

Welcome

The webcast will begin shortly



Is the Fed Gambling with
Markets & the Economy?

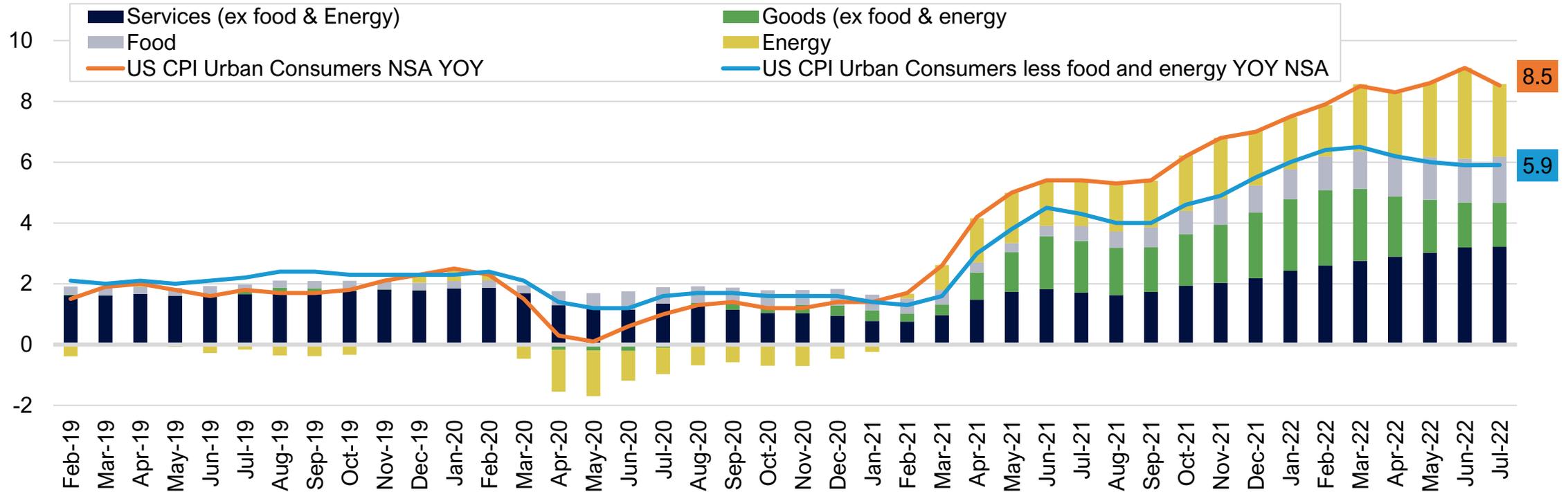
Is the Fed Gambling with Markets & the Economy?

with Jason Brady, CFA | 8 September 2022



U.S. Inflation: Continued Cost Pressure in Energy, Food & Housing

Contributions to U.S. CPI Index, YoY (%)

