Thornburg Multisector Opportunistic Strategy

Portfolio Manager Commentary
31 March 2025

Investment Strategy

Designed to be a flexible, alpha-seeking fixed income strategy with the goal to provide investors with attractive risk-adjusted returns by investing in fixed income securities across sector, credit quality, and geography. Over time, we aim to generate returns above that of core fixed income strategies with incrementally higher risk.

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.

Portfolio Managers

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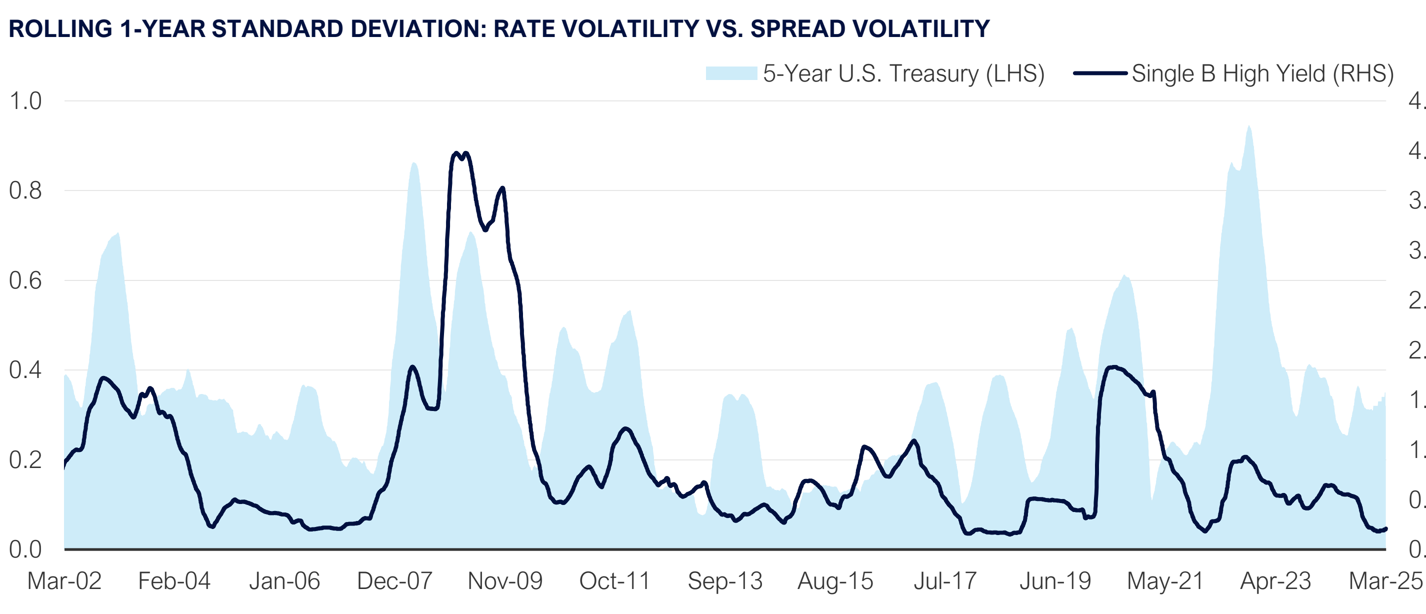
Supported by the entire Thornburg investment team

Figure 1: Rate Volatility Significantly Higher than Spread Volatility

Gap reveals complacency in pricing of credit spreads



The performance data quoted represents past performance; it does not guarantee future results.

Source: Bloomberg

First Quarter 2025 Performance Highlights

- In 1Q25 the portfolio (net of fees) returned 2.39%, -27 basis points behind the Bloomberg U.S. Universal Index. Year to date the portfolio (net of fees) returned 2.39%, -27 basis points behind the index.
- The portfolio maintained a duration roughly 1.5 years shorter than the index, which was problematic during a period of falling yields. As a result, duration was the largest detractor from relative performance, accounting for -76bps of relative performance. Despite the portfolio's shorter duration, relative performance during the period was bolstered by active management decisions made with regards to yield curve positioning and bond selection. Both factors were key drivers of relative performance during the quarter, accounting for 33bps and 30bps, respectively.
- The portfolio's slight underperformance during the quarter was driven by its underweight allocation to Treasuries and mortgage pass-through (MPT) securities, which accounted for -29bps and -25bps respectively. The portfolio's relative performance did benefit from its larger allocation to commercial mortgage-backed securities (CMBS) and high yield corporate exposure. The allocation to CMBS contributed 22bps during the quarter while the high yield corporate exposure contributed 16bps to relative performance.

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 and mortgage pass-throughs were all large drivers of absolute returns during the period.

