

# Thornburg Investment Income Builder Fund

## Portfolio Manager Commentary

31 March 2025



This note will highlight the results of the Thornburg Investment Income Builder Fund for Q1 2025. It is published amidst the ongoing developments associated with the Russian war with Ukraine, above target inflation figures in the U.S., Mideast violence, and the emergence of significant government policy changes in the U.S. and elsewhere that threaten to alter global trade flows. Equity indices worldwide delivered divergent returns in the March quarter, with U.S. index returns generally negative and most foreign markets positive. Returns from bonds in the U.S. were positive as interest rates dropped on cuts to economic growth forecasts.

Thornburg Investment Income Builder Fund paid ordinary dividends of \$0.24 per I share during Q1'2025, flat versus Q1'24. For the trailing 12 months, your fund paid ordinary dividends of \$1.24 per I share, +3.9% vs the prior year comparable period. The dividends per share were lower for A and C shares, to account for varying class specific expenses. Your fund also paid capital gains dividends as follows in Q4'24: short-term capital gains of 5.5¢/share and long-term capital gains of 16.6¢/share. Including the capital gains dividends, 2024 dividends of \$1.46 per I share were +24.2% vs the 2023 dividend of \$1.177 per share.

Approximately 90% of the dividends paid by your fund in 2024 were characterized as "Qualifying Dividends" for federal income tax purposes, leading to a lower tax rate on these payments. More than 80% of your Investment Income Builder's equity holdings increased dividends *in local currencies* in 2024, a slightly higher percentage compared to the prior year. A stronger \$US was a headwind to your fund's dividend growth in calendar 2024. Income from your fund's interest-bearing debt portfolio was slightly higher year on year.

The net asset value of Investment Income Builder's I shares increased by +\$2.63 per share (\$25.16 to \$27.79) over the trailing 12 months and increased by \$2.01 per share

We have maintained your portfolio's exposure to dividend-paying firms that we believe have resilient businesses with strong capital structures.

## Portfolio Managers

### Matt Burdett

Head of Equities  
Portfolio Manager

### Christian Hoffmann, CFA

Head of Fixed Income  
Portfolio Manager

### Brian McMahon

Chief Investment Strategist and  
Portfolio Manager

Supported by the entire Thornburg investment team

## Average Annual Returns (% , as of 31 Mar 2025)

	QTR	YTD	1-YR	3-YR	5-YR	10-YR	ITD
<b>A Shares TIBAX (Incep: 24 Dec 2002)</b>							
With Sales Charge	3.85	3.85	11.15	9.08	15.41	6.94	9.04
Without Sales Charge	8.76	8.76	16.40	10.76	16.48	7.43	9.27
<b>I Shares* TIBIX (Incep: 3 Nov 2003)</b>	8.84	8.84	16.71	11.02	16.75	7.71	9.61
<b>Investment Income Builder Blended Index</b>	-0.63	-0.63	6.56	5.91	11.95	7.63	7.80

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 31 Mar 2025 – A shares: 2.79%; I shares: 3.12%

*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](http://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.**

## THORNBURG INVESTMENT INCOME BUILDER FUND

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(\$25.78 to \$27.79 during the March quarter. Your fund's 3/31/25 net asset value was reduced by the aforementioned 22¢/share capital gains dividends paid in Q4'24. Investment Income Builder's I share return of 8.84% for Q1 2025 exceeded the blended benchmark return of -0.63% for the March quarter (the blended benchmark is 75% MSCI World Index and 25% Bloomberg U.S. Aggregate Bond Index). For the 12-month period ending March 31, 2025, Income Builder's I share return of 16.71% exceeded the blended benchmark return of 6.56%.

Performance comparisons of Investment Income Builder to its blended benchmark over various periods are shown on page one.

The quarter ending March 31, 2025, was the 89th full calendar quarter since the inception of Thornburg Investment Income Builder in December 2002. In 65 of these quarters the fund delivered a positive total return. The fund has delivered positive total returns in 17 of its 22 calendar years of existence. Importantly, for an investor reinvesting dividends Thornburg Investment Income Builder has delivered an average annualized total return of more than 9.6% since its inception 22 years ago (I shares extended), split between quarterly income distributions and share price appreciation. On a \$100,000 initial investment a hypothetical investor owning Thornburg Investment Income Builder A shares and taking all ordinary dividends in cash (no reinvestment of quarterly dividends) would have received total dividends of \$187,343 over these 89 quarters. In addition, the current value of the original investment stood at \$248,789 as of March 31, 2025.

Listed in **Table 1** in descending order are the 25 largest equity holdings in the fund as of March 31, 2025, along with their share price changes in \$US for Q1'2025 and calendar year 2024. Also noted are dividend yields at closing March 31, 2025, 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 March 31, 2025. Cash and more than 250 interest-bearing debt and hybrid securities comprised around 14% of fund assets,

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

(As of 31 Mar 2025. 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 14% of fund assets, and 35 other common equities comprised a total of approximately 23% of fund assets.)