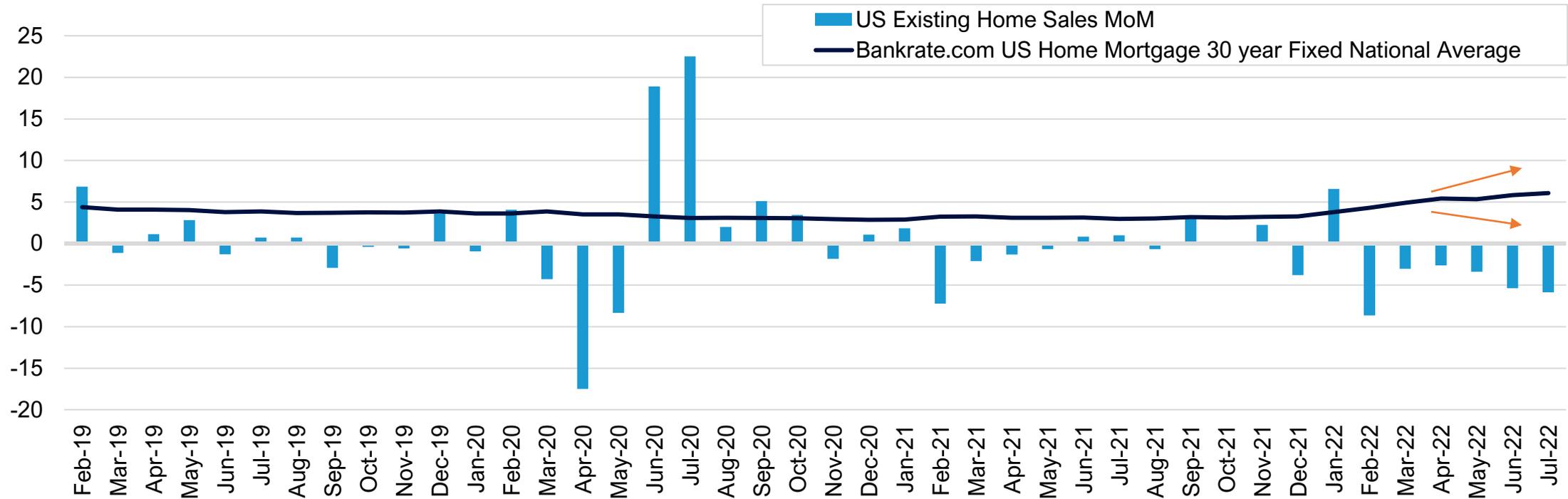


Past performance does not guarantee future results.

Source: Bloomberg, Thornburg Investment Management, as of 31 July 2022

US Inflation: High Rates & High Prices Hit Home Sales

U.S. Existing Home Sales (MoM % Change) & U.S. Home Mortgage 30-Year Fixed National Average (%)

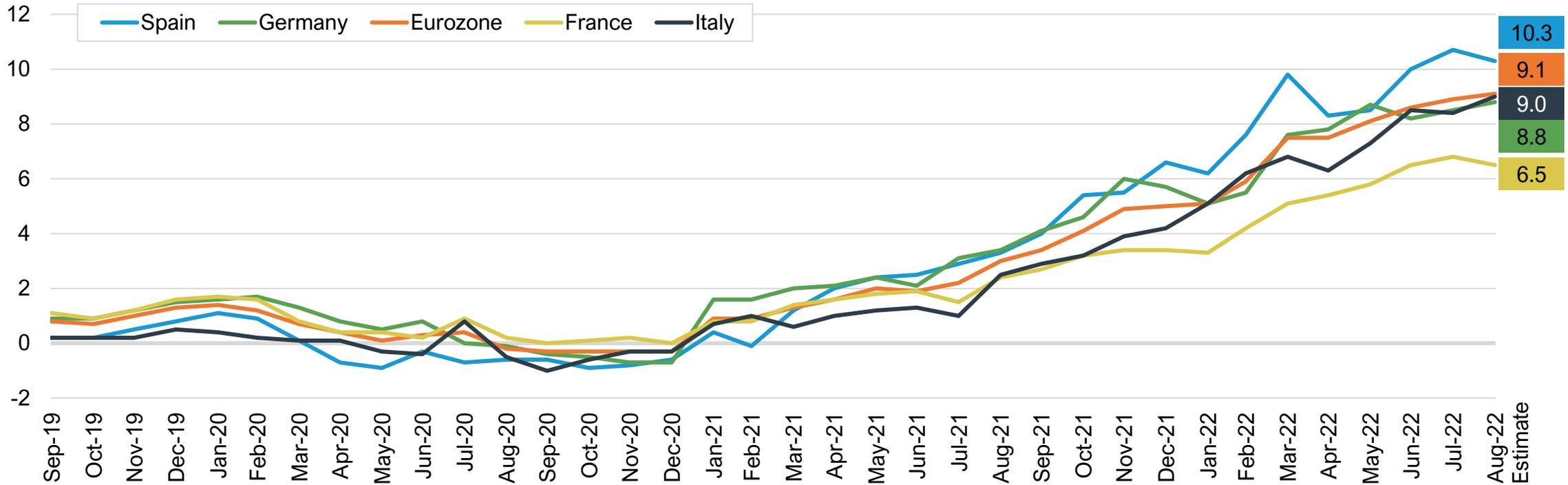


Past performance does not guarantee future results.

Source: Bloomberg, Thornburg Investment Management, as of 31 July 2022

EU Inflation: Prices Rising Much Quicker than ECB 2% Target

Eurozone and Selected European Countries Inflation Rate (%)

