

Thornburg Better World International Fund

Portfolio Manager Commentary

31 December 2025



Market Review

International equities posted strong returns in the fourth quarter of 2025, shaped by a notable inflection in U.S. monetary policy and diverging central-bank paths elsewhere, amid persistent geopolitical risk. In December, the Federal Reserve delivered its second rate cut of the year, citing cooling inflation, a softening labor-market, and tighter financial conditions. Importantly, the Fed had ended its quantitative tightening one month earlier, and investors widely interpreted its subsequent balance-sheet guidance—renewed liquidity injections and reinvestment flexibility—as a shift back to quasi-“quantitative easing.”

Outside the U.S., monetary policy was less synchronized. The ECB signaled a cautious bias toward further easing as growth softened in the Eurozone and inflation drifted toward target. The Bank of Japan kept its gradual normalization, allowing yields to stay more market-driven while emphasizing patience. In China, policy combined targeted fiscal measures with incremental monetary support to stabilize its property markets and bolster domestic consumption, boosting investor sentiment toward Chinese and broader EM equities.

But geopolitical risks also weighed on sentiment. Ongoing conflicts in the Middle East and Russia/Ukraine reinforced energy security and defense spending globally, while strategic competition around advanced technology and supply chains remained a focal point of trade and industrial policy. These dynamics supported select industrial, defense, and infrastructure-related firms, even as headline risk spurred market volatility, which we welcomed.

Equity leadership broadened during the quarter. Cyclical sectors tied to financials and industrials benefited from improving liquidity, while growth stocks with strong balance sheets and visible earnings trajectories regained momentum—particularly in IT and select consumer and health care segments. Currency markets were relatively stable. The U.S. dollar’s 7.3% decline on a trade-weighted basis last year helped international equities. As volatility resurfaced around policy shifts and geopolitical developments, we selectively added to high-quality growth businesses at attractive valuations.

We view ESG integration as a performance lever, not a separate discipline.

AVERAGE ANNUAL TOTAL RETURNS (%)

AS OF 31 DECEMBER 2025

	QTR	YTD	1-YR	3-YR	5-YR	10-YR	ITD
A Shares TBWAX (Incep: 30 Sep 15)							
Without sales charge	4.23	23.54	23.54	13.85	7.69	9.66	9.84
With sales charge	-0.47	17.99	17.99	12.11	6.70	9.15	9.35
I Shares TBWIX (Incep: 30 Sep 15)	4.36	24.24	24.24	14.47	8.26	10.37	10.55
MSCI ACWI ex-U.S. Index	5.05	32.39	32.39	17.33	7.91	8.41	8.54

EXPENSE RATIOS (%)

GROSS	NET
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1.58	1.58
1.24	0.90

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 4.50%. 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.

Fourth Quarter 2025 Performance Highlights

- In 4Q25 the portfolio (I share class) returned 4.36%, -69 basis points behind the MSCI ACWI ex-U.S. Index. Year to date the portfolio (I share class) returned 24.24%, -815 basis points behind the MSCI ACWI ex-U.S. Index.
- Strong stock picking in Health Care and selection and allocation effects in Communication Services were the leading contributors to fourth-quarter relative performance by sector. The main drags came from allocation and selection effects in Financials, stock picking in Consumer Discretionary and both allocation and selection effects in Information Technology.
- By geography, solid stock selection in the U.K. and Korea, along with an overweight allocation to Spain were the key drivers of relative returns. The biggest detractors came from selection effects in Japan and Canada, along with the cash allocation.

Current Positioning and Outlook

We marked the 10-year anniversary of Thornburg's Better World International Fund in October. The milestone reflects a full market cycle and a wide range of economic environments. We are pleased with the long-term results. Since inception, it has generated an annualized return of 10.6% net of fees, well ahead of the MSCI ACWI ex-U.S. Index's 8.5% return. Importantly, we don't manage to an ESG benchmark. In contrast to the traditional framing of sustainable investing, we don't view ESG considerations as a constraint. We apply it as a valuation-enhancing lens to help surface mispriced assets and underappreciated potential.

ESG is integral to our bottom-up research, not an exclusionary screen. Firms that use resources efficiently often mitigate environmental risk, maintain cost discipline, and exhibit more stable operating margins. Energy efficiency can lower exposure to commodity price volatility and inflationary pressures, boosting operating leverage and earnings quality. Social factors can distinguish durable businesses. Firms that invest in employees and talent retention tend to have higher innovation, adaptability, productivity, and revenue durability. Good corporate culture limits turnover and training costs, strengthens brand equity, and builds customer loyalty.

