

A Disciplined Approach to Global Equity Income

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In this Q&A, Matt Burdett discusses how the Thornburg Equity Income Builder Fund is positioned to deliver resilient income and diversification through disciplined global stock selection.

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Q: What role is Equity Income Builder designed to play in a client portfolio?

A: The Fund is designed as a diversified global equity allocation with income as an important component of total return. Clients often use it as a defensive core or style diversifier, complementing growth-oriented or U.S.-concentrated portfolios through differentiated positioning and low peer overlap, while maintaining exposure to high-quality global businesses with sustainable cash flows.

Q: How has the Fund demonstrated its ability to deliver income through different market cycles?

A: Dividend growth has been a consistent outcome of the strategy, supported by portfolio companies with resilient earnings and disciplined capital allocation. Dividends increased again in 2025, reinforcing the focus on sustainable income rather than yield alone.

From a total return perspective, the Fund has historically participated meaningfully in market upside while capturing a lower proportion of market downside, helping to explain its ability to deliver positive returns in most calendar years since inception. This combination of income, upside participation and downside awareness has supported more consistent outcomes across a range of market environments.

Q: Markets feel stretched and leadership remains narrow — what is the biggest challenge for investors today?

A: One of the most persistent challenges we observe is that financial assets are priced with limited compensation for risk, leaving little margin for error. In this environment, traditional approaches to diversification, including passive strategies, can struggle when valuations are high and anticipated returns are lower. Our approach prioritises rigorous company-by-company analysis and focus on balance sheet quality of a select group of companies, rather than trying to provide broad market exposure.

Q: What is changing in global equity markets that matters most for income-focused investors?

A: After a prolonged period where capital appreciation dominated returns, the sources of total return across markets are becoming more dispersed by region and sector. As a result, income and dividend growth are once again set to play a more meaningful role in total return, particularly as valuation discipline and balance sheet strength reassert their importance.

Q: How would you characterise the Fund's portfolio positioning coming out of 2025?

A: The portfolio is positioned around high-quality global businesses with durable cash flows and the ability to sustain and grow dividends. While equity markets delivered positive returns in 2025, leadership remained narrow in parts of the market. Our positioning reflects a deliberate preference for balance, valuation discipline and income resilience rather than concentration in a small number of dominant names.

Q: Where is dividend growth coming from at the company level?

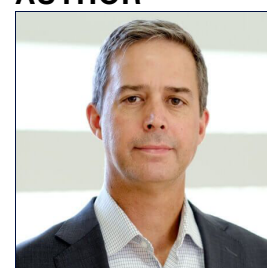
A: Across sectors, dividend growth has tended to be driven by business quality and cash-flow resilience, with management teams prioritising sustainable dividend policies through different market environments, rather than relying on financial leverage, cyclical recovery, or single macro or sectoral drivers.

In telecommunications, for example, recurring subscription revenues and network scale support consistent cash generation. In utilities and energy, regulated assets and long-lived infrastructure provide greater visibility around cash flows and dividend capacity. Healthcare holdings benefit from stable demand characteristics and strong balance sheets, which help underpin dividend sustainability. Within financials, including banks, insurers and market-infrastructure providers, dividend growth has been supported by conservative payout ratios and improved capital efficiency. In select technology holdings, such as companies operating in semiconductors, networking and exchange infrastructure, dividends are underpinned by strong free cash-flow generation and balance-sheet strength, rather than reliance on high payout ratios.

Q: How are you thinking about financials in the current environment?

A: Financials remain an important source of income, but our positioning is selective. We focus on well-capitalised banks and insurers with conservative balance sheets, diversified revenue streams and sustainable payout policies, rather than highly leveraged lenders. These characteristics help support dividends across a range of economic outcomes.

AUTHOR



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Head of Equities,
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Q: How does the portfolio approach technology and growth-oriented sectors?

A: Technology exposure is focused on established companies with proven business models, recurring revenues and strong cash generation. Rather than targeting high-growth names with uncertain cash flows, we favour businesses that already contribute meaningfully to portfolio income and can compound dividends over time.

Q: Where are you exercising the most caution today?

A: We are particularly cautious around businesses where dividends or equity value rely on leverage, refinancing conditions, or favourable capital markets rather than durable cash flow. As economic uncertainty and the cost of capital increase, dividend sustainability is most credible when supported by free cash flow. We are also mindful of valuation risk where income has become secondary to growth-led narratives.

