

Thornburg Investment Income Builder Strategy

Portfolio Manager Commentary

31 March 2022



This Portfolio Manager Commentary on Thornburg Investment Income Builder is published amidst the ongoing developments associated with the global Coronavirus pandemic, Covid-19, and the Russian invasion of Ukraine. Government bodies around the world are relaxing earlier steps taken to control the disease and mitigate the consequences of related economic disruption even as incidence of new variants of the disease proliferate.

Investment Income Builder's total return of -1.97% (net of fees) for the March quarter outperformed its blended benchmark (75% MSCI World Equity Index and 25% Bloomberg-Barclay's U.S. Aggregate Bond Index), which returned -5.31%. For the 12 months ending 31 March 2022, Investment Income Builder's Strategy return of 8.79% (net of fees) outperformed the blended benchmark return of 6.50%. Performance comparisons of Investment Income Builder to its blended benchmark over various periods are shown below.

The quarter ending 31 March 2022 was the 77th full calendar quarter since the inception of Thornburg Investment Income Builder in January 2003. In 57 of these quarters the strategy delivered a positive total return. The strategy has delivered positive total returns in 15 of its 19 calendar years of existence. Importantly, Thornburg Investment Income Builder has delivered an average annualized total return of more than 9.0% since its inception, split between quarterly income distributions and share price appreciation.

Listed below in descending order are the 25 largest equity holdings in the strategy at quarter end, along with their Q1'2022 and 2021 calendar year share price changes in \$US. Also noted are dividend yields at closing 31 March 2022 stock

We continue to be optimistic regarding the income and return potential of Thornburg Investment Income Builder's assets.

Portfolio Managers

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Supported by the entire Thornburg investment team

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

	QTD	YTD	1-YR	3-YR	5-YR	10-YR
Investment Income Builder Composite (NET)	-1.97%	-1.97%	8.79%	9.16%	8.22%	7.73%
Investment Income Builder Composite (GROSS)	-1.79%	-1.79%	9.54%	9.91%	8.97%	8.48%
Investment Income Builder Blend Index	-5.31%	-5.31%	6.50%	11.83%	10.01%	8.85%

Annual Return Performance Summary (%)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Investment Income Builder Composite (NET)	11.96	17.03	5.07	-5.02	10.08	15.44	-4.29	18.27	-0.28	20.64
Investment Income Builder Composite (GROSS)	12.74	17.84	5.79	-4.36	10.83	16.23	-3.63	19.07	0.42	21.48
Investment Income Builder Blend Index	13.01	18.92	5.25	-0.33	6.41	17.42	-6.42	22.87	14.41	15.64

Periods less than one year are not annualized.

Performance data for the Investment Income Builder Strategy is from the Investment Income Builder Composite, inception date of 1 January 2003. The Investment Income Builder Composite includes discretionary accounts invested in the Investment Income Builder Strategy. Returns are calculated using a time-weighted and asset-weighted calculation including reinvestment of dividends and income. Periods less than one year are not annualized. Individual account performance will vary. The performance data quoted represents past performance; it does not guarantee future results. Gross of fee returns are net of transaction costs. Net of fee returns are net of transaction costs and investment advisory fees. For periods prior to 2011, net returns for some accounts in the composite also reflect the deduction of administrative expenses. Thornburg Investment Management Inc.'s fee schedule is detailed in Part 2A of its ADV brochure. Performance results of the firm's clients will be reduced by the firm's management fees. For example, an account with a compounded annual total return of 10% would have increased by 159% over ten years. Assuming an annual management fee of 0.75%, this increase would be 142%.

prices. Together, these 25 firms comprised 68% of the strategy's total assets. Cash & approximately 200 interest-bearing debt and hybrid securities comprised around 10% of strategy assets, and 31 other common equities comprised a total of approximately 21% of strategy assets. Individual position sizes of the 25 equities listed range from 4.6% of strategy assets (Total Energies) to approximately 1.6% for those shown near the bottom of the list.

The reader will notice a significant number of telecommunications, communications infrastructure, financial, and health care firms among these top 25 holdings, as well as other providers of various ingredients important to modern life. Aside from the fact that they have paid attractive dividends, the Covid crisis reinforced the essential nature of the products and services they provide.

These are not trivial businesses. These firms occupy important positions in their respective markets, and they tend to be well capitalized. The reader will notice that these investments have delivered mixed share price performance for the last 5 quarters. Most have made reasonable progress in growing their bases of paying customers and distributable cash flows.