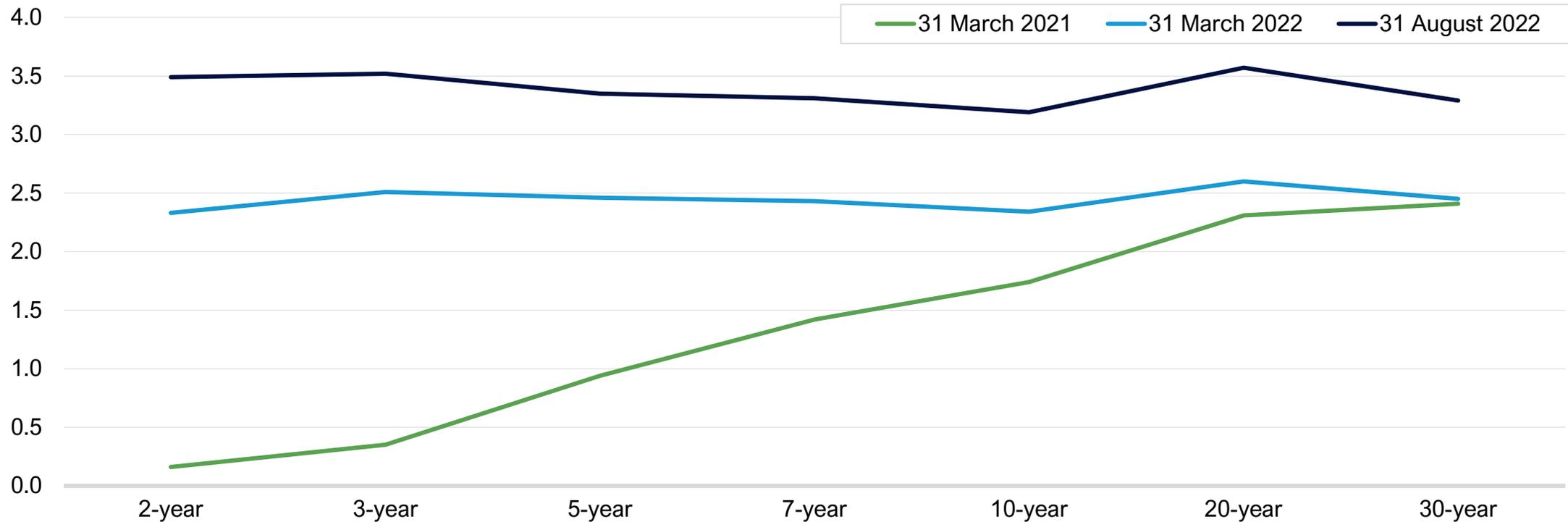


Past performance does not guarantee future results.

Source: Eurostat, Thornburg Investment Management, as of 31 August 2022

There Is No Additional Yield Out the Curve Today

U.S. Treasury yield curve (%)

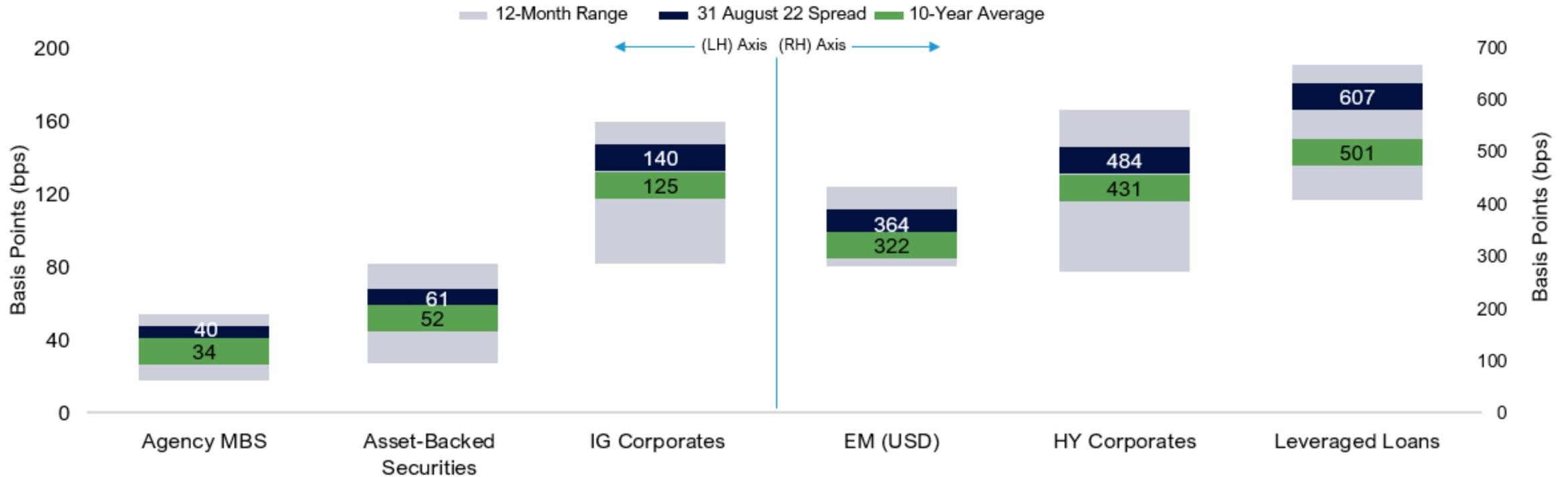


Past performance does not guarantee future results.