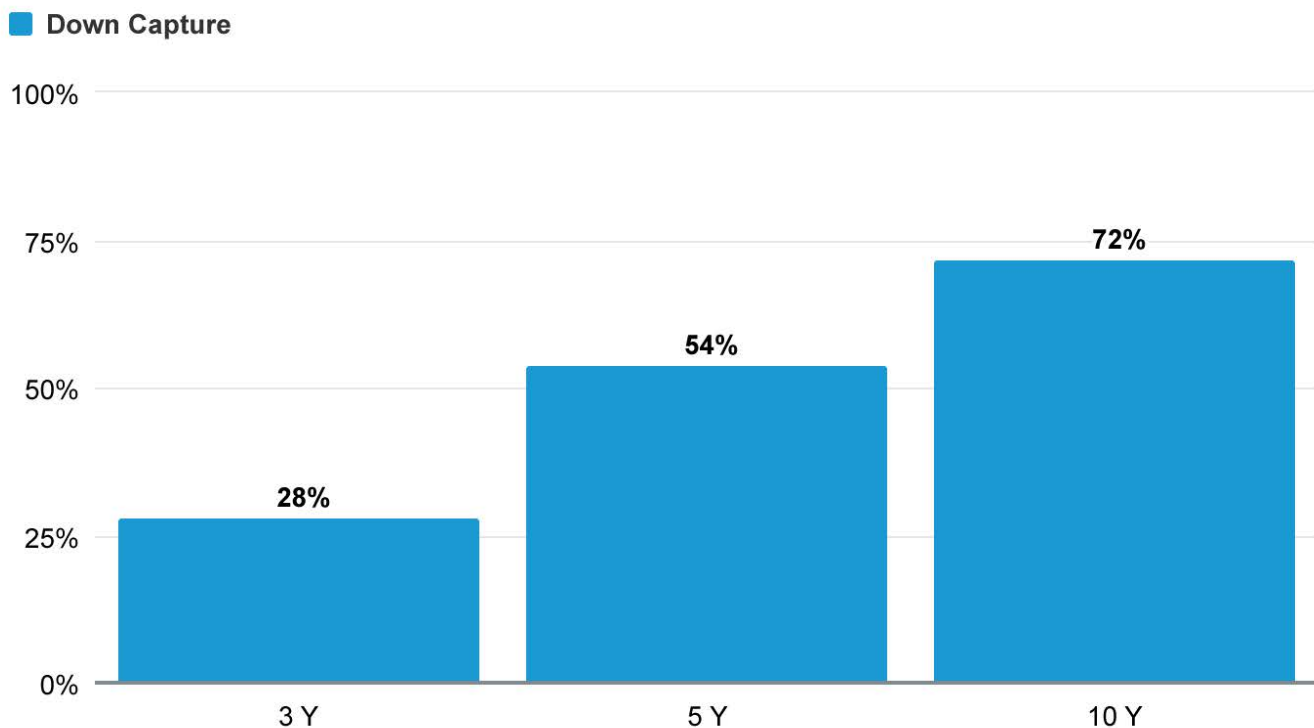
Q: What structural market problems is the portfolio addressing right now?

A: We see several interconnected structural challenges in today's equity markets. These include heightened earnings concentration, with a narrow group of mega-cap stocks driving index returns; elevated policy uncertainty, which continues to distort valuations and sector leadership; and pressure on real cash flows in parts of the market. In response, the portfolio emphasizes companies with reliable earnings, pricing power and disciplined capital allocation. These characteristics support dividend sustainability and resilience through periods of uncertainty. The strategy is underpinned by a generalist research model, allowing investment ideas to compete globally on risk-adjusted return rather than being constrained by sector or benchmark silos. This results in a deliberate structural underweight to the U.S. market relative to global indices, reflecting both valuation discipline and the high concentration of index returns in a small number of mega-cap stocks.

Q: How does this positioning support downside resilience?

A: Downside resilience is supported through sector and geographic diversification, company-level balance sheet analysis and an emphasis on recurring revenues. By sourcing income from multiple areas of the market, the portfolio reduces reliance on any single economic outcome or policy path. Downside resilience is reinforced through explicit scenario analysis at the stock level, where potential losses are assessed alongside upside before capital is allocated. Historically, this has translated into materially lower downside capture than global equity benchmarks across major drawdown periods.

Thornburg Equity Income Builder Down Capture as of 31 Dec 2025



Past Performance does not guarantee future results.

Source: FactSet and Thornburg

Risk & Return Profile metrics are based on the I Accumulating share class.

Q: How should investors think about the role of dividends in this environment?

A: In markets where valuation headwinds may constrain price appreciation, dividends become a more consequential component of total return. Companies that can sustain and grow dividends tend to have stronger cash flows, more resilient balance sheets and disciplined capital allocation. These characteristics matter when markets are less forgiving. Dividends also impose discipline on management teams, acting as a structural check on poor capital allocation and value-destructive growth. Importantly, the portfolio is

not constructed as a bond-proxy equity strategy. We focus on a blend of attractive income today with the potential for upside capital appreciation through dividend growth over time.

Q: How are these portfolio themes shaping your outlook for 2026 and beyond?

A: We believe the opportunity set increasingly favours active, diversified equity income strategies. As markets adjust to a more normalised cost of capital and greater dispersion, companies with durable cash flows and disciplined dividend policies should be better positioned to deliver attractive risk-adjusted outcomes.

Q: What key insights from recent years and the history of the strategy continue to influence your thinking today?

A: Our experience over time has reinforced that income quality matters more than headline yield. Security selection and balanced portfolio construction have played a meaningful role in navigating volatility, strengthening our conviction in a bottom-up, diversified approach to global equity income. As a result, allocators increasingly use the strategy alongside core global equity or growth allocations to improve portfolio resilience, diversify sources of return, and reintroduce income discipline without reducing equity exposure.

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