

# Thornburg Investment Income Builder Fund



Letter to Shareholders | 30 September 2024

Dear Fellow Shareholder:

October 14, 2024

This letter will highlight the results of the Thornburg Investment Income Builder Fund for the twelve months ended September 30, 2024. Your fund's fiscal year that ended on September 30. 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. The S&P 500, the Bloomberg U.S. Aggregate Bond Index, and the MSCI World Index reported varying positive returns for the 12-month period, +36.3%, +11.6%, and +31.8%, respectively. In brief, most equities repriced higher due to a surprising level of economic strength and resilient corporate profits, while interest rates declined along with inflation rates.

For the trailing 12-month period, your fund paid ordinary dividends of \$1.20 per I share, similar to the prior year comparable period. The dividends per share were lower for A and C shares to account for varying class-specific expenses. More than 65% of your Investment Income Builder's equity holdings increased dividends in local currencies in 2023, a slightly smaller percentage compared to the prior year. We expect at least a similar percentage of your fund's equity holdings to increase dividends in local currencies in 2024. Income from our interest-bearing debt portfolio was lower year on year. We await news of any special dividends since these tend to be announced late in the calendar year. We are still petitioning to get refunds from certain European governments of withholding taxes on dividends received by your fund in the prior decade. These refund receipts were lower this year compared to 2021 and 2022.

The net asset value of Investment Income Builder's I shares increased by +\$4.37 per share (\$22.50 to \$26.87) for the trailing 12-month period ending September 30, 2024. For the 12-month period ending September 30, 2024, Investment Income Builder's I share return of 25.12% trailed the blended benchmark return of 26.96% (the blended benchmark is 75% MSCI World Index and 25% Bloomberg U.S. Aggregate Bond Index). Performance comparisons of Investment Income Builder to its blended benchmark over various periods are shown elsewhere on this website.

The quarter ending September 30, 2024 was the 87th full calendar quarter since the inception of Thornburg Investment Income Builder in December 2002. In 64 of these quarters, the fund delivered a positive total return. The fund has delivered positive total returns in 16 of its 21 calendar years. Importantly, for investors reinvesting dividends, Thornburg Investment Income Builder has delivered an average annualized total return of more than 9% since its inception nearly 22 years ago, split between quarterly income distributions and share price appreciation. On a \$100,000 initial investment, a hypothetical investor owning Thornburg

## Average Annual Returns (% , as of 30 Sep 2024)

	QTR	YTD	1-YR	3-YR	5-YR	10-YR	ITD
<b>A Shares TIBAX (Incep: 24 Dec 2002)</b>							
With Sales Charge	1.56	10.08	19.24	8.73	8.37	6.46	8.93
Without Sales Charge	6.32	15.25	24.85	10.41	9.37	6.95	9.16
<b>I Shares* TIBIX (Incep: 3 Nov 2003)</b>	6.38	15.44	25.12	10.67	9.62	7.24	9.51
<b>Investment Income Builder Blended Index</b>	6.07	15.13	26.96	6.52	9.97	8.15	8.06

ITD = Inception to Date

Periods less than one year are not annualized.

\*Prior to inception of class I shares, performance is calculated from actual returns of the class A shares adjusted for the lower Institutional expenses.

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

30-day SEC Yield as of 30 Sep 2024 – A shares: 2.93%; I shares: 3.31%

*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. The total annual fund operating expenses are as follows: A shares, 1.17%; I shares, 0.92%. For more detailed information on fund expenses and waivers/reimbursements please see the fund's prospectus.*

**This communication is not authorized for distribution to prospective investors in the fund unless preceded or accompanied by an effective prospectus.**

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Investment Income Builder A shares and taking all ordinary dividends in cash (no reinvestment of quarterly dividends) would have received total dividends of \$181,706 over these 87 quarters. In addition, the current value of the original investment stood at \$238,510 as of September 30, 2024.

What ingredients are driving these returns? Listed in Table 1, in descending order, are the 25 largest equity holdings in the fund as of September 30, 2024, along with their share price changes in \$US for the first 9 months of 2024 and calendar year 2023. Also noted are dividend yields at closing September 30, 2024, stock prices and the trailing 5-year growth rate of each firm's dividend/share in local currency. Together, these 25 firms comprised approximately 63% of the fund's total assets as of September 30, 2024. Cash and more than 250 interest-bearing debt and hybrid securities consist around 15% of fund assets, 33 other common equities comprised approximately 22% of fund assets. Individual position sizes of the 25 equities listed range from 5.6% of fund assets (Orange SA) to approximately 1.4% for those shown near the bottom of the list.