Source: Bloomberg, as of 31 August 2022

Fixed Income Spreads Trading above 10-Year Historical Averages

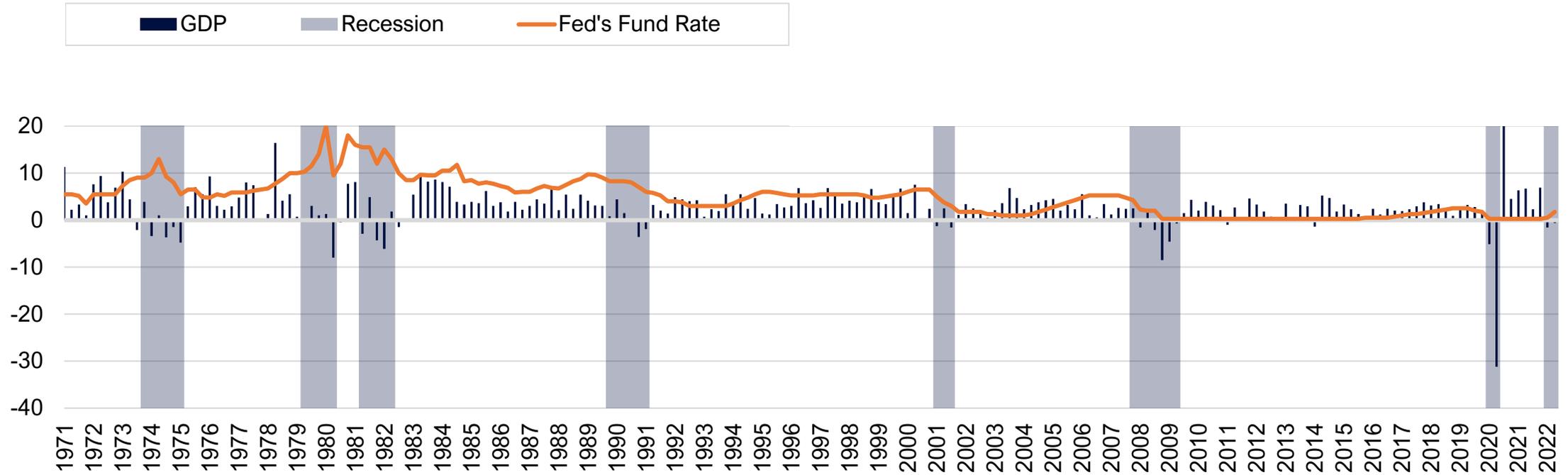
Option adjusted spreads for sub-indexes



Past performance does not guarantee future results.

Source: Bloomberg, JP Morgan, as of 31 August 2022

Historically, Fed Hikes Are A Prelude To Recession

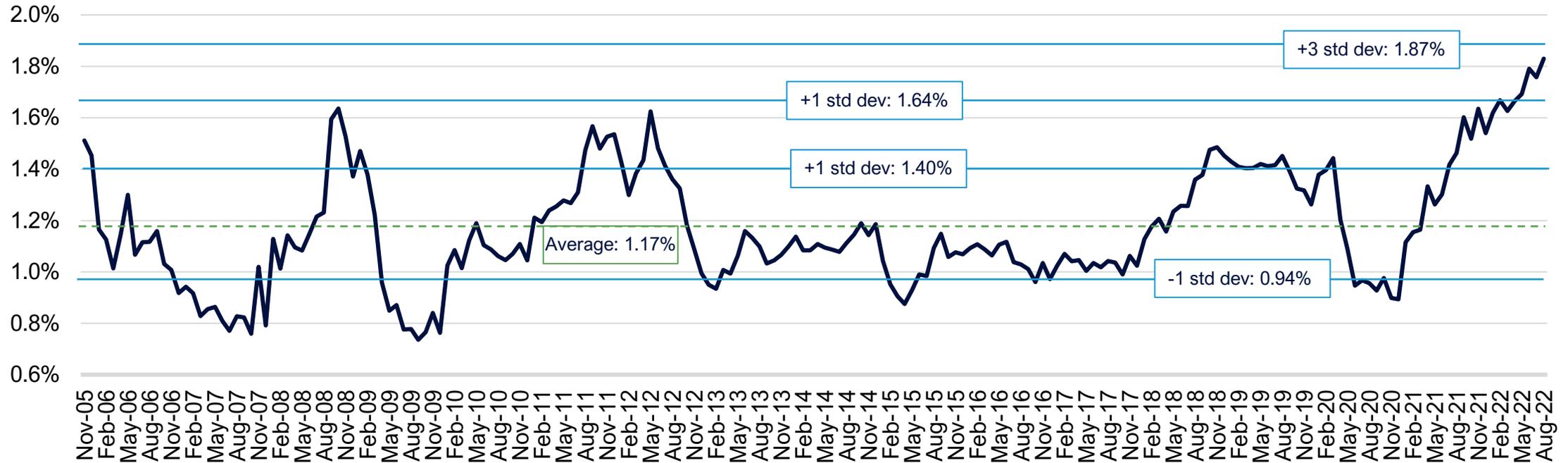


Past performance does not guarantee future results.

