Thornburg Investment Management®

Strategies for Building Real Wealth

2nd Quarter 2010 Portfolio Manager Market Commentary

Thornburg International Value Fund

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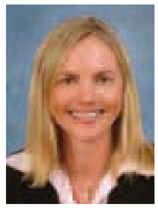

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MORNINGSTAR 2003 Fund Manager of the Year International

International equities were challenged during the 2nd quarter ended June 30, 2010, amid heightened anxiety over European sovereign debt, curtailment of China's pro-growth policies, and impending regulatory changes for financial institutions in both Europe and the United States. The daily volatility at times seemed to provoke a déjà vu of 18 months ago. Additionally, the decline of some major European currencies added to the negative returns of foreign equities for U.S.-based investors. The Euro, for example, declined nearly 10% versus the dollar, stemming from factors both economic and political. Although Greece accounts for less than 3% of the EU economy, an absence of fiscal discipline drew attention to the disparate fiscal and social policies of various EU member states. The crisis in Greece highlighted an urgent need for improvement in compliance, transparency, enforcement policies and overall integration and invited skepticism about the foundation of the common currency. Pronouncements from recent summits give us confidence politicians across the region recognize the problem. Nonetheless, it is a formidable challenge to implement policies inspiring both austerity and growth. As investors, we are encouraged that over time the problems will be resolved.

Continuing eastward toward a more positive light, China announced its decision to allow its currency, the RMB, to appreciate. This should gradually benefit the Chinese consumer sector, especially if accompanied by real wage growth. Recent work stoppages over workers demanding higher income have resulted in sizeable wage increases. Reminiscent of Henry Ford, who understood that his workers needed a living wage to be able to afford to buy his cars, China may be progressing toward a result where workers get a bigger slice of the economic pie. As a result, consumer spending may play a bigger role in the Chinese domestic economy and by extension, the world economy.

For the 2nd quarter of 2010 the Thornburg International Value Fund (TGVAX) total return was negative 9.27% (A shares without sales charge) versus negative 13.97% for the MSCI EAFE Index and negative 12.26% for the MSCI ACWI

International Value Fund Performance

A shares, as of June 30, 2010

	YTD	1-yr	3-yr	5-yr	10-yr
Without sales charge	-7.61%	10.68%	-8.00%	5.60%	5.31%
With sales charge	-11.77%	5.68%	-9.40%	4.62%	4.83%
MSCI EAFE Index	-13.23%	5.92%	-13.38%	0.88%	0.16%
MSCI AC World ex-US Index	-10.80%	10.87%	-10.28%	3.84%	2.29%

Periods over one year are annualized. Inception of the A shares is 5/28/98.

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.

The maximum sales charge for the Fund's A shares is 4.50%. The Fund's A shares carry a 30-day redemption fee of 1%. The total annual fund operating expense for A shares is 1.34%.

Investments in the Fund carry risks, including possible loss of principal. Special risks may be associated with investments outside the United States, especially in emerging markets, including currency fluctuations, illiquidity and volatility. Investments in small capitalization companies may increase the risk of greater price fluctuations. Investments in the Fund are not FDIC insured, nor are they deposits of or guaranteed by a bank or any other entity.

ex-US Index. The portfolio has been underweight in some of the more penalized sectors including financials, utilities and industrials, which helped to limit the downside. Additionally, negative currency impacts on the portfolio were somewhat muted due to the implementation of partial hedges on the Euro and British Pound.

Before investing, carefully consider the Fund's investment goals, risks, charges, and expenses. For a prospectus containing this and other information, contact your financial advisor or visit thornburg.com. Read it carefully before investing.

Among the more notable contributors to the Fund's outperformance during the quarter were: British Sky Broadcasting (BSY LN), a UK pay TV operator which received a bid from large shareholder News Corp; Hyundai Motor (005380 KS), a globally competitive automaker taking steps to increase market share globally; ARM Holdings (ARM LN), a UK-based designer of microprocessors that is benefiting from the proliferation of smart phones and 3G devices; and CNOOC (883 HK), a monopoly offshore exploration and production company in China which is expected to deliver exceptional oil and gas volume growth. Given the company-specific fundamental developments for each of these investments, it would appear our commitment to bottom-up portfolio construction has been rewarded in a period of heightened macroeconomic uncertainty.

