

Thornburg Income & U.S. Government Bonds

Portfolio Manager Commentary

31 March 2025



Market Review

The first quarter of 2025 was characterized by significant volatility and complexity across global financial markets that was not driven by a singular trend but was a tug-of-war between multiple forces. Aggressive fiscal measures, particularly new tariffs, injected uncertainty and inflationary pressures, initially steepening the yield curve. However, the Federal Reserve maintained a patient stance, signaling potential rate cuts later in the year amid concerns of slowing economic momentum. This dovish tilt capped longer-term yields and supported risk assets, including corporate credit, which saw modest spread tightening despite the macro headwinds. Inflation-linked bonds also garnered attention as tariff-induced price pressures became a focal point. The quarter concluded with markets closely watching inflation data and central bank rhetoric for clearer signals on the future path of rates and the ultimate impact of fiscal policy on the broader economy.

Despite volatility, our focus continues to be on generating attractive income and risk-adjusted total returns over the long term.

First Quarter 2025 Performance Highlights

- In 1Q25 the Limited Term Income Portfolio (I share class) returned 2.27%, -15 basis points behind the Bloomberg Intermediate U.S. Government/Credit Index. Year to date the portfolio (I share class) returned 2.27%, -15 basis points behind the index.
- The portfolio maintained a duration roughly 0.28 years shorter than the index, which was problematic during a period of falling yields. As a result, duration was a detractor from relative performance, accounting for -11bps during the quarter.
- The portfolio's performance during the quarter was driven by its underweight allocation to Treasuries securities versus the Index which accounted for -65bps of relative underperformance.
- The portfolio's relative performance did benefit from its larger allocation to Collateralized Mortgage Obligations (CMO) and Mortgage Pass-Through (MPT) securities. The allocation to CMOs contributed 25bps to relative performance during the quarter while the MPT exposure contributed 26bps to relative performance.

Portfolio Managers

Lon Erickson, CFA

Portfolio Manager

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Head of Fixed Income

Supported by the entire Thornburg investment team

Current Positioning and Outlook

Consistent with our mandate, we actively adjusted portfolio positioning throughout the quarter in response to evolving market conditions and relative value opportunities. We maintained broad diversification across fixed-income sectors. While detailed shifts are part of our continuous management, our active management approach proved crucial in navigating the quarter's volatility.

The strategy remained positioned with a longer duration and higher quality bias compared to its long-term range, driven by attractive real yields and very tight credit spreads. However, the market rewarded the opposite. Security selection, driven by our bottom-up fundamental credit research, was a key contributor, allowing us to identify resilient issuers across various sectors.

We maintained broad diversification across fixed-income sectors with an emphasis on sectors demonstrating resilience or offering compelling risk/reward profiles identified through our research. The allocations to Treasuries, investment grade corporate credit, collateralized mortgage obligations, and mortgage pass-throughs were all large drivers of absolute returns during the period.

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. There is no up-front sales charge for class I shares.

The portfolio continued to invest across the investment-grade credit spectrum, focused on fundamentally sound issuers offering attractive compensation for risk. This included selectively chosen corporate bonds with stronger balance sheets and more predictable cash flows which helped drive absolute performance during the quarter. Our primary approach remained identifying mispriced securities through rigorous bottom-up analysis, but opportunities were few and far between given spread levels.

Looking ahead, uncertainty surrounding inflation, central bank policy paths, economic growth trajectories, and geopolitical events, including trade policy, persists. We anticipate continued market volatility, which often creates opportunities for active managers. We remain committed to our disciplined investment process, combining top-down macroeconomic insights with intensive bottom-up credit research to identify relative value across the fixed income universe. Our focus continues to be on generating attractive income and risk-adjusted total returns for our clients over the long term.

AVERAGE ANNUAL TOTAL RETURNS (AS OF 31 MARCH 2025)