We have maintained your portfolio's exposure to dividend paying firms that we believe have resilient businesses with strong capital structures. We have reduced exposures to less resilient businesses, paying increased attention to expected ability to generate cash in an inflationary environment. Compare the sector allocations of the equities in the Income Builder portfolio from 31 March 2020 to 31 March 2022.

Table 1 | Thornburg Investment Income Builder Strategy – Top 25 Equity Holdings as of 31 March 2022

(Together, these 25 investments account for approximately 68% of strategy assets as of 31 March 2022; cash & interest-bearing debt and hybrid securities comprise 10% of assets, and 31 other equity investments accounted for 21% of strategy assets).

Name of Company	2021 Year Price Change	1Q2022 Price Change at 31 Mar 2022	Dividend Yield at 31 Mar 2022 Price
TotalEnergies SE	17.7%	0.4%	5.74%
Produces, refines, transports, and markets oil and natural gas products globally			
Broadcom, Inc.	52.0%	-5.4%	2.61%
Develops and markets digital and analogue semiconductors			
Orange S.A.	-9.9%	10.7%	6.54%
Multi-national telecommunications network operator, home market is France Telecom			
Abbvie, Inc.	26.4%	19.7%	3.48%
Develops and sells pharmaceutical products			
Vodafone Group plc	-8.0%	7.9%	6.10%
Multi-national telecommunications company			
Taiwan Semiconductor Manufacturing Co. Ltd.	17.8%	-6.2%	1.84%
Leading semiconductor chip foundry in the world, fabricating chips used in many digital devices			
CME Group, Inc.	25.5%	4.1%	2.94%
Operates exchanges that trade futures contracts & options on rates, F/X, equities, commodities			
Deutsche Telekom AG	9.0%	1.7%	3.78%
Multi-national telecommunications network operator, majority owner of T-Mobile USA			
Samsung Electronics Co. Ltd.	-11.6%	-12.8%	2.10%
Manufactures consumer & industrial electronic products; leading semiconductor producer			
China Mobile Ltd.	6.6%	14.6%	7.50%
World's largest mobile telecommunications network operator, net cash balance sheet			
QUALCOMM, Inc.	20.0%	-16.4%	1.85%
Develops and delivers key components for digital wireless communications products			
Tesco plc	-1.9%	-7.6%	3.84%
UK based food retailer, also selling general merchandise from its largest stores			
Pfizer, Inc.	60.4%	-12.3%	3.12%
Global health care company develops and sells medicines, vaccines, biologic therapies.			
Enel SpA	-21.6%	-17.2%	6.26%
Generates, distributes, and sells electricity and gas in Southern Europe & Latam			
Glencore plc	59.6%	29.4%	3.96%
Diversified miner & commodities trader			
Assicurazioni Generali SpA	20.3%	8.4%	5.15%
Italy-based multinational life & property/casualty insurers			
Roche Holding AG	18.5%	-4.2%	2.54%
Global health care company develops and sells medicines and diagnostic tools			

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Four of eleven sectors of the MSCI World Free Equity Index delivered positive returns in Q1'2022, ranging from +22% for the energy sector to approximately -10% for the consumer discretionary sector. The MSCI World Free Equity Index comprises 75%, and the entire equity portion, of the Thornburg Investment Income Builder's global performance benchmark.

In the Income Builder portfolio, 15 equity investments contributed positive returns of at least +0.10% to overall portfolio performance during Q1'2022. Nineteen of the strategy's equity investments made negative contributions to portfolio performance of below -0.10% during Q1'2022.

Investment Income Builder's bond holdings delivered negative returns during the March quarter as 3 months of interest payments could not overcome relatively sharp price declines in bond values due to higher interest rates. 10-year U.S. Treasury bond yields rose slightly from 1.51% on 31 December 2021 to 2.34% on 31 March, the fastest 3-month adjustment in many years. Corporate and asset-backed bond prices declined in the March quarter as yield spreads to government bonds widened slightly. The Bloomberg U.S. Corporate High Yield Index rose from 4.21% on 31 December 2021 to 6.01% on 31 March 2022 (yield to lower of call price or maturity).