Detractors during the quarter included European financial institutions, reflecting continued fallout from the fiscal crisis in Greece and worries about the potential for similar problems in other European economies. Many of these pressures are being exacerbated by continued regulatory developments in the banking sector, notably discussion surrounding the Basel III framework and uncertainty surrounding bank stress tests. Our direct exposure to European financial institutions is relatively modest, and while we continue to own Deutsche Bank in Germany (DBK GR), Intesa SanPaolo in Italy (ISP IM), and BNP Paribas in France (BNP FP), we have over the last several quarters emphasized financial institutions in other parts of the world including banks such as Standard Chartered (STAN LN) in developing Asia, ICBC (1398 HK) and CMB (3968 HK) in China, and Garanti (GARAN TI) in Turkey, and the exchanges in Hong Kong and Brazil. Other stocks that detracted from performance included materials companies BHP Billiton (BHP AU) and Potash (POT CN), Carnival (CCL LN), which sold off due to fears surrounding a slowdown of global economic growth, and Teva Pharmaceuticals (TEVA), due to exposure to European drug price pressure and possible money flow impacts from Israel's reclassification to a developed market.

During the quarter, most of our activity revolved around adding to names that retraced with the global markets where we feel our investment thesis is unaltered. In addition, we established new positions in two life insurance names, China Life (2628 HK) in mainland China, and Daiichi Life (8750 JP) in Japan as well as Volkswagen (VOW3 GR), the German automobile manufacturer, Canon (7751 JP), the Japanese consumer electronics company, and ING (INGA NA), the Dutch financial institution valued at, what we believe, is a significant discount to book. We eliminated BP upon the announcement of the oil spill given the uncertainties surrounding potential damages, both financial and reputational, as well as AXA, the French insurance company.

In general, we believe that the gradual recovery in global growth is intact although we acknowledge that a double-dip recession is possible. It is our expectation that policy makers will continue to be accommodating with regard to fiscal and monetary strategy. Meanwhile, productivity is at a record high in important economies such as the US, which should enhance corporate margins and earnings. Euro zone stocks appear to offer some of the best relative value in the world when compared to historical averages. In an environment of restricted credit and stiff competition for consumer dollars, it is increasingly important to seek investments in companies with qualities such as financial strength, market leadership, quality management teams, and visible future profit growth.

We thank you for your continued confidence, especially during these difficult times.

Important Information

The views expressed by the Portfolio Managers reflect their professional opinions and should not be considered buy or sell recommendations. These views are subject to change.

Securities, countries and sectors mentioned are presented for the general information of Fund shareholders. Portfolio holdings are subject to change daily. Under no circumstances does the information contained within represent a recommendation to buy or sell securities.

The Morgan Stanley Capital International ("MSCI") Europe, Australasia, Far East Index ("EAFE") is an unmanaged index. It is a generally accepted benchmark for major overseas markets. Index weightings represent the relative capitalizations of the major overseas developed markets on a U.S. dollar adjusted basis. The index is calculated with net dividends reinvested in U.S. dollars.

The Morgan Stanley Capital International All Country World ex-US Index (MSCI ACWI ex-US) is a market capitalization weighted index composed of approximately 2,000 companies, and is 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 gross dividends reinvested in U.S. dollars.

The performance of any index is not indicative of the performance of any particular investment. Keep in mind that indices do not take into account any fees and expenses of the individual investments that they track. You cannot make an investment in any index.

Established in 1988, the Morningstar Fund Manager of the Year Award recognizes portfolio managers who demonstrate excellent investment skill and the courage to differ from the consensus. To qualify for the award, managers must have not only a great year, but also must have a record of delivering outstanding long-term performance and of aligning their interests with shareholders'. The Fund Manager of the Year Award winners are chosen based upon Morningstar's proprietary research and in-depth evaluation by its senior analysts.

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