

Thornburg Small/Mid Cap Core Fund

Portfolio Manager Commentary
30 June 2022



Market Review

The strength of an economic rebound became an open question in the second quarter as signs of a slowdown mixed with poor economic data. The Fed continued with interest rates hikes, including a rare 75bps hike, and maintained a hawkish tone given the backdrop of persistently high inflation readings. 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. Furthermore, a spike in COVID variants and subvariants caused temporary slowdowns around the world. These factors contributed to a negative market environment for small and mid-cap stocks, building on a weak first quarter. In particular, these late cycle conditions disproportionately hit returns for growth and smaller stocks within this universe. The Russell 2500 Growth underperformed the Russell 2500 Value by over 400 basis points in the quarter, bringing the total relative underperformance this year to 1,276 basis points. The top performing sectors were utilities (which was still down over 4%) and consumer staples, with no sector providing positive nominal returns during the quarter. The bottom performing sectors were information technology 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

Second Quarter Performance Highlights

- The Thornburg Small/Mid Cap Core Fund returned negative 16.46% (I shares), outperforming the Russell 2500 Index, which returned negative 16.98%.

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

	QTR	YTD	1-YR	3-YR	5-YR	10-YR	ITD
A Shares TVAFX (Incep: 2 Oct 1995)							
Without Sales Charge	-16.54	-19.51	-17.58	4.49	5.12	10.73	9.05
With Sales Charge	-20.30	-23.13	-21.29	2.89	4.16	10.22	8.86
I Shares* TVIFX (Incep: 2 Nov 1998)	-16.46	-19.33	-17.26	4.85	5.49	11.14	9.46
Russell 2500 TR Index	-16.98	-21.81	-21.00	5.91	7.04	10.49	9.46

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 information technology, consumer staples, industrials, and communications services where stock selection overall drove most of the outperformance. Top detracting sectors from relative performance were financials, industrials, and health care. 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 outperformed smaller cap companies. Stock selection within these ranges was also a relative boost to performance. Stock selection within the \$2.5 billion and \$12 billion market capitalization range was the most notable relative detractor for the quarter.

Current Positioning and Outlook

As PMIs peak, monetary policy becomes tighter, inflation persists, and growth rates wane against tougher comps, our near-term outlook is more 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. 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. The potential for more infrastructure spending would give a boost to renewables and could benefit companies within the portfolio. The portfolio maintains exposure to consistent earners, emerging franchises, and reopening beneficiaries, but is currently favoring more stable 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. 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 (2Q22)

Name	Contrib. (%)	Avg. Weight (%)
SunOpta, Inc.	0.71	1.65
Lamb Weston Holdings, Inc.	0.33	2.06
Agilysys, Inc.	0.32	1.28
Radius Global Infrastructure, Inc.	0.16	1.97
Black Knight, Inc.	0.14	1.93

Top Detractors (2Q22)

Name	Contrib. (%)	Avg. Weight (%)
Hudbay Minerals, Inc.	-1.19	1.97
Signature Bank	-1.16	2.37
Crown Holdings, Inc.	-0.72	2.55
Sterling Check Corp.	-0.68	1.46
Jones Lang Lasalle, Inc.	-0.63	2.24

Ten Largest Holdings (as of 31 May 2022)

Holding	Weight (%)
Chesapeake Energy Corp.	4.6%
Diamondback Energy, Inc.	3.8%
LPL Financial Holdings, Inc.	3.6%
Avantor, Inc.	3.2%
The AES Corp.	2.8%
Builders FirstSource, Inc.	2.7%
Sensient Technologies Corp.	2.7%
Casella Waste Systems, Inc.	2.6%
Pinnacle Financial Partners, Inc.	2.6%
Crown Holdings, Inc.	2.5%

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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 Jun 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 Total Return Index to the Russell 2500 Index (Total Return).

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 Total Return 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 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.