

Thornburg Municipal Bond Funds

Portfolio Manager Commentary

31 December 2025



Market Review

U.S. fixed income markets concluded 2025 on a positive note, with broad gains driven by Federal Reserve rate cuts, cooling inflation, and broadly resilient economic data despite challenges like the U.S. government shutdown and labor market softness. The Federal Reserve continued its easing cycle with 50 basis points of rate cuts, including a widely expected 25bp cut at the December FOMC meeting that lowered the Fed Funds rate to 3.50-3.75% alongside a \$40B/month Treasury bill purchase program, though the FOMC minutes reflected continued divisions within the committee. November saw significant volatility in rate expectations with December futures probabilities dropping below 30% at one point following hawkish signals from Chair Powell and other Fed officials. Inflation showed continued disinflation with November CPI coming in below consensus at 2.7% year-over-year (core 2.6%), while mortgage rates dropped for three straight weeks to end 2025 at their lowest point for the year. The government shutdown delayed most employment and inflation data in October with impacts continuing into November, creating what analysts called a "data vacuum."

Treasury yields fluctuated throughout the period, with short-end yields declining approximately 20-30 basis points as rate-cut expectations increased. The curve continued to steepen with the 30-year yield rising as short-end rates fell. The job market in late 2025 was characterized by labor market softening, with unemployment reaching a four-year high of 4.6% in November amid layoff announcements from major companies including Meta, Target, Amazon, Molson Coors, and Applied Materials.

Fourth Quarter 2025 Performance Highlights

- The broad municipal index finished the year strong posting a total return of 1.56% as declining yields across intermediate and long duration drove gains with the AAA municipal curve falling 10-25 basis points.
- Revenue bonds underperformed GOs but housing and hospital sector bonds provided notable outperformance. Spreads tightened modestly for the month with high yield underperforming investment grade due to falling long-end yields. Issuance remained elevated by historical standards with 2025 setting a new decade high for issuance. Technicals remained relatively balanced as increased supply was met with strong investor demand.
- The Thornburg Municipal portfolios posted mixed total returns during the quarter as the AAA Muni curve flattened, with shorter maturities rising while longer maturities fell in Q4. The municipal team continues to find considerable value in the longer end of the curve and generally maintained a longer duration bias relative to portfolio benchmarks.

Curve steepening across prior quarters setup an attractive entry point for duration in 2026.

Portfolio Managers

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Supported by the entire Thornburg investment team

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

*The tax treatment depends on the individual circumstances of each client and may be subject to change in the future and should seek expert tax advice.

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Current Positioning and Outlook

We remain constructive on municipal fundamentals heading into 2026, fiscal positions remain generally healthy underpinned by solid state revenues, elevated reserves, and improved pension funding ratios. While issuance in 2025 set a new decade high and provided supply pressure, demand remained robust with strong inflows across maturities and credit qualities. Despite notable defaults within the high yield market in the first half of the year, positive flows into municipal high yield funds signaled renewed investor confidence. Our strategies continued to add to longer duration and higher quality bias compared to its long-term range, driven by attractive real yields and tight credit spreads. Security selection, driven by our bottom-up fundamental credit research, was a key contributor, allowing us to identify resilient issuers across various sectors and industries.

Credit trends remain positive and we are monitoring for early signs of weakness, such as unexpected drops in tax revenue or negative budget revisions. States often release monthly revenue updates that give investors timely insights into fiscal health. Currently, municipals offer strong relative value, with the 10-30 year spread on municipal indexes at its steepest since 2013. The robust credit outlook and steep yield curve present opportunities for investors to secure attractive, tax-free yields on high-quality municipal bonds heading into 2026.

