3rd Quarter 2016 Portfolio Manager Commentary

Thornburg Better World International Fund

As this is the fund's first anniversary, we believe it fitting to begin with reintroducing who we are and what we do. Better World International Fund seeks attractively priced stocks of quality companies that have sustainable business models and compelling growth prospects and, critically, exhibit high "ESG" standards of environmental sensitivity, social responsibility, and corporate governance. In our research and experience—subadvising on socially responsible funds for years prior to launching our own ESG fund—we have found that companies with durable business models that incorporate these values lower their regulatory and legal risks, enhance their marketplace reputations, reduce operating costs, and allocate capital more effectively, all to the benefit of their clients, employees, and shareholders.

Rolf Kelly, CFA
Portfolio Manager

Supported by the entire Thornburg investment team.

Average Annual Total Returns (as of 9/30/16)

	YTD	1-YR	SINCE INCEP
A Shares (Incep: 9/30/15)			
Without sales charge	12.01%	16.60%	16.60%
With sales charge	6.93%	11.38%	11.38%
I Shares (Incep: 9/30/15)	12.63%	17.44%	17.44%
MSCI AC World ex-U.S. Index (Since 9/30/15)	5.82%	9.26%	9.26%

Returns for less than one year are not annualized.

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%. The total annual operating expenses for the Fund are as follows: A shares, 2.38%; I shares, 1.68%. Thornburg Investment Management and/or Thornburg Securities Corporation have contractually agreed to waive fees and reimburse expenses through at least February 1, 2017, for some of the share classes, resulting in net expense ratios of the following: A shares, 1.83%; I shares, 1.09%. For more detailed information on fund expenses and waivers/reimbursements, please see the fund's prospectus.

Launching an equity mutual fund at the end of September 2015, on the heels of the biggest quarterly rout in global stocks in four years, might not seem like auspicious timing for Thornburg Better World International Fund. However, we eagerly welcomed the opportunity to deploy the fund's seed money at better share prices. As active managers, we welcome the introduction of volatility to the capital markets, as this can do much to reintroduce a sense of accountability and efficient capital allocation, a situation where active management can provide additional value. Quality companies as identified by ESG analysis tend to shine in periods of volatility. One rather tumultuous year later, we're pleased that Better World International Fund has acquitted itself well.

In the July-through-September period, Better World International Fund gained 12.82% (A shares without sales charge), outperforming the MSCI AC World ex-U.S. Index's 6.91% return. That brought the first full-year return on September 30, 2016, to 16.60% (A shares without sales charge), versus 9.26% for the benchmark. This landed the fund's class A and I shares in the top 1% of Morningstar rankings among 856 Foreign Large Blend funds for the one-year period (based on total returns without sales charge). Our third quarter was particularly strong, given our participation in a few ESG-screened technology IPOs (initial public offerings). While these performed remarkably well for our investors, they quickly moved from undervalued to overvalued: an uncomfortable reminder of the dot-com era. We don't generally expect to consistently outperform in rising markets, as our ultimate goal is to truncate downward moves for our investors, as the best way to destroy long-term value is to have a year of severe losses. We'll seek market outperformance from a higher base. We've designed the portfolio to be conservative and to fare well during periods of volatility. Our research and experience has shown that high-quality companies, as measured through ROIC (return on invested capital) and ESG factors reflective of intangible company culture, has a positive effect on long-term performance and volatility.

The portfolio's structure is also a key component of our drive for competitive, risk-adjusted returns. Although the fund is quite focused with roughly 50 names, it's diversified across market capitalization, geography, and sector. As part of our unconventional approach, we spend an extensive amount of time focusing on companies that are off the beaten path (e.g., Chile, Norway, New Zealand); this allows us to work around heightened correlation of stocks in primary markets. In addition, we diversify by style baskets, of which there are three. "Basic value" companies are well-established cyclical businesses, the shares of which are trading at meaningful discounts to our assessment of their intrinsic value. Stock prices routinely overshoot their fundamentals (both positively and negatively). Ultimately, those mispricings are revealed and valuations normalize; mean reversion tends to be a source of long-term excess returns for our "basic value" basket. "Emerging franchises" are in the early stages of what we believe to be their development as future leaders in their particular markets. And, with typically the largest presence in the portfolio, the "consistent earners" exhibit steady cash flow, earnings and, often, dividend growth. Over time, such compounders can generate a market-beating total return.