	QTR	YTD	1-YR	3-YR	5-YR	10-YR	ITD	EXPENSE RATIOS (%)	
								GROSS	NET
THORNBURG LIMITED TERM INCOME FUND									
A Shares THIFX (Incep: 1 Oct 92)									
Without sales charge	2.28	2.28	5.92	3.03	2.36	2.20	4.36	--	--
With sales charge	-0.05	-0.05	3.57	2.25	2.06	2.05	4.31	0.76	0.76
I Shares THIX (Incep: 5 Jul 96)	2.27	2.27	6.13	3.29	2.65	2.52	4.68	0.52	0.49
Bloomberg Intermediate U.S. Government/Credit Index (Since: 1 Oct 92)	2.42	2.42	5.65	2.18	0.86	1.81	4.23		
THORNBURG LIMITED TERM U.S. GOVERNMENT FUND									
A Shares LTUSX (Incep: 16 Nov 87)									
Without sales charge	2.53	2.53	5.14	1.36	0.07	0.77	4.00	--	--
With sales charge	0.25	0.25	2.78	0.58	-0.23	0.62	3.96	1.00	0.99
I Shares LTUIX (Incep: 5 Jul 96)	2.70	2.70	5.57	1.68	0.37	1.08	4.35	0.65	0.65
Bloomberg U.S. Government Intermediate Index (Since: 16 Nov 87)	2.48	2.48	5.35	1.79	-0.03	1.36	4.69		
THORNBURG ULTRA SHORT INCOME FUND									
A Shares TLDAX (Incep: 30 Dec 13)									
Without sales charge	1.16	1.16	5.49	4.46	3.44	2.33	2.24	--	--
With sales charge	-1.11	-1.11	3.13	3.68	3.11	2.18	2.10	0.88	0.50
I Shares TLDIX (Incep: 30 Dec 13)	1.21	1.21	5.63	4.65	3.61	2.52	2.42	0.54	0.30
ICE BofA U.S. Treasury Bill Index (Since: 30 Dec 13)	1.04	1.04	5.06	4.26	2.56	1.89	1.68		

Returns for less than one year are not annualized. ITD is inception to date.

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.

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 2.25%. There is no up-front sales charge for class I shares. Thornburg Investment Management and/or Thornburg Securities LLC have contractually agreed to waive fees and reimburse expenses through at least 1 February 2026, for some of the share classes; these are reflected in the net expense ratio. For more detailed information on fund expenses and waivers/reimbursements, please see the fund's prospectus.

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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 31 March 2025.

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.

Investments carry risks, including possible loss of principal. 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. Unlike bonds, bond funds have ongoing fees and expenses. Investments in mortgage-backed securities (MBS) may bear additional risk. Investments in the Fund are not FDIC insured, nor are they bank deposits or guaranteed by a bank or any other entity.

There is no guarantee that the Fund will meet its investment objectives.

Basis Point (bp) – A unit equal to 1/100th of 1%. 1% = 100 basis points (bps).

U.S. Treasury securities, such as bills, notes and bonds, are negotiable debt obligations of the U.S. government. These debt obligations are backed by the "full faith and credit" of the government and issued at various schedules and maturities. Income from Treasury securities is exempt from state and local, but not federal, taxes.

A bond credit rating assesses the financial ability of a debt issuer to make timely payments of principal and interest. Ratings of AAA (the highest), AA, A, and BBB are investment-grade quality. Ratings of BB, B, CCC, CC, C and D (the lowest) are considered below investment grade, speculative grade, or junk bonds.

Credit Spread/Quality Spread - The difference between the yields of securities with different credit qualities.

Duration - A bond's sensitivity to interest rates. Bonds with longer durations experience greater price volatility than bonds with shorter durations.

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.

Collateralized Mortgage Obligation (CMO) - A type of mortgage-backed security that creates separate pools of pass-through rates for different classes of bondholders with varying maturities, called tranches. The repayments from the pool of pass-through securities are used to retire the bonds in the order specified by the bonds' prospectus.

Mortgage Pass-Through - A security consisting of a pool of residential mortgage loans. Payments of principal, interest and prepayments are "passed through" to investors each month.

ICE BofA U.S. Treasury Bill Index tracks the performance of US dollar denominated US Treasury Bills publicly issued in the US domestic market.

The Bloomberg Intermediate U.S. Government/Credit Index (BBG Int US Govt/Credit TR Value) is an unmanaged, market-weighted index generally representative of intermediate government and investment-grade corporate debt securities having maturities from one up to ten years.

The Bloomberg U.S. Government Intermediate Index (BBG US Govt Int TR Value) is an unmanaged, market-weighted index generally representative of all public obligations of the U.S. Government, its agencies and instrumentalities having maturities from one up to ten years.

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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.

Not FDIC Insured. May lose value. No bank guarantee.

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.

Thornburg is a global investment firm delivering on strategy for institutions, financial professionals and investors worldwide. The privately held firm, founded in 1982, is an active, high-conviction manager of fixed income, equities, multi-asset solutions and sustainable investments with \$46.6* billion in total assets across mutual funds, institutional accounts, separate accounts and UCITS.

*Includes assets under management (\$45.5B) and assets under advisement (\$1.2B).

