

Thornburg Core Plus Bond Fund

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

- In 4Q25 the portfolio (I share class) returned 1.06%, -4 basis points behind the Bloomberg U.S. Universal Index. Year to date the portfolio (I share class) returned 7.7%, 40 basis points ahead of the index.
- Security selection and duration contributed positively to relative performance with the portfolio's security selection and overall duration overweight providing uplift of 6 basis points each.
- The portfolio maintained an average duration of 6.27 versus 6.01 for the index with the overweight duration contributing positively to relative performance for the quarter amid a backdrop of falling rates. Rates across the treasury curve fell in Q4 and the curve continued to steepen with short-end rates falling 40-60 basis points and the long end falling 7-12 basis points.
- Underperformance for the quarter was primarily driven by yield curve positioning with treasuries. The fund was overweight longer maturities, which tend to act as a hedge in market volatility but underperformed shorter maturities where rates fell by a larger degree.

Despite volatility, our focus continues to be on generating attractive income and risk-adjusted total returns over the long term.

Portfolio Managers

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Supported by the entire Thornburg investment team

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. There is no up-front sales charge for class I shares.

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.

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.

AVERAGE ANNUAL TOTAL RETURNS (AS OF 31 DECEMBER 2025)

THORNBURG CORE PLUS BOND FUND	QTR	YTD	1-YR	ITD	EXPENSE RATIOS (%)	
					GROSS	NET
A Shares THCA (Incep: 2 Oct 23)						
Without sales charge	1.00	7.43	7.43	7.27	--	--
With sales charge	-3.58	2.63	2.63	5.10	10.92	0.75
I Shares THCI (Incep: 2 Oct 23)	1.06	7.70	7.70	7.57	1.11	0.50
Bloomberg U.S. Aggregate Index (Since: 2 Oct 23)	1.10	7.30	7.30	7.18		

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.

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THORNBURG CORE PLUS BOND 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.

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.

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 equity securities are subject to additional risks, such as greater market fluctuations. 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 the Fund are not FDIC insured, nor are they bank deposits or guaranteed by a bank or any other entity.

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

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.

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.

The Bloomberg U.S. Aggregate Index (BBG US Agg TR Value) is composed of approximately 8,000 publicly traded bonds including U.S. government, mortgage-backed, corporate and Yankee bonds. The index is weighted by the market value of the bonds included in the index.

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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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.

