

Thornburg Better World International Fund

Portfolio Manager Commentary
31 March 2022



Market Review

- The 1st quarter was a losing one for international markets, with the MSCI ACWI ex USA Index down 5.44% and the MSCI EAFE Index down 5.91%. Emerging Markets lost 6.97% led by China, which was down 14.19% (MSCI Emerging Markets and MSCI China Indices).
- It was a quarter with a lot of macro crosswinds that impacted market performance and caused large dispersions in country and sector performance. The biggest macro drivers in the quarter were the war in Ukraine, the beginning of Fed tightening, and the continued rise in U.S. interest rates, with the 10-year Treasury yield rising 83 basis points and the 2-year yield rising 160 basis points - both ended the quarter at 2.34%. The yield curve is now flat from 2's to 10's, with an inverted yield curve traditionally seen as an indicator of a slowing economy.
- Given the impact of the war and the rise in interest rates Energy, Materials, and Financials outperformed in the 1st quarter while MSCI ACWI ex USA Value outperformed Growth by 11.0%. Among major markets the Eurozone and China underperformed while the UK, Canada, Brazil, Australia and most oil producers (excluding Russia) outperformed. The U.S. (S&P 500) lost 4.6% and Russia was removed from MSCI Indices during the quarter.
- The MSCI ACWI ex USA ESG Leaders Index, made up of companies within the ACWI ex USA Index with high ESG performance relative to their peers, lost 6.88% in the 1st quarter, about 145 basis points behind the broader ACWI ex USA Index. The ESG

ESG underperformed in a quarter where value stocks outperformed but still offers an attractive risk/return profile, particularly in international markets.

Portfolio Manager

Lei Wang, cfa
Portfolio Manager

Supported by the entire Thornburg investment team

Average Annual Returns (% , as of 31 Mar 2022)

	QTR	YTD	1-YR	3-YR	5-YR	ITD
A Shares TBWAX (Incep: 30 Sep 2015)						
Without Sales Charge	-7.89	-7.89	1.72	16.23	11.41	11.29
With Sales Charge	-12.02	-12.02	-2.87	14.46	10.39	10.51
I Shares TBWIX (Incep: 30 Sep 2015)	-7.72	-7.72	2.24	16.98	12.17	12.08
MSCI ACWI ex US NTR Index	-5.44	-5.44	-1.48	7.51	6.76	7.64

ITD = Inception to Date

Periods less than one year are not annualized.

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, 1.57%; I shares, 1.21%. 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: A shares 1.57%; I shares, 0.90%. For more detailed information on fund expenses and waivers/reimbursements, please see the fund's prospectus.

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Leaders Index is underweight Value versus the broad index, with a higher P/E and Price to Book, which hurt in a quarter where Value outperformed.

First Quarter 2022 Performance Highlights

- In the 1st quarter Thornburg Better World International (I share class) lost 7.72%, 228 basis points behind the ACWI ex USA Index.
- As noted above macro factors drove a wide dispersion in performance between countries and sectors in the 1st quarter, not unlike the pandemic in the 1st quarter of 2020, and in many cases that dispersion negatively impacted the fund's relative performance. For the fund the two biggest drivers of underperformance were country allocation and bottom-up stock selection.
- The fund was underweight the UK, Canada and Brazil and zero weight Australia and Saudi Arabia/UAE/Qatar/Kuwait, all of which outperformed, and overweight the Eurozone and China, both of which underperformed. A zero weight in Russia was a major positive.
- On a sector basis the fund was zero weight Energy and underweight Financials, which outperformed, and overweight Industrials, which underperformed. An underweight in Consumer Discretionary and an average 10% in Cash were positives.
- Most of the fund's underperformance in stock selection occurred in the fund's Basic Value basket, to which we had an average 43% allocation during the quarter. Many of our Basic Value stocks are higher quality (more consistent earnings or profitability, lower leverage, usually higher valuations) and they underperformed during a quarter where Value outperformed by 11%. Both Emerging Franchise and Consistent Earners did relatively well in a quarter where Growth underperformed.
- ESG Leader stocks in general also underperformed the broader market during the quarter, as represented by the 145 basis point underperformance of the MSCI ACWI ex USA ESG Leaders Index versus the broader ACWI ex USA Index.