Name of Company	Q1-2025	2024 Share Price % Change (USD)	Dividend Yield (at 31 Mar 2025 price)	5 Year Local Currency Dividend Growth Rate
<b>Orange SA</b>	30.2%	-12.6%	6.25%	+0.6%/year
Multi-national telecommunications network operator, home market is France Telecom				
<b>AT&amp;T Inc.</b>	24.2%	35.7%	3.92%	-11.5%/year
U.S. based wireless & wireline services. 113 million wireless, 14 million broadband customers				
<b>BNP Paribas</b>	35.7%	-11.5%	6.23%	+8.8%/year
Multinational commercial & capital markets bank. Most operations centered in Europe				
<b>Total Energies SE</b>	16.8%	-19.0%	5.40%	+3.7%/year
Produces, refines, transports, and markets oil and natural gas products globally				
<b>NN Group</b>	27.4%	10.1%	6.71%	+10.9%/year
Netherlands based life and casualty insurer, with market leading positions in Netherlands				
<b>Taiwan Semiconductor</b>	-16.4%	69.0%	1.87%	+11.4%/year
Leading semiconductor chip foundry in the world, fabricating chips used in many digital devices				
<b>Broadcom Inc</b>	-27.8%	107.7%	1.41%	+13.6%/year
Develops and markets digital and analogue specific semiconductors				
<b>Enel SpA</b>	13.3%	-3.9%	6.25%	+7.5%/year
Generates, distributes, and sells electricity and gas in Spain & Latam				
<b>Citigroup</b>	0.8%	36.8%	3.15%	+2.2%/year
U.S. based global capital markets & retail bank and treasury services provider				
<b>Tesco PLC</b>	-7.0%	24.4%	3.76%	+7.9%/year
UK based food retailer				
<b>Roche Holding</b>	16.4%	-3.1%	3.34%	+1.5%/year
Global health care company develops and sells medicines and diagnostic tools				
<b>Deutsche Telekom</b>	23.5%	24.8%	2.63%	+8.4%/year
Multinational telecom services provider, majority owner of T-Mobile U.S.				
<b>Samsung Electronics</b>	8.6%	-40.7%	2.50%	+0.5%/year
Manufactures consumer & industrial electronic products; leading semiconductor producer				
<b>Endesa</b>	23.2%	5.2%	5.38%	-6.9%/year
Generates, distributes, and sells electricity and gas in Spain & Latam				
<b>Merck &amp; Co.</b>	-9.8%	-8.7%	3.61%	+6.4%/year
Global health care company develops and sells medicines, vaccines, biologic therapies.				

Table continued on following page.

and 35 other common equities comprised a total of approximately 23% of fund assets. Individual position sizes of the 25 equities listed range from 6% of fund assets (Orange) to approximately 1.25% 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 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 mostly due to the price appreciation of Orange, AT&T, KPN, and Zegona Communications in Q1'2025 and the addition of Swisscom to your fund portfolio. Compare the sector allocations of the equities in the Income Builder portfolio over the trailing year in **Table 2**.

The value of the \$US vis-à-vis most developed market foreign currencies appreciated almost 6% in 2024, with virtually all of the gain achieved in Q4'24. Most of the 2024 gain in the \$US value was reversed in Q1'2025. As in prior years, we hedged a significant percentage of the foreign currency exposure of the underlying businesses of your portfolio's non-\$US investments. Your fund's currency hedges were a modest headwind to performance in Q1'2025.

**Table 1 (continued)**

Name of Company	Q1-2025	2024 Share Price % Change (USD)	Dividend Yield (at 31 Mar 2025 price)	5 Year Local Currency Dividend Growth Rate
<b>CME Group</b>	14.2%	10.3%	3.96%	+13.4%/year
Operates exchanges that trade futures contracts & options on rates, F/X, equities, commodities				
<b>Zegona Communications</b>	62.8%	121.6%	0.00%	N/A
Startup company that acquired Vodafone Espana from Vodafone PLC in 2024				
<b>Equitable Holdings</b>	10.4%	41.6%	1.84%	+9.9%/year
Financial services, insurance, and savings products company				
<b>AstraZeneca plc</b>	10.8%	-3.1%	2.17%	+2.0%/year
Global health care company develops and sells medicines.				
<b>BAE Systems</b>	40.0%	1.4%	2.12%	+6.5%/year
Defense and aerospace systems manufacturer				
<b>Vodafone Group</b>	10.0%	-2.3%	6.17%	-5.4%/year
Multinational telecom network operator. 255 million wireless, 18 million broadband customers				
<b>Pfizer Inc.</b>	-4.5%	-7.8%	6.48%	+3.0%/year
Global health care company develops and sells medicines, vaccines, biologic therapies.				
<b>Bank of Ireland Group</b>	28.7%	0.2%	5.80%	+42.8%/year
Diversified financial services provider serving Ireland and UK customers				
<b>Home Depot</b>	-5.8%	12.2%	2.51%	+10.1%/year
Home improvement & building materials retailer.				
<b>TC Energy</b>	1.5%	30.4%	5.00%	+3.3%/year
North American energy transport and storage infrastructure assets & power generation.				