We credit the portfolio's conservative bias and structure for its resilience amid the bouts of volatility over the last year, particularly the January global markets selloff and the U.K.'s June referendum to exit the E.U. In the year to September 30, Better World International's down-capture ratio, which reflects the fund's losses as a percentage of those of the market, was 45%. Meanwhile, the fund's up-capture ratio, which shows its percentage of the index's gains in rising markets, stood at 92% in the period. Again, we don't necessarily expect the up-capture ratio to remain at such elevated levels over time, given the fund's defensive characteristics and higher allocation to its consistent earners basket. Moreover, if international equity market conditions have been stable and favorable in recent months, there's no guarantee they'll stay so for long. That said, our integration of ESG and financial metrics gives us insight into the long-term sustainability of the companies in which we invest; this, according to our research, may smooth the ride for our investors.

Unprecedented central bank monetary stimulus in the form of asset purchases, near- or sub-zero interest rates, or both, have driven extraordinary asset price inflation. More than $11 trillion in European and Japanese government bonds are priced with negative yields. Investors worldwide have been pushed outside of their normal risk profile, pumping up asset valuations to levels that their expected earnings will be hard-pressed to justify. These factors, coupled with a regulatory environment that has resulted in market maker withdrawal, i.e., lower liquidity, makes for a precarious situation for investors going forward. Still, there are attractively priced stocks to be found across the globe for those with a keen eye toward value and the ability to assess opportunities beyond conventional boundaries. Consequently, as fundamental, benchmark-agnostic investors—the fund's active share at the end of August stood at 94%.

Although we're bottom-up investors, we're well aware that plenty of political and macroeconomic risks could tip markets over, from the U.S. elections in November, to the Italian constitutional referendum and the U.S. Federal Reserve rate policy meeting in December, to the U.K.'s unfolding exit from the E.U. Forward-earnings multiples running at decade-plus highs, amid waning earnings expectations and anemic global growth suggest that any of these risks, not to mention those potential unexpected "black swan" events, could easily throw markets into a tailspin.

TOP 10 HOLDINGS AS OF 8/31/16

ING Groep N.V.	2.8%
Nippon Telegraph & Telephone Corp.	2.8%
Europris ASA	2.8%
Cairn Homes plc	2.6%
Telenet Group Holding NV	2.6%
Empiric Student Property plc	2.3%
Aguas Andinas S.A.	2.3%
Thermo Fisher Scientific, Inc.	2.2%
AIA Group Ltd.	2.2%
Novartis AG	2.2%

A diversified portfolio populated with carefully selected, attractively valued, quality stocks that exhibit high ESG standards can potentially provide protection in turbulent markets and decent upside participation in rising markets. Both environments were present over Better World International Fund's first year, and stock selection drove the returns. Given current market valuation levels and risks, we're confident that our portfolio holdings can weather potential bouts of market volatility, while our currently elevated cash position should enable us to capitalize on them. For long-term, value investors, volatility can be helpful, allowing us to upgrade the portfolio with less-pricey ESG stocks offering greater upside potential. We are ready for it and look to capitalize on it.

Thank you for investing alongside us in Thornburg Better World International Fund. ■

IMPORTANT INFORMATION

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 views expressed by the portfolio managers reflect their professional opinions and are subject to change.

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.

Diversification does not assure or guarantee better performance and cannot eliminate the risk of investment losses.

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.

Active Share – A measure of the percentage of stock holdings in a manager's portfolio that differ from the benchmark index.

Multiple – A valuation multiple reflects an investment's market value relative to some key metric. Price to earnings ratio (P/E) is a commonly used multiple. It's calculated by dividing a stock's price by the company's earnings per share.

Upside/Downside Capture Ratio – A ratio that shows whether a given fund has outperformed—gained more or lost less than—a broad market benchmark during periods of market strength and weakness, and if so, by how much.

The MSCI All Country (AC) World ex-US Index is a market capitalization weighted index representative of the market structure of 45 developed and emerging market countries in North and South America, Europe, Africa, 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.

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.

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