Readers of this commentary who are long time investors in Thornburg Investment Income Builder will recall that the interest-bearing debt portion of the strategy's portfolio has varied over time, ranging from less than 9% in 2015 to 45% on 30 June

Table 1 (continued)

Name of Company	2021 Year Price Change	1Q2022 Price Change at 31 Mar 2022	Dividend Yield at 31 Mar 2022 Price
NN Group N.V.	34.0%	-6.2%	5.43%
Netherlands based life and casualty insurer, with market leading positions in Netherlands			
JPMorgan Chase & Co.	24.6%	-13.9%	2.97%
U.S. based global financial services conglomerate serving business & individuals			
Regions Financial Corp.	35.2%	2.1%	3.11%
U.S. regional banking group, mostly operating in Southeastern U.S. states			
Chimera Investment Corp.	47.1%	-20.2%	10.98%
U.S.-listed mortgage REIT			
Merck & Co., Inc.	-1.7%	7.1%	3.34%
Global health care company develops and sells medicines, vaccines, biologic therapies.			
Equitable Holdings, Inc.	28.1%	-5.7%	2.32%
U.S. life insurer and asset manager (controls Alliance-Bernstein)			
LyondellBasell Industries	0.6%	11.5%	4.40%
Multinational chemical company incorporated in the Netherlands			
UBS Group	27.2%	9.6%	2.55%
Multinational wealth manager and investment bank			

Sector Weights

	Mar '20	Jun '20	Sep '20	Dec '20	Mar '21	Jun '21	Sep '21	Dec '21	Mar '22	Mar '20– Mar '22 +/- Weighting
Financials	20.4	23.4	23.9	23.8	25.5	26.1	26.9	25.3	24.9	4.5
Communication Services	19.8	22.5	19.8	18.9	19.9	18.1	15.9	14.6	16.6	-3.2
Information Technology	11.7	14.1	17.8	20.3	18.2	17.5	16.7	17.9	16.1	4.4
Health Care	14.1	13.0	11.8	11.2	10.9	11.3	12.0	13.1	14.4	0.3
Consumer Staples	5.2	3.5	4.7	5.1	6.0	5.3	5.3	5.7	4.7	-0.5
Energy	8.6	6.8	5.0	4.8	4.4	4.6	5.1	5.3	4.6	-4.0
Materials	4	3.6	3.2	4.1	4.3	4.7	4.7	5.1	5.7	1.7
Consumer Discretionary	3.2	3.5	3.9	3.3	4.0	3.5	3.5	3.7	3.5	0.3
Utilities	5.2	5.1	3.7	3.8	2.9	4.6	4.6	5.9	6.3	1.1
Real Estate	4.1	4.0	3.2	2.5	2.0	1.7	1.7	0.8	0.8	-3.3
Industrials	3.2	0.5	2.6	1.8	1.4	2.4	2.4	2.3	2.3	-0.9

May not add up to 100% due to rounding.

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2009. We tend to allocate more portfolio assets to interest bearing debt when yields are more attractive. On 31 March 2022 89% of portfolio assets were invested in equities, the remaining 11% in interest bearing debt and near cash assets.

The outlook for bond returns is extremely cloudy. The “real” yield on the 10-year U.S. Treasury note (*market yield on 10 year UST of 2.33% minus core consumer price index of 6.4%*) is near a multi-decade low at -4.07% using the February 2022 consumer price index. This negative real yield level differs materially from levels typically experienced over the investment lifetimes of all readers of this note. The trailing 30-year average “real yield” on 10-year U.S. Treasury notes was +1.77%, so the current difference vs historical average is extreme. At the moment accommodative central banks, better than expected credit performance, and mechanical asset allocations by institutional investors that rebalance from equities to bonds are supportive of low real interest rates. This could change quickly if inflation persists anywhere close to present levels. On 31 March 2022, the \$65 trillion Bloomberg Barclays Global Aggregate Bond Index showed an average maturity of 9.0 years and a yield of 2.18%. An enormous amount of investment capital is tolerating significantly negative real returns.

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. In addition, we believe they are valued very attractively in relation to their own histories and relative to other assets. The weighted average price/operating cash flow ratio for Thornburg Investment Income Builder’s equity portfolio tabulated using Bloomberg reported results was approximately 6.6x as of 31 March, significantly below the 12.9x price/cash flow ratio of the MSCI All Country World equity index. Income Builder’s 4.0% weighted average equity portfolio dividend yield significantly exceeds the 2.2% dividend yield of the MSCI Index. We believe investors will direct capital in the coming quarters into dividend paying stocks, supporting prices of these.

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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.

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.

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

Yield Spread - The difference between yields on differing debt instruments, calculated by deducting the yield of one instrument from another.

UST = United States Treasury

The Bloomberg Barclays US Corporate High Yield Total Return Index Value Unhedged USD 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.

The Bloomberg U.S. Aggregate Total Return Value USD is composed of approximately 8,000 publicly traded bonds including U.S. government, mortgage-backed, corporate and Yankee bonds. The index is weighted by the market value of the bonds included in the index.

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