Sources: Bloomberg, St. Louis Federal Reserve, and Thornburg, as of 31 August 2022

Equity Dividends: Yield Heavily Favors Foreign Companies

MSCI ACWI ex-U.S. minus S&P 500 (Trailing 12 Months)

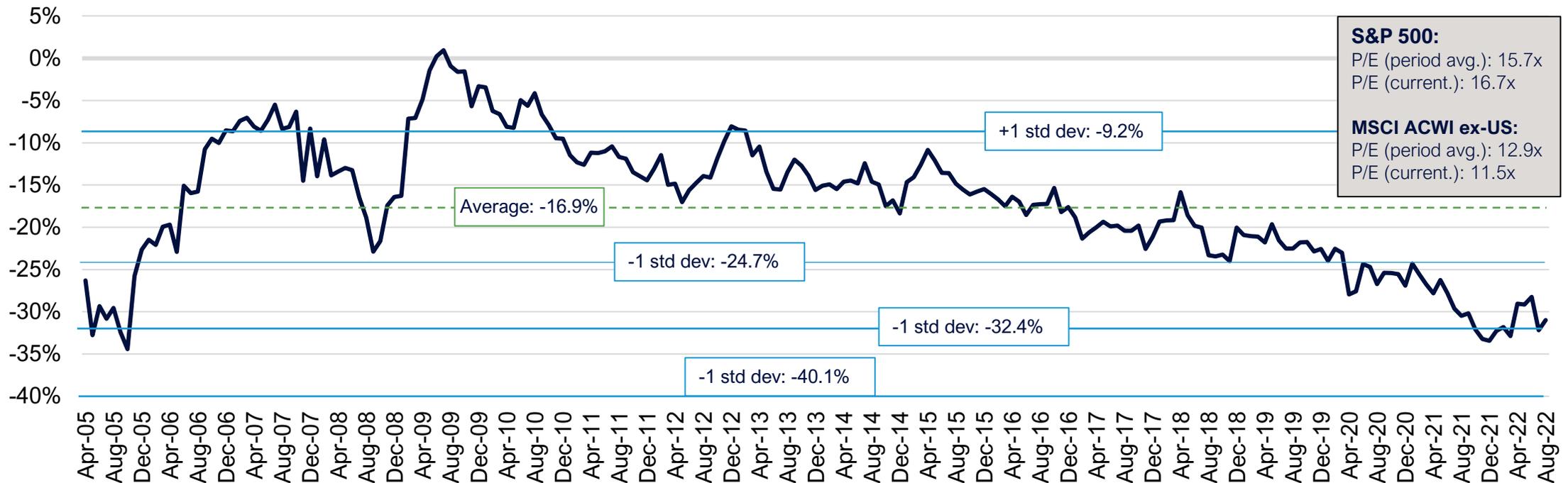


Past performance does not guarantee future results.

Source: Bloomberg, Thornburg Investment Management, as of 31 August 2022

International vs. U.S. Equities: PE Discount Remains Significant

P/E Discount: MSCI ACWI ex-US vs. S&P 500 (Next 12 months forward)