These are not trivial businesses. These firms occupy important positions in their respective markets. They tend to be well capitalized. Most have made reasonable progress growing their bases of paying customers and distributable cash flows to support multi-year dividend growth.

The reader will notice a number of telecommunications, financial, and health care firms among these top 25 holdings, as well as other providers of various ingredients important to modern life. We believe their attractive current dividend yields and records of dividend growth indicate good value.

We hedged a significant percentage of the foreign currency exposure concerning these holdings but could not hedge the headwind to dividend income paid in foreign currencies without having peri-

## Table 1 | Investment Income Builder Fund—Top 25 Equity Holdings

(As of 30 Sep 2024. Together, these 25 firms comprised approximately 63% of the fund's total assets. Cash & more than 250 interest-bearing debt and hybrid securities comprised around 15% of fund assets, and 33 other common equities comprised a total of approximately 22% of fund assets.)

Name of Company	2024 YTD Share Price % Change (USD)	Calendar 2023 Share Price % Change (USD)	Dividend Yield (at 30 Sep 24 price)	5-Year Local Currency Dividend Growth Rate
<b>Orange SA</b>	0.6%	14.7%	7.3%	+0.6%/year
Multi-national telecommunications network operator, home market is France Telecom				
<b>Broadcom Inc</b>	54.5%	99.6%	1.2%	+14.7%/year
Develops and markets digital and analogue specific semiconductors				
<b>Taiwan Semiconductor</b>	55.9%	32.9%	1.6%	+11.8%/year
Leading semiconductor chip foundry in the world, fabricating chips used in many digital devices				
<b>Total Energies SE</b>	-4.3%	8.5%	5.3%	+3.5%/year
Produces, refines, transports, and markets oil and natural gas products globally				
<b>AT&amp;T Inc.</b>	31.1%	-8.9%	5.1%	-11.4%/year
U.S. based wireless & wireline services. 113 million wireless, 14 million broadband customers				
<b>NN Group</b>	26.2%	-3.2%	7.5%	+10.9%/year
Netherlands based life and casualty insurer, with market leading positions in Netherlands				
<b>Enel SpA</b>	7.4%	38.2%	6.0%	+8.9%/year
Generates, distributes, and sells electricity and gas in Southern Europe & Latam				
<b>BNP Paribas</b>	-0.9%	21.4%	7.5%	+8.8%/year
Multinational commercial & capital markets bank. Most operations centered in Europe				
<b>Tesco PLC</b>	29.7%	36.7%	3.4%	+10.6%/year
UK based food retailer				
<b>Citigroup</b>	21.7%	13.7%	3.6%	+2.9%/year
U.S. based global capital markets & retail bank and treasury services provider				
<b>Samsung Electronics</b>	-23.3%	39.2%	2.4%	+0.4%/year
Manufactures consumer & industrial electronic products; leading semiconductor producer				
<b>Roche Holding</b>	10.0%	-7.5%	3.6%	+2.0%/year
Global health care company develops and sells medicines and diagnostic tools				
<b>CME Group</b>	4.8%	25.2%	4.4%	+15.8%/year
Operates exchanges that trade futures contracts & options on rates, F/X, equities, commodities				
<b>Endesa</b>	7.1%	8.1%	5.1%	-6.9%/year
Generates, distributes, and sells electricity and gas in Spain & Latam				
<b>Vodafone</b>	14.9%	-14.1%	6.0%	-0.6%/year
Multinational telecom network operator. 255 million wireless, 21 million broadband customers				
<b>Glencore Plc</b>	-4.9%	-9.8%	2.4%	-8.6%/year
Diversified miner & commodities trader				

Table continued on following page.

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odic fluctuations in the hedge values create significant volatility for your fund's quarterly dividends.

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 primarily due to the additions of AT&T and Zegona Communications to the portfolio in the December 2023 quarter and purchases of Singapore Telecommunications in H1'2024. Compare in Table 2, the sector allocations of the equities in the Income Builder portfolio over the trailing year.