AVERAGE ANNUAL TOTAL RETURNS (AS OF 31 DECEMBER 2025)

THORNBURG SHORT DURATION MUNICIPAL FUND	QTR	YTD	1-YR	3-YR	5-YR	10-YR	ITD	EXPENSE RATIOS (%)	
								GROSS	NET
A Shares TLMAX (Incep: 30 Dec 13)									
Without sales charge	0.50	3.53	3.53	3.17	1.32	1.11	0.97	--	--
With sales charge	-1.80	1.23	1.23	2.40	0.87	0.96	0.84	1.23	0.70
I Shares TLMIX (Incep: 30 Dec 13)	0.55	3.74	3.74	3.41	1.54	1.32	1.17	0.63	0.50
ICE BofA 1-3 Year U.S. Municipal Securities Index (Since: 30 Dec 13)	0.53	3.76	3.76	3.25	1.59	1.60	1.46		
THORNBURG LIMITED TERM MUNICIPAL FUND	QTR	YTD	1-YR	3-YR	5-YR	10-YR	ITD	GROSS	NET
A Shares LTMTX (Incep: 28 Sep 84)									
Without sales charge	0.66	4.59	4.59	3.38	0.91	1.37	4.15	--	--
With sales charge	-1.58	2.23	2.23	2.60	0.45	1.22	4.11	0.77	0.77
I Shares LTMTX (Incep: 5 Jul 96)	0.72	4.85	4.85	3.61	1.15	1.63	4.49	0.51	0.51
ICE BofA 1-10 Year U.S. Municipal Securities Index (Since: 28 Sep 84)	0.78	5.00	5.00	3.61	1.29	1.99	N/A*		
THORNBURG INTERMEDIATE MUNICIPAL FUND	QTR	YTD	1-YR	3-YR	5-YR	10-YR	ITD	GROSS	NET
A Shares THIMX (Incep: 22 Jul 91)									
Without sales charge	1.38	4.69	4.69	3.98	1.22	1.91	4.07	--	--
With sales charge	-0.65	2.58	2.58	3.28	0.81	1.70	4.01	0.93	0.72
I Shares THMIX (Incep: 5 Jul 96)	1.44	4.94	4.94	4.21	1.46	2.16	4.37	0.67	0.48
ICE BofA 3-15 Year U.S. Municipal Securities Index (Since: 22 Jul 91)	1.32	5.42	5.42	3.92	1.13	2.34	N/A*		
THORNBURG STRATEGIC MUNICIPAL INCOME FUND	QTR	YTD	1-YR	3-YR	5-YR	10-YR	ITD	GROSS	NET
A Shares TSSAX (Incep: 1 Apr 09)									
Without sales charge	1.04	4.02	4.02	4.25	1.03	1.88	4.13	--	--
With sales charge	-1.00	1.91	1.91	3.56	0.62	1.67	4.01	1.27	0.81
I Shares TSSIX (Incep: 1 Apr 09)	1.10	4.24	4.24	4.48	1.25	2.11	4.40	1.01	0.59
ICE BofA U.S. Municipal Securities Index (Since: 1 Apr 09)	1.46	3.96	3.96	4.02	0.84	2.38	3.78		

*Index not inception yet.

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. Short Duration Municipal and Limited Term Municipal: The maximum sales charge for the Fund's A shares is 2.25%. Intermediate Municipal and Strategic Municipal Income: The maximum sales charge for the Fund's A shares is 2.00%. 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 2027 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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AVERAGE ANNUAL TOTAL RETURNS (AS OF 31 DECEMBER 2025)