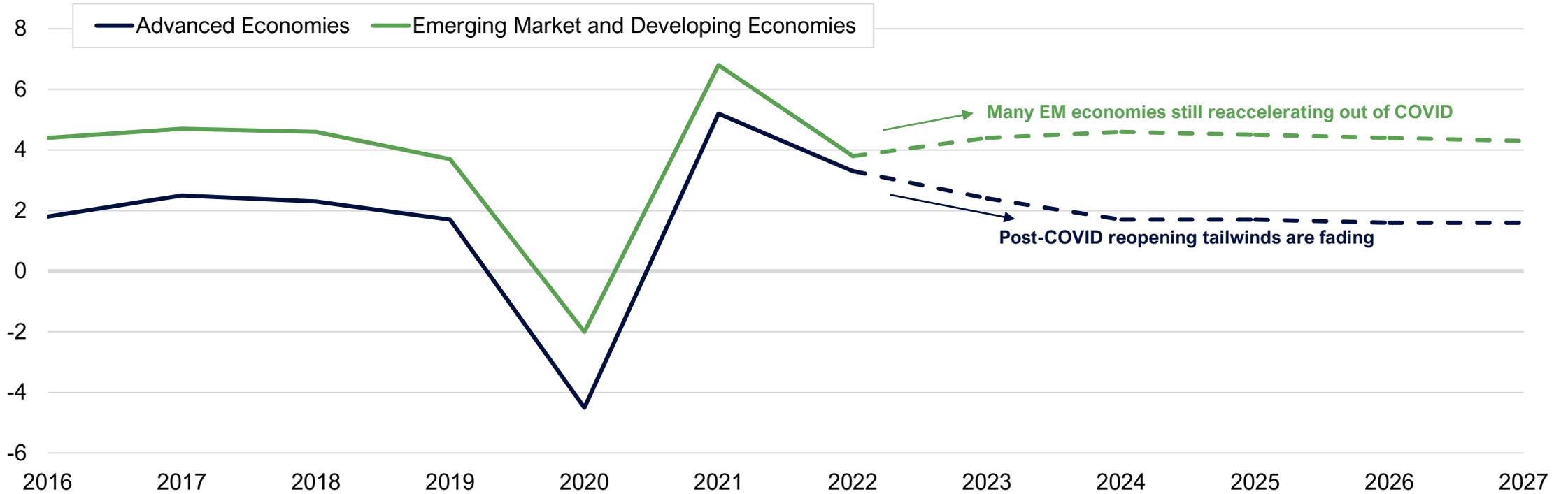


Past performance does not guarantee future results.

Source: Bloomberg, Thornburg Investment Management, as of 31 August 2022

Emerging Markets: Reopening can still be an inflection point

Real GDP Growth YoY (%)

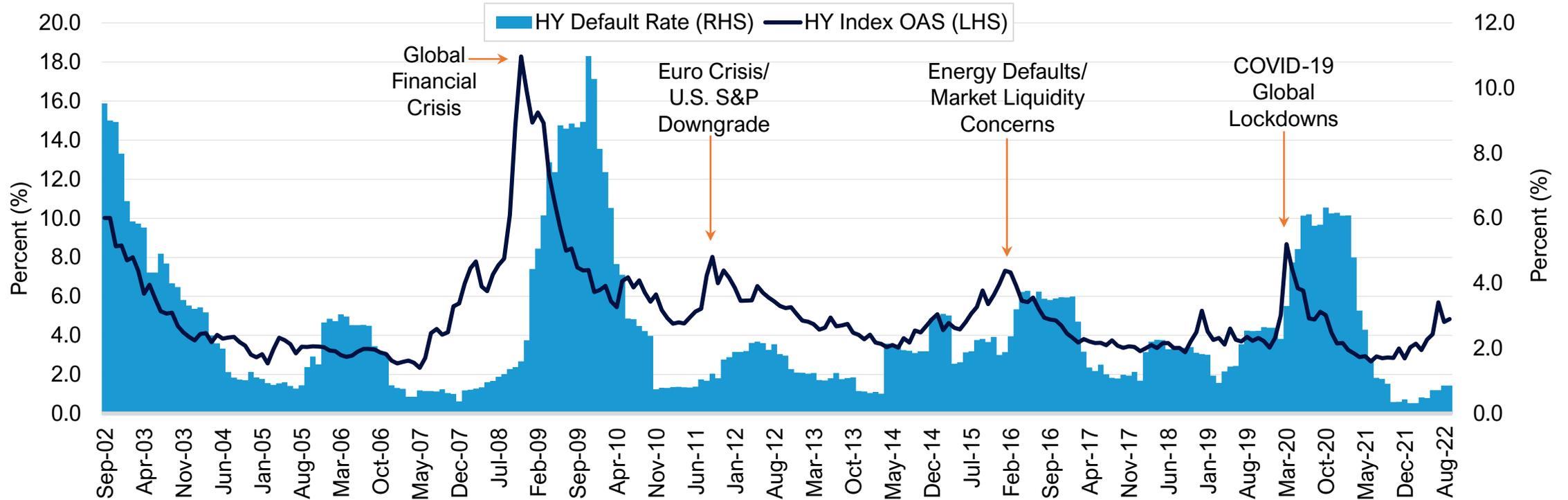


Past performance does not guarantee future results.

