	2.6%	184.6%
1891 – 1900	4.2%	4.5%	8.7%	51.7%
1901 – 1910	2.5%	4.6%	7.1%	64.8%
1911 – 1920	-2.6%	6.1%	3.4%	179.4%
1921 – 1930	6.7%	5.6%	12.3%	45.5%
1931 – 1940	-2.8%	4.9%	2.1%	233.3%
1941 – 1950	6.7%	6.4%	13.0%	49.2%
1951 – 1960	10.2%	5.0%	15.2%	32.9%
1961 – 1970	4.7%	3.5%	8.2%	42.7%
1971 – 1980	4.0%	4.5%	8.5%	52.9%
1981 – 1990	9.3%	4.6%	13.9%	33.1%
1991 – 2000	14.9%	2.6%	17.5%	14.9%
2001 – 2010	-0.5%	1.9%	1.4%	135.7%
2011 – 2020	11.6%	2.3%	13.9%	16.7%
2021 – 2Q23	7.0%	1.7%	8.7%	19.2%
<b>Average across Decades</b>	<b>4.6%</b>	<b>4.5%</b>	<b>9.1%</b>	<b>49.3%</b>
<b>Standard Dev across Decades</b>	<b>5.4%</b>	<b>1.4%</b>	<b>5.1%</b>	

*Past performance does not guarantee future results.*

Sources: Jack W. Wilson and Charles P. Jones, "An Analysis of the S&P 500 Index and Cowles's Extensions: Price Indexes and Stock Returns, 1870–1999", Journal of Business, 2002, vol. 75 no 3. Data after 1990 is from Bloomberg, Confluence, and FactSet. Calculated by Thornburg Investment Management. Returns are annualized.

An aerial photograph of a busy pedestrian crossing, likely a zebra crossing, with many people walking across. The image is overlaid with a light blue grid pattern. Two squares are positioned on the left side: a large orange square and a smaller white square below it. The text 'Q&A' is centered within the orange square.

Q&A



# Important Information

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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. 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 mortgage-backed securities (MBS) may bear additional risk. 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 the Funds are not FDIC insured, nor are they bank deposits or guaranteed by a bank or any other entity.

The performance data quoted represents past performance; it does not guarantee future results. Returns will fluctuate and current performance may be either lower or higher than data shown.

The S&P 500 Total Return Index is an unmanaged broad measure of the U.S. stock market.

The MSCI EAFE (Europe, Australasia, Far East) Net Total Return USD Index is an unmanaged index. It is a generally accepted benchmark for major overseas markets. Index weightings represent the relative capitalizations of the major overseas developed markets on a U.S. dollar adjusted basis. The index is calculated with net dividends reinvested in U.S. dollars.

The MSCI ACWI ex USA (Gross/Net) Index 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. Beginning in January 2001, the index is calculated with net dividends reinvested in U.S. dollars. Prior data is calculated with gross dividends.

The MSCI Emerging Markets Net Total Return USD Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. The MSCI Emerging Markets Index consists of the following 24 emerging market country indexes: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Pakistan, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey and United Arab Emirates.

The MSCI AC (All Country) Asia Pacific Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the developed and emerging markets in the Asia Pacific region. The index consists of the following 14 developed and emerging market countries: Australia, China, Hong Kong, India, Indonesia, Japan, Korea, Malaysia, New Zealand, Pakistan, Philippines, Singapore, Taiwan and Thailand.

The EURO STOXX 50 Index provides a Blue-chip representation of supersector leaders in the Eurozone. The index covers 50 stocks from 11 countries: Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Portugal and Spain.

The Bloomberg U.S. Universal Index measures the performance of U.S. dollar-denominated taxable bonds that are rated either investment-grade or high yield. The index includes U.S. Treasury bonds, investment-grade and high yield U.S. corporate bonds, mortgage-backed securities, and Eurodollar bonds.

The Russell 3000 Growth Total Return Index is an unmanaged index comprised of those Russell 3000 companies with higher price-to-book ratios and higher forecasted growth values. The stocks in this index are also members of either the Russell 1000 Growth or the Russell 2000 Growth indices. Source: Frank Russell Company.

The Russell 2500 Growth Total Return Index is designed to measure the performance of those Russell 2500 companies with higher price-to-book ratios and higher forecasted growth values.

The Russell 2500 Total Return Index measures the performance of the 2,500 smallest companies in the Russell 3000 Index, with a weighted average market capitalization of approximately \$4.3 billion, median capitalization of \$1.2 billion and market capitalization of the largest company of \$18.7 billion.

The potential long-term impacts of the pandemic remain uncertain and difficult to assess, and there is no assurance that a particular business strategy or product will limit potential investment losses.

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