Current Positioning and Outlook

During the quarter we trimmed Basic Value by about 8%, adding to Consistent Earners, Emerging Franchise, and Cash. Basic Value ended the quarter at 39%, Consistent Earner 35%, Emerging Franchise 15% and Cash 10%. While we view China as relatively cheap after a 39% decline since its peak in February of last year, we are cautious there for the moment given

Top Performers (1Q22)

Name	Contrib. (%)	Avg. Weight (%)
NVIDIA Corp.	0.46	1.16
MercadoLibre, Inc.	0.42	0.79
Mitsubishi UFJ Financial Group, Inc.	0.41	2.03
Orange S.A.	0.27	1.12
Norsk Hydro ASA	0.24	1.00

Top Detractors (1Q22)

Name	Contrib. (%)	Avg. Weight (%)
Meituan	-0.89	2.05
NIO, Inc.	-0.51	0.75
Tencent Holdings Ltd.	-0.51	2.81
ING Groep N.V.	-0.50	2.21
E.ON SE	-0.44	2.54

Ten Largest Holdings (as of 28 Feb 2022)

Holding	Weight (%)
E.ON SE	2.9%
Roche Holding AG	2.8%
Seven & i Holdings Co. Ltd.	2.6%
Tencent Holdings Ltd.	2.6%
Tesco plc	2.4%
Sony Group Corp.	2.4%
Hitachi Ltd.	2.3%
Meituan	2.3%
Recruit Holdings Co. Ltd.	2.3%
Enel SpA	2.3%

the potential economic and political impacts of an ongoing COVID outbreak, the conflict in Ukraine, and an ongoing dispute with the US over the listing of Chinese companies there and have cut our exposure by 11% to 9.4%, a 1.7% overweight versus the index.

As we said last quarter, we continue to favor slightly more “boring” companies with pricing power, more consistent earnings and profitability, or discounted stocks with attractive valuations and rerating potential. A number of those names were good relative performers for the fund in the 1st quarter. While we thought international equities began the year cheap to the U.S. given nearly 15 years of U.S. outperformance, relative valuations only got cheaper in the 1st quarter given the conflict in Ukraine, with the relationship between 12-month forward Price/Earnings ratios on the S&P 500 and the ACWI ex USA now 2.2 standard deviations cheap to its 15-year average. ESG Leader stocks – companies with superior performance on material ESG factors relative to their peers – may continue to face headwinds as long as Value outperforms but should offer better risk/reward profiles in the longer term due mostly to their positive ESG attributes.

Important Information

Unless otherwise noted, the source of all data, charts, tables and graphs is Thornburg Investment Management, Inc., as of 31 Mar 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 Fund/Strategy's adherence to its ESG ratings process may affect the Fund/Strategy's exposure to certain companies, sectors, regions, and countries and may affect the Fund/Strategy's performance depending on whether such investments are in or out of favor. This process may result in the Fund/Strategy foregoing opportunities to buy certain securities when it might otherwise be advantageous to do so, or selling securities for ESG reasons when it might be otherwise disadvantageous for it to do so. Additionally, the process may result in incorrectly evaluating a company's commitment to positive ESG practices and may result in investment in companies with practices that are not consistent with the Fund/Strategy's aspirations.

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.

Environmental, social and governance (ESG) criteria are a set of standards for a company's operations that socially conscious investors use to screen potential investments. Environmental criteria consider how a company performs as a steward of nature. Social criteria examine how it manages relationships with employees, suppliers, customers, and the communities where it operates. Governance deals with a company's leadership, executive pay, audits, internal controls, and shareholder rights.

Environment, social and governance (ESG) integration is the practice of incorporating ESG information into investment decisions to help enhance risk-adjusted returns and is not a mandate to make a positive impact on society or the world.

The Fund may invest in shares of companies through initial public offerings (IPOs). IPOs have the potential to produce substantial gains and there is no assurance that the Fund will have continued access to profitable IPOs. As Fund assets grow, the impact of IPO investments on performance may decline.

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).

Yield Curve - A line that plots the interest rates, at a set point in time, of bonds having equal credit quality, but differing maturity dates.

The MSCI ACWI ex USA ESG Leaders Index consists of large- and mid-cap companies across 22 developed markets and 26 emerging markets countries. The Index is designed for investors seeking a broad, diversified sustainability benchmark with relatively low tracking error to the underlying equity market.

The MSCI ACWI ex USA Growth Net Total Return USD Index is a market capitalization weighted index that includes growth companies in developed and emerging markets throughout the world, excluding the United States.

The MSCI All Country (AC) World ex U.S. Value 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. The index is constructed using an approach that provides a precise definition of style using eight historical and forward-looking fundamental data points for every security. The index returns reflect the reinvestment of dividends and other earnings, are net of withholding taxes, and do not include any trading costs, management fees or other expenses.

The MSCI ACWI ex USA Net Total Return USD 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. The index is calculated with net dividends reinvested in U.S. dollars.

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.