All eleven sectors of the MSCI World Index delivered positive returns in \$US for the 12-month period ending September 30, 2024. Sector returns to the Index portfolio for the period ranged from +48.3% for the information technology sector to 3.1% for the energy sector. The MSCI World Index comprises 75%, and the entire equity portion, of the Thornburg Investment Income Builder's global performance benchmark.

33 equity investments contributed positive returns of at least 0.20% to overall Income Builder Fund portfolio performance during the fiscal year ending September 30, 2024. The most positive equity contributors to fiscal year performance included semiconductor producers Broadcom, Qualcomm, and Taiwan Semiconductor; insurers NN Group, Equitable Holdings and Generali; diversified financials Citigroup, BNP Paribas, Regions Financial, Bank of Ireland and JPMorgan Chase; telecommunications service providers AT&T, Zegona Communications, Singapore Telecom, Orange and Deutsche Telekom; multinational utility Enel SpA; UK grocer Tesco; defense contractor BAE Systems; and Home Depot.

**Table 1 (continued)**

Name of Company	2024 YTD Share Price % Change (USD)	Calendar 2023 Share Price % Change (USD)	Dividend Yield (at 30 Sep 24 price)	5-Year Local Currency Dividend Growth Rate
<b>AstraZeneca Plc</b>	14.8%	-0.3%	2.0%	+1.5%/year
Global health care company develops and sells medicines				
<b>Deutsche Telekom</b>	22.2%	20.5%	2.9%	+1.9%/year
Multinational telecom services provider, majority owner of T-Mobile U.S.				
<b>Pfizer Inc.</b>	0.5%	-43.8%	5.8%	+3.3%/year
Global health care company develops and sells medicines, vaccines, biologic therapies.				
<b>Equitable Holdings</b>	26.2%	16.0%	2.3%	+10.4%/year
Financial services, insurance, and savings products company				
<b>Merck &amp; Co.</b>	4.2%	-1.7%	2.7%	+7.0%/year
Global health care company develops and sells medicines, vaccines, biologic therapies.				
<b>Home Depot</b>	16.9%	9.7%	2.2%	+11.6%/year
Home improvement & building materials retailer				
<b>JP Morgan Chase &amp; Co</b>	24.0%	26.9%	2.4%	+6.6%/year
U.S. based global financial services conglomerate serving business & individuals				
<b>Bank of Ireland</b>	23.0%	-4.6%	6.0%	+30.2%/year
Ireland based bank and financial services firm.				
<b>Singapore Telecommunications Ltd</b>	34.9%	-2.4%	4.0%	-4.6%/year
Asia centric multi-national communications services provider with > 700 million customers				

Past performance does not guarantee future results.

**Table 2 | Investment Income Builder Fund Sector Weights (%)**

Sector	Sector Weights as of:					Sep '23–Sep '24 +/- Weighting
	30-Sep-24	30-Jun-24	31-Mar-24	31-Dec-23	30-Sep-23	
<b>Financials</b>	22.80	22.8	25.4	24.6	24.2	-1.4
<b>Communications Services</b>	18.80	17.7	16.7	15.1	12.2	+6.6
<b>Information Technology</b>	13.80	14.1	13.4	14.8	13.9	-0.1
<b>Health Care</b>	11.80	11.9	12.2	10.6	12.0	-0.2
<b>Energy (Diversified)</b>	10.40	10.8	10.6	11.4	13.5	-3.1
<b>Utilities</b>	7.50	7.5	6.2	7.1	6.7	+0.8
<b>Materials</b>	5.00	5.2	5.5	7.2	8.1	-3.1
<b>Consumer Staples</b>	4.4	4.0	3.6	3.8	3.9	+0.4
<b>Industrials</b>	2.9	2.9	2.3	2.0	1.9	+1.0
<b>Consumer Discretionary</b>	2.4	2.7	3.7	3.0	3.1	-0.8
<b>Real Estate</b>	0.4	0.4	0.3	0.3	0.3	+0.1

May not add up to 100% due to rounding.

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Only Pfizer Inc. made a negative contribution to portfolio performance of at least -0.20% during the fiscal year. Other detractors of fund performance included energy producer Equinor, Samsung Electronics, automobile producer Stellantis, and Chimera Investment Corporation.

