

Thornburg Multisector Opportunistic Strategy

Portfolio Manager Commentary

31 December 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

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.

Portfolio Managers

Lon Erickson, CFA
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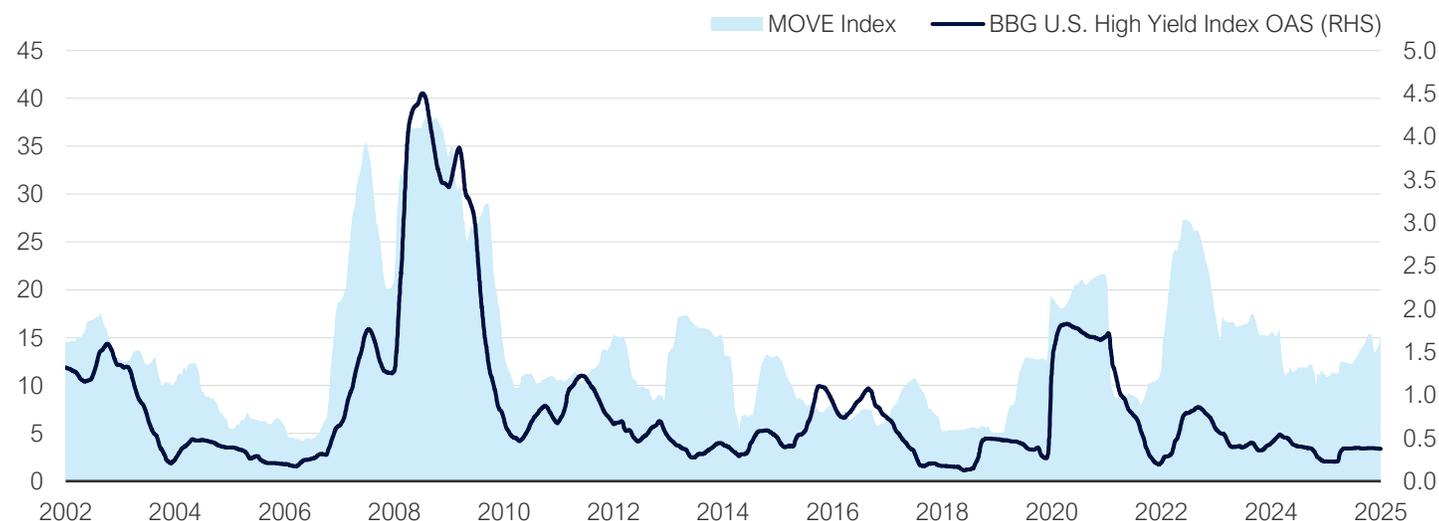
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Supported by the entire Thornburg investment team

Figure 1: Rate Volatility Significantly Higher than Spread Volatility
Gap reveals complacency in pricing of credit spreads

ROLLING 1-YEAR STANDARD DEVIATION: RATE VOLATILITY VS. SPREAD VOLATILITY



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

Source: Bloomberg

Fourth Quarter 2025 Performance Highlights

- In 4Q25 the portfolio (net of fees) returned 1.21%, 1 basis points ahead of the Bloomberg U.S. Universal Index. Year to date the portfolio (net of fees) returned 7.63%, 5 basis points ahead of the index.
- Sector allocation and security selection contributed positively to relative performance with the portfolio's CMO and corporate allocations providing uplift of 5 basis points each. The portfolio's overweights to BB and Not Rated issues resulted in a net positive contribution of 15 basis points to relative performance as credit spreads modestly narrowed.
- The portfolio maintained an average duration of 4.17 versus 5.79 for the index. Duration and yield curve positioning contributed a combined 15 basis points to relative performance for the quarter. The yield curve continued to steepen across the quarter with short-end rates falling and long-end rates rising driven by a combination of Fed cuts and favorable economic data.

Current Positioning and Outlook

The portfolio remained positioned with a longer duration and higher quality bias compared to its long-term range, driven by attractive real yields and tight credit spreads. Although we maintain a generally cautious view of the data center and AI sectors, many hyperscaler firms demonstrate strong credit profiles and will require ongoing investment to expand their AI infrastructure. In recent months, we have identified attractive opportunities within project finance, specifically through lending secured by data centers under construction with leases to investment-grade tenants. These transactions are not intended as broad sector calls but rather as select opportunities characterized by high barriers to entry, which can deliver favorable valuations, robust structures, and desirable tenant profiles.

