

Thornburg Small/Mid Cap Core Fund

Portfolio Manager Commentary

31 December 2023



Market Review

U.S. equities rallied with the Russell 2500 Index producing its best quarterly return since 2020, up 13.35%, and the S&P 500 Index reaching a new all-time high. While markets were challenged in October, characterized by surging Treasury yields and fears that rates may remain higher-for-longer, investor sentiment quickly pivoted in early November as inflation resumed its decline toward the Fed's target and slowing jobs growth looked to be bottoming.

Treasury yields reversed course and equity prices rose as investors considered the likelihood that the Fed may be able to ease monetary policy sooner than previously expected, and possibly without the economy entering a recession. Small and mid-cap stocks, which are generally more sensitive to interest rates—and had lagged large caps stocks during much of the Fed's tightening cycle—outperformed the S&P 500 Index for the first time in 2023.

We continue to target durable companies across sectors we believe can compound over time in a variety of economic outcomes.

Portfolio Managers

Steven Klopukh, CFA

Portfolio Manager

Tim McCarthy, CFA

Portfolio Manager

Supported by the entire Thornburg investment team

AVERAGE ANNUAL TOTAL RETURNS (%)

AS OF 31 DECEMBER 2023

	QTR	YTD	1-YR	3-YR	5-YR	10-YR	ITD
A Shares TVAFX (Incep: 2 Oct 95)							
Without sales charge	9.84	13.14	13.14	1.19	8.32	7.40	9.02
With sales charge	4.89	8.04	8.04	-0.35	7.33	6.91	8.84
I Shares TVIFX (Incep: 2 Nov 98)*	9.96	13.61	13.61	1.58	8.73	7.80	9.43
Russell 2500 Index	13.35	17.42	17.42	4.24	11.67	8.36	9.72

EXPENSE RATIOS (%)

GROSS	NET
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1.37	1.37
1.09	0.95

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.

*Prior to inception of this share class, performance is hypothetical and was calculated from actual returns of the class A shares adjusted for the expenses of the newer share class.

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.

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Fourth Quarter 2023 Performance Highlights

- In 4Q23 the portfolio (I share class) returned 9.96%, -339 basis points behind the Russell 2500 Index. Year to date the portfolio (I share class) returned 13.61%, -381 basis points behind the Russell 2500 Index.
- Health Care, Real Estate, and Industrials were the largest detractors from relative returns, primarily due to stock selection. Energy, Consumer Staples, and Consumer Discretionary were the largest contributors to relative returns, also driven by stock selection.
- The portfolio's stock selection within the mid-cap segment of the Russell 2500 Index detracted from relative performance, while stock selection within small caps contributed positively to relative results.

Current Positioning and Outlook

Our more conservative positioning going into the quarter reflected our concerns about an uncertain economic picture and the potential for higher-for-longer interest rates to sustain market volatility. While this positioning provided a significant boost to relative performance in the third quarter, the market's rapid transition to a more optimistic outlook for a soft landing and easier monetary policy weighed on relative performance in the final months of 2023. During the quarter, holdings in sectors which are more sensitive to interest rates, such as Financials and REITs, surged as interest rates fell, outperforming more defensive positions in our portfolio.

However, greater clarity from the Fed on monetary policy prompted us to incrementally reduce some of the more defensive positions within our Consistent Earners basket and add exposure to more interest-rate sensitive Basic Value names, particularly in Banks, Financial Services, and Real Estate. Historically, smaller caps have performed well in the early phases of an economic recovery and in reaction to lower rates. While an economic rebound may still be a few quarters away, we have begun to increase the portfolio's overall sensitivity to cyclical, which should be additive if the market continues to rally.

While we view the probability of a soft landing as a more likely outcome, small and mid-cap stocks rallied quickly in the final months of the year and valuations have become stretched, particularly in lower-quality names. We expect some consolidation following the re-rating and until earnings become more supportive. And we remain vigilant on the challenges for the U.S. economy, especially if inflation is stickier than the market expects and rate cuts are delayed. Our investment approach remains consistent, and we continue to target durable companies across a range of sectors which we believe can compound over time and across a variety of economic outcomes.

TEN LARGEST HOLDINGS

AS OF 30 NOVEMBER 2023	% FUND
Casella Waste Systems, Inc.	3.5
Deckers Outdoor Corp.	3.0
Assurant, Inc.	3.0
Clean Harbors, Inc.	2.9
BJ's Wholesale Club Holdings, Inc.	2.8
Agilysys, Inc.	2.8
LPL Financial Holdings, Inc.	2.7
CCC Intelligent Solutions Holdings, Inc.	2.6
Pinnacle Financial Partners, Inc.	2.6
Builders FirstSource, Inc.	2.5

TOP 5 CONTRIBUTORS (%) 4Q23

	AVERAGE WEIGHT	CONTRIB. TO RETURN
Walker & Dunlop Inc	2.09	1.01
Deckers Outdoor Corp	2.93	1.00
Agilysys Inc	2.74	0.88
SunOpta Inc	1.62	0.82
Builders FirstSource Inc	2.31	0.78

BOTTOM 5 DETRACTORS (%) 4Q23

	AVERAGE WEIGHT	CONTRIB. TO RETURN
Chart Industries Inc	1.19	-0.63
CCC Intelligent Solutions Holdings Inc	2.50	-0.47
MaxLinear Inc	0.22	-0.32
Envista Holdings Corp	1.77	-0.31
Crown Holdings Inc	0.36	-0.28

Source: FactSet

Past performance does not guarantee future results.

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Important Information

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

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 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.

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.

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 Russell 2500 Index (Russell 2500 TR) 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 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 \$42.9* billion in total assets across mutual funds, institutional accounts, separate accounts and UCITS.

*Includes assets under management (\$41.8B) and assets under advisement (\$1.1B).