Good governance is central to aligning management and shareholder interests. Firms with transparent leadership structures, independent oversight, and incentive frameworks tied to long-term performance are better positioned to avoid operational missteps and reputational risk. Disciplined capital allocation leads to stronger, more consistent returns on capital. As active, high-conviction managers of a concentrated yet diversified portfolio, we focus on firms with strong strategic positioning, identifiable catalysts, and attractive valuations. Diversification spans sectors, geographies, and earnings streams across our Basic Value, Consistent Earner, and Emerging Franchise baskets.

Some two-thirds of portfolio holdings are ESG leaders, while the rest exhibit positive ESG momentum—improvements that can unlock value and support valuation re-ratings. As an example, a large French financial's improved social factors have translated into better operating performance. In recent years, it has invested in workforce stability, training, and increasing employee shareholding. This has resulted in higher unit labor productivity, tighter cost control and greater revenue per employee. Employee count has declined, expanding operating margins.

This shows how ESG momentum can unlock earnings leverage and drive valuation improvement. Rather than relying on balance-sheet expansion or cyclical tailwinds, the margin gains reflect durable efficiency advances, reinforcing our conviction that ESG integration serves as a powerful catalyst for sustainable financial performance.

Bouts of volatility reinforce the importance of valuation awareness, disciplined portfolio management, and a holistic investment framework that blends ESG with fundamental analysis. It's the key to the Fund's long-term outperformance.

TEN LARGEST HOLDINGS

AS OF 30 NOVEMBER 2025	% FUND
BNP Paribas S.A.	3.3
Endesa S.A.	3.3
Mitsubishi Electric Corp.	3.2
Mitsubishi UFJ Financial Group, Inc.	3.2
AstraZeneca plc	3.0
Iberdrola S.A.	3.0
L'Oreal S.A.	3.0
Enel SpA	3.0
Sony Group Corp.	2.9
Schneider Electric SE	2.9

TOP 5 CONTRIBUTORS (%) 4Q25

	AVERAGE WEIGHT	CONTRIB. TO RETURN
Samsung Electronics Co. Ltd.	1.64	0.71
Roche Holding AG	2.37	0.63
AstraZeneca plc	2.86	0.63
Hitachi Ltd.	2.76	0.58
LVMH Moët Hennessy Louis Vuitton SE	1.96	0.43

BOTTOM 5 DETRACTORS (%) 4Q25

	AVERAGE WEIGHT	CONTRIB. TO RETURN
Linde plc	2.79	-0.35
Alibaba Group Holding Ltd.	1.52	-0.34
Sony Group Corp.	2.87	-0.30
WiseTech Global Ltd.	0.76	-0.22
Kanzhun Ltd.	1.41	-0.19

Source: FactSet

BASKET ALLOCATION

	% FUND
Basic Value	44.4
Consistent Earner	41.9
Emerging Franchise	10.1
Cash & Equivalents	3.6

Cash and Equivalents includes cash, short-term securities, other assets less liabilities, accruals, derivatives and forwards. It may also include investments in money market or similar funds managed by Thornburg that are not offered to the public.

THORNBURG BETTER WORLD INTERNATIONAL FUND

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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. 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 Better World International Fund's adherence to its ESG ratings process may affect the fund's exposure to certain companies, sectors, regions, and countries and may affect the Fund's performance depending on whether such investments are in or out of favor. This process may result in the Fund foregoing opportunities to buy certain securities when it might otherwise be advantageous to do so, or selling securities for ESG reasons when it might be otherwise disadvantageous for it to do so. Additionally, the process may result in incorrectly evaluating a company's commitment to positive ESG practices and may result in investment in companies with practices that are not consistent with the Fund's aspirations.

Investing in an ESG-focused strategy does not assure or guarantee better performance and cannot eliminate the risk of investment losses.

Environment, social and governance (ESG) integration is the practice of incorporating ESG information into investment decisions to help enhance risk-adjusted returns and is not a mandate to make a positive impact on society or the world. ESG integration does not assure or guarantee better performance and cannot eliminate the risk of investment losses.

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.

Funds invested in a limited number of holdings may expose an investor to greater volatility.

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

The Fund may invest in shares of companies through initial public offerings (IPOs). IPOs have the potential to produce substantial gains and there is no assurance that the Fund will have continued access to profitable IPOs. As Fund assets grow, the impact of IPO investments on performance may decline.

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.

Environmental, social and governance (ESG) criteria are a set of standards for a company's operations that socially conscious investors use to screen potential investments. Environmental criteria consider how a company performs as a steward of nature. Social criteria examine how it manages relationships with employees, suppliers, customers, and the communities where it operates. Governance deals with a company's leadership, executive pay, audits, internal controls, and shareholder rights.

Basic Value: Companies generally operating in mature industries and which generally exhibit more economic sensitivity and/or higher volatility in earnings and cash flow.

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.

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

The MSCI ACWI ex-U.S. Index (MSCI ACWI ex US NTR) 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. The index is calculated with net dividends reinvested in U.S. dollars.

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.