THORNBURG CALIFORNIA LIMITED TERM MUNICIPAL FUND	QTR	YTD	1-YR	3-YR	5-YR	10-YR	ITD	EXPENSE RATIOS (%)	
								GROSS	NET
A Shares LTCAX (Incep: 19 Feb 87)									
Without sales charge	0.67	4.66	4.66	3.37	1.00	1.16	3.59	--	--
With sales charge	-1.60	2.34	2.34	2.60	0.54	1.01	3.55	0.96	0.74
I Shares LTCIX (Incep: 1 Apr 97)	0.73	5.00	5.00	3.66	1.25	1.44	3.93	0.71	0.49
ICE BofA U.S. Municipal Securities Index (Since: 19 Feb 87)	1.46	3.96	3.96	4.02	0.84	2.38	N/A*		
THORNBURG NEW MEXICO INTERMEDIATE MUNICIPAL FUND	QTR	YTD	1-YR	3-YR	5-YR	10-YR	ITD	GROSS	NET
A Shares THNMX (Incep: 18 Jun 91)									
Without sales charge	1.14	4.07	4.07	2.86	0.42	1.30	3.59	--	--
With sales charge	-0.86	1.99	1.99	2.18	0.01	1.09	3.53	1.06	0.99
I Shares THNIX (Incep: 1 Feb 07)	1.22	4.32	4.32	3.17	0.72	1.62	3.93	0.75	0.67
ICE BofA U.S. Municipal Securities Index (Since: 18 Jun 91)	1.46	3.96	3.96	4.02	0.84	2.38	N/A*		
THORNBURG NEW YORK INTERMEDIATE MUNICIPAL FUND	QTR	YTD	1-YR	3-YR	5-YR	10-YR	ITD	GROSS	NET
A Shares THNYX (Incep: 5 Sep 97)									
Without sales charge	1.54	3.84	3.84	3.20	0.79	1.37	3.11	--	--
With sales charge	-0.47	1.79	1.79	2.51	0.38	1.17	3.03	1.39	0.99
I Shares TNYIX (Incep: 1 Feb 10)	1.62	4.17	4.17	3.53	1.11	1.70	3.44	1.12	0.67
ICE BofA U.S. Municipal Securities Index (Since: 5 Sep 97)	1.46	3.96	3.96	4.02	0.84	2.38	4.37		

*Index not incepted yet.

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

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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 December 2025.

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. This effect is more pronounced for longer-term bonds. Unlike bonds, bond funds have ongoing fees and expenses. Investments in lower rated and unrated bonds may be more sensitive to default, downgrades, and market volatility; these investments may also be less liquid than higher rated bonds. Investments in derivatives are subject to the risks associated with the securities or other assets underlying the pool of securities, including illiquidity and difficulty in valuation. Investments in the Funds 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 investment objectives will be met.

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

Income earned from municipal bonds is exempt from regular federal and in some cases, state and local income tax. Income may be subject to the alternative minimum tax (AMT).

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.

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.

Fed Funds Rate - The interest rate at which a depository institution lends immediately available funds (balances at the Federal Reserve) to another depository institution overnight.

Federal Open Market Committee (FOMC) - The branch of the Federal Reserve Board that determines the direction of monetary policy. The FOMC is composed of the board of governors, which has seven members, and five reserve bank presidents. The president of the Federal Reserve Bank of New York serves continuously, while the presidents of the other reserve banks rotate their service of one-year terms.

The ICE BofA 1-3 Year U.S. Municipal Securities Index (ICE BofA 1-3 Yr US Muni) is a subset of the ICE BofA U.S. Municipal Securities Index including all securities with a remaining term to final maturity less than 3 years.

The ICE BofA 1-10 Year U.S. Municipal Securities Index (ICE BofA 1-10 Yr US Muni) is a subset of the ICE BofA U.S. Municipal Securities Index including all securities with a remaining term to final maturity less than 10 years.

The ICE BofA 3-15 Year U.S. Municipal Securities Index (ICE BofA 3-15 Yr US Muni) is a subset of the ICE BofA U.S. Municipal Securities Index including all securities with a remaining term to final maturity greater than or equal to three years and less than 15 years.

The ICE BofA U.S. Municipal Securities Index (ICE BofA US Muni) tracks the performance of U.S. dollar-denominated investment grade tax-exempt debt publicly issued by U.S. states and territories, and their political subdivisions, in the U.S. domestic market.

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.

Active by Design

Thornburg is a privately owned, global investment firm delivering active, high-conviction portfolios to institutions, advisors, and investors. Founded in 1982, we specialize in income and global equity strategies—each designed to support long-term goals and deliver alpha—available through institutional strategies, mutual funds, ETFs, closed-end funds, managed accounts, CITs, and UCITS.