Source: IMF, Thornburg Investment Management, as of 31 August 2022

High Yield Has Historically Presented Better Entry Points (But Ready to Be Opportunistic)

High yield index OAS and default rates

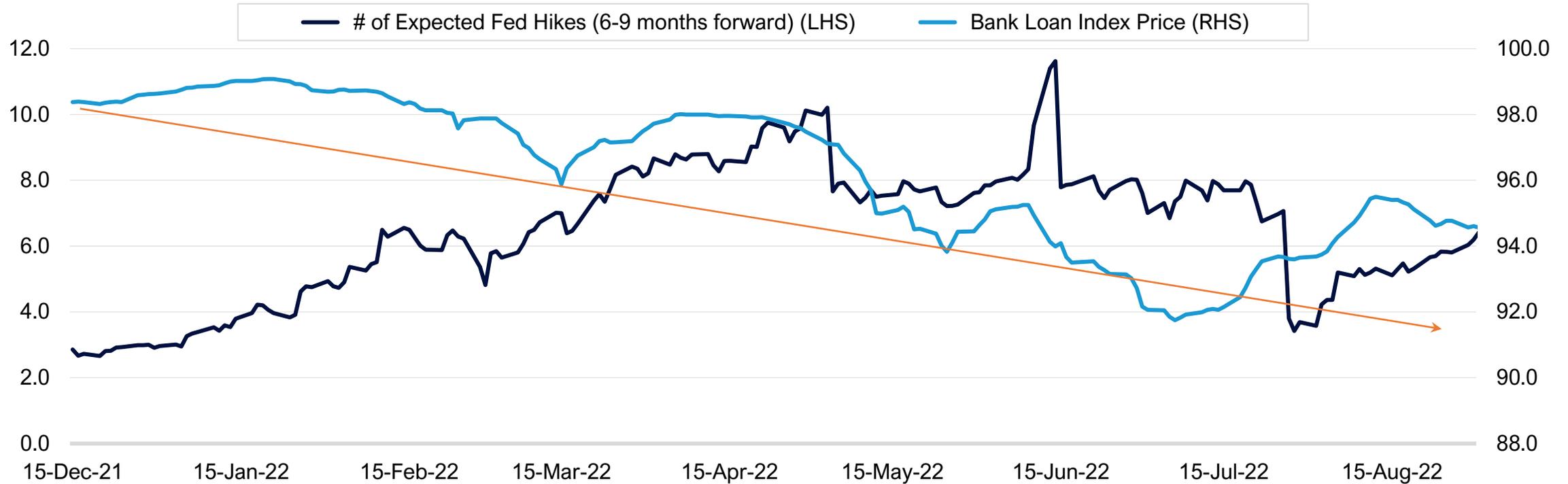


Past performance does not guarantee future results.

Source: Bloomberg, JP Morgan, as of 31 August 2022

Bank Loans Have Not Provided Hedge Investors Expected

Expected Fed hikes and bank loan prices over the past 6 months



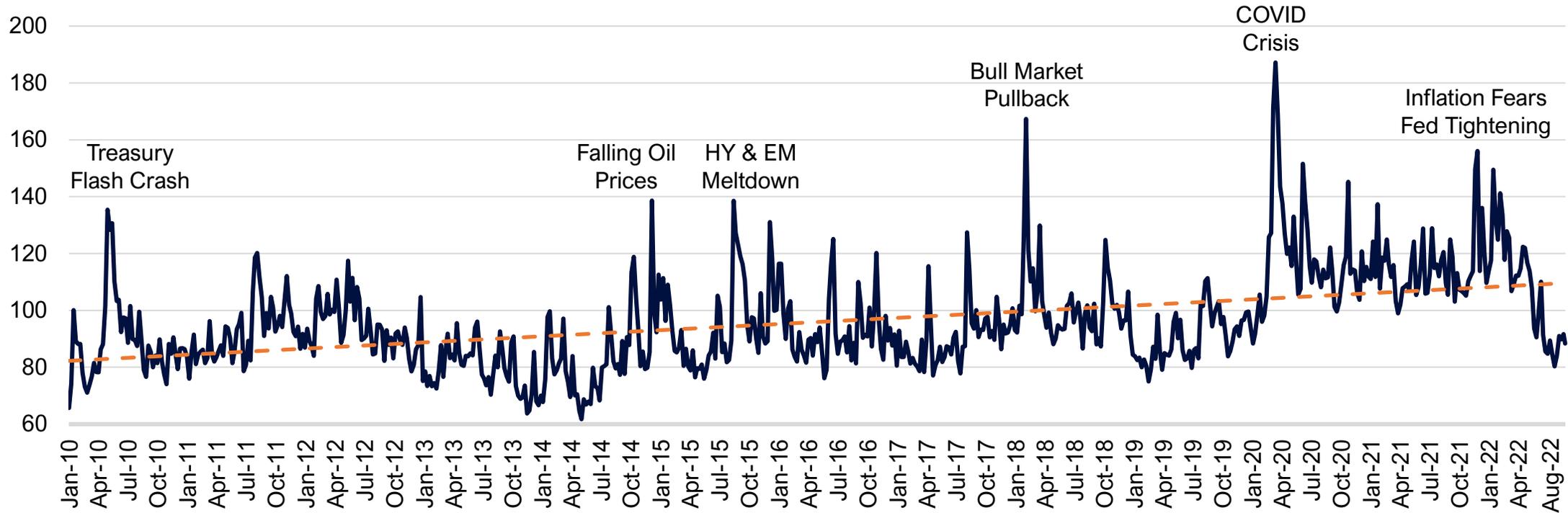
Past performance does not guarantee future results.