ANNUALIZED RETURNS (AS OF 31 DECEMBER 2025)

THORNBURG MULTISECTOR OPPORTUNISTIC STRATEGY (%)	QTR	YTD	1-YR	3-YR	5-YR	10-YR	ITD (1 JAN 08)
Composite (Gross)	1.34	8.20	8.20	7.30	3.81	5.38	6.18
Composite (Net)	1.21	7.63	7.63	6.72	3.23	4.76	5.41
Bloomberg U.S. Universal Index	1.20	7.58	7.58	5.24	0.06	2.44	3.31

CALENDAR YEAR RETURNS

THORNBURG MULTISECTOR OPPORTUNISTIC STRATEGY (%)	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Composite (Gross)	8.20	5.45	8.26	-5.59	3.39	8.90	8.56	1.38	7.27	8.94
Composite (Net)	7.63	4.89	7.67	-6.14	2.77	8.25	7.92	0.77	6.60	8.25
Bloomberg U.S. Universal Index	7.58	2.04	6.17	-12.99	-1.10	7.58	9.29	-0.25	4.09	3.91

Source: CAPS

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%.

THORNBURG MULTISECTOR OPPORTUNISTIC STRATEGY

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The global economy has shown surprising resilience despite mounting pressures from the delayed impact of tariffs and constrained fiscal flexibility. With ongoing uncertainty, careful portfolio construction remains essential. Instead of crowding into popular trades or implementing static allocations, we urge investors to focus on strategies that balance liquidity, potential returns, and diversification, while staying flexible to adapt to new opportunities. In 2026, those who favor high-quality fixed income, selectively add real assets for stability, and seek undervalued equity sectors may benefit most.

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. Credit spreads remain tight, particularly within private market areas that have experienced sharp growth. Despite a generally strong background for equities, shares of several large alternatives firms have seen declines. More broadly, recent bankruptcies and instances of fraud may be indicative of light covenants typically seen late-cycle. Investors should consider if their holdings justify the risks of credit, illiquidity, falling yields, and limited transparency.

Portfolio Characteristics

PORTFOLIO STATISTICS	REP. ACCT.
Weighted Average Coupon	4.4%
Weighted Average Price	95.5
Average Credit Quality	A-
Average Effective Maturity	5.0 Years
Effective Duration	3.9 Years

ASSET CLASS WEIGHTS (%)	REP. ACCT.
Corporate	42.0
CMO	14.8
U.S. Treasury	11.0
ABS	9.9
Mortgage Pass Through	9.0
CMBS	3.3
Bank Loans	2.1
Non-U.S. Treasury	1.7
Preferred Stock	0.7
Municipal Bonds	0.0
Common Stock	0.0
Short-Term Investments, Other Assets & Liabilities	5.6

CREDIT QUALITY RATINGS (% EX-EQUITY)	REP. ACCT.
U.S. Government	24.9
AAA	10.9
AA	3.7
A	10.6
BBB	22.4
BB	13.5
B	3.5
CCC	0.1
CC	0.0
D	0.0
NR	4.8
Unassigned	0.0
Short-Term Investments, Other Assets & Liabilities	5.6

TEN LARGEST COUNTRIES (%)	REP. ACCT.
United States	81.3
Canada	2.0
Mexico	1.4
United Kingdom	0.9
Brazil	0.7
Turkey	0.7
Saudi Arabia	0.6
France	0.6
Dominican Republic	0.6
United Arab Emirates	0.5

Source: FactSet and Thornburg

Short-Term Investments, Other Assets & Liabilities 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.

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.

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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 December 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.

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.

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).

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.

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.

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.

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.

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.

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.

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.

The Bloomberg U.S. High Yield Index covers the universe of fixed-rate, non-investment grade debt.

The MOVE Index is a measure of implied yield volatility in the U.S. Treasury market, reflecting market expectations for future interest rate fluctuations. It uses a weighted average of option probabilities based on a basket of one-month, over-the-counter options on various Treasury securities, including 2-year, 5-year, 10-year, and 30-year bonds. A high MOVE Index value indicates increased market volatility and risk, while a low value suggests stability and lower risk.

Portfolio construction will have significant differences from that of a benchmark index in terms of security holdings, industry weightings, asset allocations and number of positions held, all of which may contribute to performance, characteristics and volatility differences. The index shown is unmanaged, reflect total returns and assume the reinvestment of all income in U.S. dollars. It does not reflect any management fees or brokerage expenses associated with a portfolio's returns. Returns for an actual portfolio may differ from those of an index due to (among other things) differences in timing and the amount invested and fees and expenses. Investors may not make direct investments into any index.

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