

Thornburg Small/Mid Cap Growth 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 Value 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 within the Russell 2500 Growth TR Index were energy and health care. The worst performing sectors were real estate and communication services.

We are targeting higher growth companies that exhibit quality, durable growth properties after the growth selloff in the first half.

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 Growth Fund returned positive 0.45% (I shares), outperforming the Russell 2500 Growth TR Index, which returned negative 0.12%.
- Top performing sectors were information technology, materials, and consumer staples, where stock selection drove the

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

	QTR	YTD	1-YR	3-YR	5-YR	10-YR	ITD
A Shares THCGX (Incep: 27 Dec 2000)							
Without Sales Charge	0.33	-35.89	-38.84	-1.95	2.71	6.86	5.43
With Sales Charge	-4.16	-38.78	-41.59	-3.45	1.77	6.37	5.21
I Shares* THIGX (Incep: 3 Nov 2003)	0.45	-35.64	-38.54	-1.58	3.09	7.28	5.93
Russell 2500 Growth TR Index	-0.12	-29.54	-29.39	4.76	6.30	10.30	7.20

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, 1.04%. 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 and waivers/reimbursements please see the fund's prospectus.

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majority of the relative outperformance. Top detracting sectors from relative performance were consumer discretionary, communication services, and energy, where stock selection within these sectors and an underallocation to energy drove most of the relative returns.

- The Fund's overallocation to companies with market capitalizations over \$12 billion helped boost relative performance as larger cap stocks outperformed smaller cap companies within the universe. The negative impact of stock selection within this range was offset by positive stock selection in the \$2.5 to \$12 billion market cap range

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. We are seeing evidence from macro data, as well as our conversations with companies, that the economy is slowing. Our current expectation in this environment 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.

However, the price rout in high growth stocks during the second quarter has led us to look for companies whose prices are dislocated from fundamentals that have durable growth drivers, especially in technology and health care. Furthermore, we think that as growth becomes scarcer, this could be a favorable environment for higher growth stocks generally. These higher growth areas typically perform well during slower growth economic periods which is associated with tighter monetary policy. In addition, we are watching for a drawdown in inflation which has historically been a positive environment for smaller cap stocks. Also, we are searching for U.S. cyclical companies with exposure to stimulus and the Inflation Reduction Act. 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. 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 (%)
Calix, Inc.	2.17	4.22
Chemocentryx, Inc.	1.38	1.55
Shockwave Medical, Inc.	1.06	3.40
Celsius Holdings, Inc.	0.84	2.64
Iveric Bio, Inc.	0.76	1.16

Top Detractors (3Q22)

Name	Contrib. (%)	Avg. Weight (%)
Avantor, Inc.	-1.33	3.38
Yeti Holdings, Inc.	-0.52	1.69
Heska Corp.	-0.52	1.97
Horizon Therapeutics plc	-0.52	2.56
Eventbrite, Inc.	-0.36	0.88

Ten Largest Holdings (as of 31 Aug 2022)

Holding	Weight (%)
Calix, Inc.	4.6%
Chart Industries, Inc.	3.9%
Shockwave Medical, Inc.	3.7%
Casella Waste Systems, Inc.	3.7%
Avantor, Inc.	3.1%
Ryan Specialty Holdings, Inc.	2.9%
Bentley Systems, Inc.	2.9%
Black Knight, Inc.	2.9%
Celsius Holdings, Inc.	2.7%
Livent Corp.	2.7%

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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 Core Growth Fund's name changed to Thornburg Small/Mid Cap Growth 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 the Russell 3000 Total Return Growth Index to the Russell 2500 TR Growth Index.

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 Value Index measures the performance of the small to mid-cap value segment of the US equity universe. It includes those Russell 2500 companies with relatively lower price-to-book ratios, lower I/B/E/S forecast medium term (2 year) growth and lower sales per share historical growth (5 years).

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 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 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.