Past performance does not guarantee future results.

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

Sector Weights as of:						Mar '24– Mar '25 +/- Weighting
Sector	31-Mar-25	31-Dec-24	30-Sep-24	30-Jun-24	31-Mar-24	
<b>Financials</b>	23.0%	22.8%	22.8%	22.8%	25.4%	-2.4%
<b>Communications Services</b>	22.1%	18.6%	18.8%	17.7%	16.7%	5.3%
<b>Health Care</b>	11.6%	11.4%	11.8%	11.9%	12.2%	-0.6%
<b>Information Technology</b>	11.3%	15.4%	13.8%	14.1%	13.4%	-2.1%
<b>Utilities</b>	9.6%	8.1%	7.5%	7.5%	6.2%	3.4%
<b>Energy (Diversified)</b>	9.4%	9.3%	10.4%	10.8%	10.6%	-1.2%
<b>Industrials</b>	4.0%	3.5%	2.9%	2.9%	2.3%	1.7%
<b>Consumer Staples</b>	3.9%	4.4%	4.4%	4.0%	3.6%	0.3%
<b>Materials</b>	2.7%	3.4%	5.0%	5.2%	5.5%	-2.7%
<b>Consumer Discretionary</b>	2.1%	2.2%	2.4%	2.7%	3.7%	-1.7%
<b>Real Estate</b>	0.3%	0.3%	0.4%	0.4%	0.3%	0.0%

May not add up to 100% due to rounding.

Eight of eleven sectors of the MSCI World Index delivered positive returns in \$US for Q1'25, though the overall index return was negative for the quarter. Sector returns for the quarter ranged from around +10.0% for the relatively small energy sector to -11.9% for the much larger information technology sector. The MSCI World Index comprises 75%, and the entire equity portion, of the global performance benchmark for Thornburg Investment Income Builder.

Thirty equity investments contributed positive returns of at least 0.10% to overall Income Builder Fund portfolio performance during Q1'2025. The most positive equity contributors to quarterly performance included telecommunications network operators Orange, AT&T, Deutsche Telekom and Zegona Communications; European financials BNP Paribas, NN Group, Bank of Ireland, and Generali; U.S. financials CME Group and Equitable Holdings; utilities Enel, Endesa and E.ON; global energy producers Total Energies and Shell; pharmaceutical firms Roche Holding, Novartis, Abbvie, and AstraZeneca; and defense contractor BAE Systems.

Six of your fund's equity investments made negative contributions to portfolio performance of less than -0.10% during Q1'2025. These negative contributors to quarterly performance included information technology firms Broadcom and Taiwan Semiconductor, UK grocer Tesco, pharmaceutical firm Merck, building products distributor Home Depot, and minerals producer and trader Glencore.

Investment Income Builder's bond holdings delivered positive returns during Q1'2025. 10-year U.S. Treasury bond yields decreased from 4.57% to 4.21% in the quarter after rising from 3.88% to 4.57% during calendar 2024. Corporate and asset-backed bond yield spreads to U.S. Treasury bonds widened in Q1'25 after tightening significantly in calendar 2024. The market yield of the Bloomberg U.S. Corporate High Yield Index increased from 7.49% to 7.73% during the March quarter (yield to lower of call price or maturity). On March 31, 2025, the \$70 trillion Bloomberg Global Aggregate Bond Index showed an average maturity of 8.4 years and a yield of 3.6%, the latter decreasing by -0.1% over the March quarter and -0.1% for the trailing year. Developed world bond yields outside the U.S. mostly lag domestic bond yields, a circumstance that has supported the U.S. dollar in the face of large fiscal and trade deficits over most of the last 17 quarters.

Readers of this commentary 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 March 31, 2025. The remaining 88% 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 historic averages. The "real" yield on the 10-year U.S. Treasury note (*March 31 market yield on 10-year UST of 4.21% minus the February core Consumer Price Index of 2.8%*) is positive at +1.41%. After making a significant recovery from the negative real yields of recent years, this positive real yield is below 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 +1.7%. U.S. price inflation is approaching Federal Reserve targets, but recent progress to reach these targets has been difficult to achieve. A large 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 an uncertain global economy in the face of evolving U.S. trade policies, so far resisting falling into a recession. There are clear indications that global trade flows will be significantly altered by new U.S. trade policies. Winners and losers among multi-national producers of tradeable goods will become obvious in time, but the current outlook for many global businesses is uncertain. Prices of traded financial assets will be volatile with day-to-day news changing perceptions of near-term economic performance, interest rate policies, and political decisions. 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, today and in the future. 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 13.6x as of March 31, 2025, well below the 19.0x price/earnings ratio of the MSCI All Country

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31 March 2025



World equity index. Income Builder's 4.4% weighted average equity portfolio dividend yield significantly exceeds the 1.9% 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 4.3 years and a yield to maturity/call of approximately 7%.

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

### Important Information

Unless otherwise noted, the source of all data, charts, tables and graphs is Thornburg Investment Management, Inc., as of 31 Mar 2025.

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 (ACWI) 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.**