Investment Income Builder's bond holdings delivered positive returns during the fiscal year under review. 10-year U.S. Treasury bond yields declined from 4.57% to 3.78% during the fiscal year, increasing these prices. Corporate and asset-backed bond prices were even more resilient as spreads to U.S. Treasury bonds mostly narrowed. The yield on the Bloomberg U.S. Corporate High Yield Index declined from 8.88% to 6.99% during the fiscal year (yield to lower of call price or maturity). On September 30, 2024, the \$70 trillion Bloomberg Global Aggregate Bond Index showed an average maturity of 8.49 years as and a yield of 3.30%, the latter decreasing by -0.6% over the September quarter and -0.92% for the trailing year. Developed world bond yields outside the U.S. mostly lag domestic bond yields, which has supported the U.S. dollar in the face of significant fiscal and trade deficits over most of the last 11 quarters.

Readers of this letter who are long-time shareholders of Thornburg Investment Income Builder will recall that the interest-bearing debt portion of the fund'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. Approximately 14% of portfolio assets were invested in interest-bearing debt and near cash assets on September 30, 2024. The remaining 86% 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 historical averages. The "real" yield on the 10-year U.S. Treasury note (September 30 market yield on 10-year UST of 3.78% minus the September core consumer price index of 3.3%) was positive at +0.48%. While showing a significant recovery from the negative real yields of recent years, this positive real yield 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 +1.34%. U.S. price inflation has dropped in recent months and is approaching Federal Reserve targets, leading to expectations of further declines in money market interest rates. An ample supply of new government debt being issued plus ongoing corporate borrowing present challenges to further reductions in longer-maturity 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 that has resisted 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 13.8x as of September 30, 2024, well below the 19.8x price/earnings ratio of the MSCI World Index. Income Builder's 4.95% weighted average equity portfolio dividend yield significantly exceeds the 1.91% dividend yield of the MSCI World Index. We believe your Income Builder portfolio incorporates significant intrinsic value. The bond portion of your fund's portfolio has a duration of approximately four years and a yield to maturity/call of approximately 8%.

Thank you for being a shareholder of Thornburg Investment Income Builder Fund. You can review additional information about your portfolio on our website, [www.thornburg.com](http://www.thornburg.com).

Sincerely,

A handwritten signature in black ink, appearing to read "Brian McMahon".

Brian McMahon  
Vice Chairman,  
Chief Investment Strategist  
and Managing Director

A handwritten signature in black ink, appearing to read "Matt Burdett".

Matt Burdett  
Head of Equities  
Managing Director

A handwritten signature in black ink, appearing to read "Christian Hoffman".

Christian Hoffman, CFA  
Head of Fixed Income  
Managing Director

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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 30 Sep 2024.

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. 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.

There is no guarantee that the fund will meet its investment objectives.

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.

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.

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

Asset-backed Security (ABS) - A security whose value and income payments are derived from and collateralized (or "backed") by a specified pool of underlying assets. The pool of assets is typically a group of small and illiquid assets that are unable to be sold individually. Pooling the assets into financial instruments allows them to be sold to general investors, a process called securitization, and allows the risk of investing in the underlying assets to be diversified because each security will represent a fraction of the total value of the diverse pool of underlying assets.

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.

Dividend Yield - A ratio that shows how much a company pays out in dividends each year relative to its share price.

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.

P/E - Price/Earnings ratio (P/E ratio) is a valuation ratio of a company's current share price compared to its per-share earnings. P/E equals a company's market value per share divided by earnings per share. Forecasted P/E is not intended to be a forecast of the fund's future performance.

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

UST = United States Treasury

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

The Bloomberg US Corporate High Yield Index 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 is a flagship measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

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The MSCI All Country World Index 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.

The MSCI World Index is a broad global equity index that represents large and mid-cap equity performance across all 23 developed markets countries. It covers approximately 85% of the free float-adjusted market capitalization in each country.

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.

**This communication is not authorized for distribution to prospective investors in the fund unless preceded or accompanied by an effective prospectus. Investors should consider the fund's investment objectives, risks, charges and expenses carefully before investing. The prospectus contains this and other information about the fund.**