

Thornburg Small/Mid Cap Core Fund

Portfolio Manager Commentary
30 September 2022



Market Review

The third quarter started out with a quick rally on the hopes that inflation was showing signs of peaking. However, the persistence of high core inflation led the Fed to continue with interest rates hikes, including two more 75bps hikes, and maintain its hawkish tone. War in Ukraine continues, further dampening hopes of a swift resolution of supply chain issues and creating a further spike in some commodities, namely oil and gas. The supply chain issues remain exacerbated by COVID variants causing slowdowns around the globe and continued lockdowns in China. Equity markets were negative overall, but small/mid cap markets held up better, especially within the battered growth segment of the market. This quarter, there was a reversal in trend as growth led within the small/mid cap universe, potentially signaling a change in future leadership. The Russell 2500 Growth TR Index outperformed the Russell 2500 TR Index by over 437 basis points in the quarter, bringing the total relative underperformance this year down to 910 basis points. The top performing sectors were energy and health care, which were the only two sectors with positive nominal performance. The worst performing sectors were real estate and communication services.

In later cycle periods, higher quality stocks tend to perform relatively better, which favors our philosophy of targeting higher quality, reasonably valued stocks.

Portfolio Managers

Steven Klopukh, CFA
Portfolio Manager

Tim McCarthy, CFA
Portfolio Manager

Supported by the entire Thornburg investment team

Third Quarter Performance Highlights

- The Thornburg Small/Mid Cap Core Fund returned negative 6.03% (I shares), underperforming the Russell 2500 TR Index, which returned negative 2.82%.

Average Annual Returns (% , as of 30 Sep 2022)

	QTR	YTD	1-YR	3-YR	5-YR	10-YR	ITD
A Shares TVAFX (Incep: 2 Oct 1995)							
Without Sales Charge	-6.14	-24.45	-23.16	1.54	3.08	9.30	8.70
With Sales Charge	-10.36	-27.85	-26.61	-0.01	2.13	8.80	8.52
I Shares* TVIFX (Incep: 2 Nov 1998)	-6.03	-24.19	-22.84	1.90	3.44	9.71	9.11
Russell 2500 TR Index	-2.82	-24.01	-21.11	5.36	5.45	9.58	9.25

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.

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, 1.31%; I shares, 1.06%. Thornburg Investment Management and/or Thornburg Securities Corporation have contractually agreed to waive fees and reimburse expenses through at least February 1, 2023, for some of the share classes, resulting in net expense ratios of the following: I shares, 0.95%. For more detailed information on fund expenses, please see the fund's prospectus.

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- Top performing sectors were consumer staples, industrials, and energy where stock selection overall drove most of the outperformance. Top detracting sectors from relative performance were health care, communication services, and information technology. Stock selection within these sectors drove most of the relative returns.
- The Fund's overallocation to companies with market capitalizations over \$12 billion, and underallocation to companies with market capitalizations under \$2.5 billion helped boost relative performance as larger cap stocks within the universe outperformed smaller cap companies. Stock selection within these bands was the most notable detractor. Stock selection within the \$2.5 billion and \$12 billion market capitalization range was incrementally positive, while allocation did not have an impact.

Current Positioning and Outlook

As PMIs peak, monetary policy becomes tighter, inflation persists, and growth rates wane against tougher comps, our near-term outlook remains defensive as the market begins to exhibit more late-cycle behavior. The defensive positioning was a headwind during the beta rally on hopes of a fed pivot. However, we are still seeing evidence from macro data, as well as our conversations with companies, that the economy is slowing. During these periods, higher quality growth stocks with a defensive bias tend to perform relatively better, which would favor our general philosophy and current positioning. Therefore, we are positioning towards these quality stocks with profitable characteristics, and also favoring stocks with a stable return profile given the heightened market volatility and a more aggressive Fed.

In addition, our current expectation is for leadership within the universe to narrow, especially within the smaller cap portion of the universe due to a higher relative exposure to cyclical and companies that are not currently profitable. We continue to look for additional exposure to companies benefiting from the reshoring trend and stimulus plans like the Inflation Reduction Act. The portfolio maintains exposure to consistent earners, emerging franchises, and has shifted/reduced basic value exposure in favor of more stable and defensive companies. The portfolio is exposed to ongoing and emerging investment themes, including animal health, digital payments, analog to digital enablers, energy transition, among other important secular themes. Biotechnology continues to be a headwind, but we continue with our aim to avoid loss-making companies within the space. We continue to focus on companies with strong free cash flow prospects and responsible capital allocation, which we believe are increasingly important in a relatively volatile market environment.

Thank for your continued support and for investing alongside us.

Top Performers (3Q22)

Name	Contrib. (%)	Avg. Weight (%)
Chesapeake Energy Corp.	0.62	4.77
Aspen Technology, Inc.	0.50	2.07
LPL Financial Holdings, Inc.	0.46	3.28
Clean Harbors, Inc.	0.39	2.33
Agilysys, Inc.	0.36	2.02

Top Detractors (3Q22)

Name	Contrib. (%)	Avg. Weight (%)
Avantor, Inc.	-1.03	2.66
Repay Holdings Corp.	-0.97	2.08
PetIQ, Inc.	-0.89	1.39
Azenta, Inc.	-0.83	1.82
Radius Global Infrastructure, Inc.	-0.82	2.00

Ten Largest Holdings (as of 31 Aug 2022)

Holding	Weight (%)
Chesapeake Energy Corp.	5.2
LPL Financial Holdings, Inc.	3.3
The AES Corp.	3.3
Casella Waste Systems, Inc.	3.2
BJ's Wholesale Club Holdings, Inc.	2.8
Matador Resources Co.	2.8
Assurant, Inc.	2.7
Sensient Technologies Corp.	2.6
Pinnacle Financial Partners, Inc.	2.6
Clean Harbors, Inc.	2.6

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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 2022.

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.

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.

Effective December 18, 2020, Thornburg Value Fund's name changed to Thornburg Small/Mid Cap Core Fund, and the Fund adopted a policy, under normal conditions, to invest at least 80% of its net assets in small- and mid-capitalization companies. As a result, the Fund's investment benchmark changed from S&P 500 TR Index to the Russell 2500 TR Index.

Basis Point (bp) - A unit equal to 1/100th of 1%. 1% = 100 basis points (bps). 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.

Free-Cash-Flow Yield - An overall return evaluation ratio of a stock, which standardizes the free cash flow per share a company is expected to earn against its market price per share. The ratio is calculated by taking the free cash flow per share divided by the share price.

PMI (Purchasing Managers' Index) - An indicator of the economic health of the manufacturing sector and for the economy as a whole. The PMI Index is based on five major indicators: new orders, inventory levels, production, supplier deliveries, and the employment environment. A PMI of 50 or higher generally indicates that the industry is expanding.

The Russell 2500 Growth TR 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 TR 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 S&P 500 TR Index is an unmanaged broad measure of the U.S. stock market.

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.

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.