Source: Bloomberg, as of 31 August 2022

Bank loan index price is represented by the S&P/LSTA Leveraged Loan Price Index. The number of expected hikes represents implied number of hikes based on the pricing of the 30-Day Federal Funds Futures contract for December 2022.

Volatility Is Trending up and Occurring More Frequently

CBOE volatility of volatility (VIX)



Past performance does not guarantee future results.

Source: Bloomberg, as of 31 August 2022

Questions?

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Investments carry risks, including possible loss of principal.

The performance data quoted represents past performance; it does not guarantee future results. Returns will fluctuate and current performance may be either lower or higher than data shown.

The S&P 500 Total Return Index is an unmanaged broad measure of the U.S. stock market.

The MSCI EAFE (Europe, Australasia, Far East) Net Total Return USD Index is an unmanaged index. It is a generally accepted benchmark for major overseas markets. Index weightings represent the relative capitalizations of the major overseas developed markets on a U.S. dollar adjusted basis. The index is calculated with net dividends reinvested in U.S. dollars.

The MSCI ACWI ex USA (Gross/Net) Index is a market capitalization weighted index representative of the market structure of 46 developed and emerging market countries in North and South America, Europe, Africa, the Middle East, and the Pacific Rim, excluding securities of United States issuers. Beginning in January 2001, the index is calculated with net dividends reinvested in U.S. dollars. Prior data is calculated with gross dividends.

The MSCI AC (All Country) Asia Pacific Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the developed and emerging markets in the Asia Pacific region. The index consists of the following 14 developed and emerging market countries: Australia, China, Hong Kong, India, Indonesia, Japan, Korea, Malaysia, New Zealand, Pakistan, Philippines, Singapore, Taiwan and Thailand.

Gross Domestic Product (GDP) - A country's income minus foreign investments: the total value of all goods and services produced within a country in a year, minus net income from investments in other countries.

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.

Dividend Yield - A ratio that shows how much a company pays out in dividends each year relative to its share price.

The Bloomberg U.S. Universal Index measures the performance of U.S. dollar-denominated taxable bonds that are rated either investment-grade or high yield. The index includes U.S. Treasury bonds, investment-grade and high yield U.S. corporate bonds, mortgage-backed securities, and Eurodollar bonds.

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.

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.

OAS (Option Adjusted Spread) - The difference between the yield of a fixed income instrument and the duration-matched Treasury yield assuming the instrument had no embedded options (such as an issuer's option to call a bond at a future date). Option-adjusted spreads enable investors to separate out embedded options and better judge the degree to which an instrument's yield compensates them for credit risk, liquidity risk, or other such factors.

Mortgage-backed Security - A type of asset-backed security that is secured by a mortgage or collection of mortgages. These securities must be grouped in one of the top two ratings as determined by an accredited credit rating agency and usually pay periodic payments that are similar to coupon payments. The mortgage must have originated from a regulated and authorized financial institution.

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.

High yield bonds may offer higher yields in return for more risk exposure.

Gross Domestic Product (GDP) - A country's income minus foreign investments: the total value of all goods and services produced within a country in a year, minus net income from investments in other countries.

S&P/LSTA Leveraged Loan Index (LLI) is a market-weighted index that tracks the performance of institutional leveraged loans.

CBOE Volatility Index (VIX Index) shows the market's expectation of 30-day volatility. It is constructed using the implied volatilities of a wide range of S&P 500 Index options. This volatility is meant to be forward looking and is calculated from both calls and puts.

CBOE VOL of VOL (VVIX Index) measures the volatility of the price of the VIX.

The potential long-term impacts of the pandemic remain uncertain and difficult to assess, and there is no assurance that a particular business strategy or product will limit potential investment losses.

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