ANNUALIZED RETURNS (AS OF 31 MARCH 2025)

THORNBURG MULTISECTOR OPPORTUNISTIC STRATEGY (%)	QTR	YTD	1-YR	3-YR	5-YR	10-YR	ITD (1 JAN 08)
Composite (Gross)	2.53	2.53	6.97	4.49	5.64	4.59	6.13
Composite (Net)	2.39	2.39	6.40	3.92	5.04	3.97	5.35
Bloomberg U.S. Universal Index	2.66	2.66	5.24	1.01	0.32	1.83	3.17

CALENDAR YEAR RETURNS

THORNBURG MULTISECTOR OPPORTUNISTIC STRATEGY (%)	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Composite (Gross)	5.45	8.26	-5.59	3.39	8.90	8.56	1.38	7.27	8.94	-1.15
Composite (Net)	4.89	7.67	-6.14	2.77	8.25	7.92	0.77	6.60	8.25	-1.77
Bloomberg U.S. Universal Index	2.04	6.17	-12.99	-1.10	7.58	9.29	-0.25	4.09	3.91	0.43

In US$ terms. **Returns may increase or decrease as a result of currency fluctuations.**
Periods less than one year are not annualized. ITD is inception to date.

Performance data for the Multisector Opportunistic Strategy is from the Multisector Opportunistic Composite, inception date of 1 January 2008. The Multisector Opportunistic Composite includes all discretionary accounts invested in the Multisector Opportunistic Strategy. Returns are calculated using a time-weighted and asset-weighted calculation. Returns reflect the reinvestment of income and capital gains. 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%.

The portfolio continued to invest across the credit spectrum, focused on fundamentally sound issuers offering attractive compensation for risk. This included selectively chosen high-yield 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 regardless of rating category 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. The portfolio's flexible mandate allows us to adjust duration, credit exposure, and sector allocation dynamically. 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 global fixed income universe. Our focus continues to be on generating attractive income and risk-adjusted total returns for our clients over the long term.

Thank you for your continued trust and support investing alongside of us in the Thornburg Multisector Opportunistic Strategy.

Portfolio Characteristics

PORTFOLIO STATISTICS	REP. ACCT.
Weighted Average Coupon	4.2%
Weighted Average Price	94.8
Average Credit Quality	A-
Average Effective Maturity	5.5 Years
Effective Duration	4.2 Years

ASSET CLASS WEIGHTS (%)	REP. ACCT.
Corporate	41.8
CMO	13.8
U.S. Treasury	13.7
Mortgage Pass Through	10.1
ABS	9.6
CMBS	3.5
Non-U.S. Treasury	2.1
Bank Loans	1.7
Preferred Stock	0.5
Municipal Bonds	0.0
Common Stock	0.0
Cash	3.2

CREDIT QUALITY RATINGS (% EX-EQUITY)	REP. ACCT.
U.S. Government	27.2
AAA	11.0
AA	3.4
A	10.9
BBB	22.3
BB	13.5
B	3.7
CCC	0.1
D	0.0
NR	4.7
Cash	3.2

TEN LARGEST COUNTRIES (%)	REP. ACCT.
United States	82.6
Canada	1.9
Mexico	1.1
United Kingdom	1.0
Brazil	0.7
Turkey	0.7
Saudi Arabia	0.7
Dominican Republic	0.7
France	0.6
United Arab Emirates	0.6

Source: FactSet and Thornburg
Cash may include cash equivalents and currency forwards. Holdings are classified by country of risk as determined by MSCI and Bloomberg.
Portfolio attributes can and do vary. Weights are percentages of total portfolio, unless otherwise noted. Holdings may change daily.
Credit quality ratings use the highest rating available from either S&P Global Ratings or Moody's Investors Service. Unrated securities are evaluated by the firm using available data and their own analysis that may be similar to that of a nationally recognized rating agency; however, such determination is not equivalent to a national agency credit rating. "NR" = Not Rated. Please see disclosure page for other important disclosures and definitions.

Important Information

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

Investments in the Strategy carry risks, including possible loss of principal. Carefully consider the Strategy's investment objectives, risks, and expenses before investing. There is no guarantee that the portfolio will meet its investment objectives.

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Portfolio holdings and characteristics shown herein are from a representative account managed within the investment composite. The representative account is selected based on account characteristics that Thornburg believes accurately represent the investment strategy as a whole. Should these characteristics change materially, Thornburg may select a different representative account. Holdings may change daily and may vary among accounts, which may contribute to different investment results.

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.

Commercial Mortgage-backed Securities (CMBS) - A type of mortgage-backed security backed by commercial mortgages rather than residential real estate. CMBS tend to be more complex and volatile than residential mortgage-backed securities due to the unique nature of the underlying property assets. CMBS issues are usually structured as multiple tranches, similar to collateralized mortgage obligations, rather than typical residential pass-throughs.

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.

The Bloomberg U.S. Universal Index (BBG US Universal TR Value) represents the union of the U.S. Aggregate Index, U.S. Corporate High-Yield, Investment Grade 144A Index, Eurodollar Index, U.S. Emerging Markets Index, and the non-ERISA eligible portion of the CMBS Index. The index covers USD denominated, taxable bonds that are rated either investment-grade or below investment-grade.

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

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