

# Thornburg Stands Out From the Crowd

The firm's culture is distinctive as well as attractive.

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**Fund Spy** | 01-12-11 | By William Samuel Rocco

Santa Fe-based Thornburg Investment Management has a long and strong record of serving fund investors well. For starters, while many fund companies have elected to expand their rosters at rapid clips or venture outside their core competencies, this employee-owned firm has developed its lineup in a responsible manner. The firm was founded in 1982 with lots of municipal-bond expertise. It launched its first fund, Thornburg Limited Term Municipal (LTMFX), in 1984. It opened a few more muni offerings and a couple of government-bond funds in the late 1980s and early 1990s.

The firm brought a seasoned and skilled equity manager on board before it launched its first stock fund, Thornburg Value (TVAFX), in 1995. The firm waited until 1998 to open its second stock fund, Thornburg International Value (TGVAX), utilizing the same manager and security-selection strategy. The firm introduced several more funds in the 2000s—it now has 16 offerings in its lineup—but it has done so at a reasonable pace and has focused on areas where it has proven proficiencies. Its newest offering, Thornburg Developing World (THDAX), is a good example. It relies on the same security-selection strategy as its two oldest equity siblings. It takes advantage of Thornburg's domestic-stock prowess as well its overseas-stock expertise, because it invests in U.S and other developed-markets firms that have major economic ties to developing markets as well as traditional emerging-markets companies.

## **Stellar Staffing**

Thornburg has done an excellent job of growing and strengthening its investment staff as its lineup and assets under management have expanded. (It had approximately \$65 billion in assets under management as of Sept. 30, 2010, with nearly two thirds of that amount in the 16 funds and the remainder divided between institutional portfolios and separate accounts.)

The firm has succeeded in attracting a mix of seasoned portfolio managers, midcareer investment professionals, individuals with

industry as well as finance experience, and more junior analysts. Chris Ryon spent more than 10 years delivering the goods as a municipal-bond skipper for Vanguard before he joined the firm and became a comanager of Thornburg Strategic Municipal Income (TSSAX), for example, whereas Rolf Kelly worked as a reservoir engineer for ExxonMobil (XOM) before he got his MBA and joined the firm as an equity analyst.

Thornburg has been able to retain the vast majority of investment professionals it has hired. Although a couple of senior portfolio managers have retired in recent years, relatively few other investment professionals have left. Thus, the firm's investment staff has grown to 10 portfolio managers, three associate portfolio managers, and seven analysts on the equity side, and on the fixed-income side it has expanded to six portfolio managers, one associate manager, one assistant manager, and two analysts. And Thornburg has made sure that its roster of investment professionals—which includes individuals from a broad mix of other shops—has continued to function effectively as a team and support each other as their numbers have increased. Its investment staff remains quite collegial, with managers and analysts regularly contributing investment ideas to portfolios other than their own.

## **Attractive Investment Strategies**

Thornburg's approach to investing also speaks well of the firm, as its equity and fixed-income funds employ sound and distinctive strategies. All the equity managers search far and wide for compelling opportunities and run fairly compact portfolios. But the managers also pay ample attention to risk, apply strict stock-selection criteria, and pursue more than one type of stock. (Several of them, for example, divide their assets among basic value names, consistent earners, and emerging franchises.) The end result is a set of seven equity funds that differ considerably from their category peers as well as their relevant indexes and that boast a fetching combination of bold and reserved characteristics.

The firm's fixed-income managers similarly keep an eye on risk. They employ straightforward strategies, using bottom-up credit research to assemble portfolios of bonds with superior risk-adjusted-return prospects. They emphasize credit analysis, limit the size of individual holdings, and pay ample attention to overall diversification while doing so.

### Superior Results and Other Strengths

The performance of the firm's lineup is another factor in its favor. Thornburg's two flagship stock funds have delivered the goods: Thornburg Value has posted first-rate long-term returns for a large-blend offering, while Thornburg International Value has earned one of the best overall records in the foreign large-blend group. And all four of the equity funds that have opened in the 2000s have produced strong since-inception returns, albeit with significant shorter-term volatility in some cases. Thornburg Investment Income Builder (TIBAX), a world-allocation offering, has also earned good results over its eight-year history.

Thornburg Limited Term Municipal and Thornburg Limited Term Income (THIFX), the firm's two biggest fixed-income funds, have suffered somewhat more volatility than most of their category peers due to their willingness to go their own way. But both funds boast topnotch three-, five-, 10-, and 15-year returns as of the end of 2010. The firm's other older bond offerings haven't performed quite that well, but most of them have solid records. And its two youngest bond funds, Thornburg Strategic Income (TSIAX) and Thornburg Strategic Municipal Income (TSSAX), have gotten off to nice starts.

It's also encouraging that the firm's staff eats its own cooking. As of Sept. 30, 2010, Thornburg employees had \$221 million invested in the family's funds, and most of the firm's portfolio managers have significant investments in the funds they run themselves or across the family lineup.

The firm's shareholder-friendly traits don't end there. Its stock managers provide informative quarterly commentary on the macro climate, key holdings, and the performance of their funds, whereas the family's website includes a synopsis of each equity holding and provides a link to each company's website. And its bond managers provide detailed and educational quarterly commentary on the fixed-income environment and related topics.

### Costs Could Be Lower

Thornburg, like nearly all fund companies, does have areas in which it could serve its fundholders better. For example, it could improve on costs. While four of its seven equity funds are reasonably priced, seven of its nine bond funds have expense ratios that are higher than the median for comparable offerings. That said, most of the relatively pricey funds are fairly small or new, and Thornburg is very fundholder-friendly overall.

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Fund (A Shares)		Total Returns as of 12/31/11 (annualized)					Expense Ratios	
		1 Year	3 Years	5 Years	10 Years	Since Incep.	Total	Subsidized
<b>Thornburg Value Fund</b>	Without sales charge	-13.44%	11.13%	-3.17%	2.15%	8.27%		
TVAFX Inception: 10/2/95	With sales charge	-17.35%	9.44%	-4.06%	1.68%	7.97%	1.28%	—
S&P 500 Index		2.11%	14.11%	-0.25%	2.92%	6.78%		
<b>Thornburg International Value Fund</b>	Without sales charge	-13.24%	9.04%	-0.77%	7.70%	7.69%		
TGVAX Inception: 5/28/98	With sales charge	-17.14%	7.38%	-1.68%	7.21%	7.33%	1.25%	—
MSCI EAFE Index		-12.14%	7.65%	-4.72%	4.67%	2.55%		
<b>Thornburg Core Growth Fund</b>	Without sales charge	1.35%	17.37%	-2.45%	5.41%	2.72%		
THCGX Inception: 12/27/00	With sales charge	-3.19%	15.58%	-3.34%	4.92%	2.30%	1.45%	—
Russell 3000 Growth Index		2.18%	18.09%	2.46%	2.74%	0.33%		
<b>Thornburg Investment Income Builder Fund</b>	Without sales charge	0.49%	15.90%	3.76%	-	10.73%		
TIBAX Inception: 12/24/02	With sales charge	-4.05%	14.13%	2.81%	-	10.16%	1.21%	—
Blended Index		-2.06%	10.44%	0.18%	-	6.52%		
S&P 500 Index		2.11%	14.11%	-0.25%	-	5.98%		
<b>Thornburg Global Opportunities Fund</b>	Without sales charge	-7.79%	15.79%	1.20%	-	5.47%		
THOAX Inception: 7/28/06	With sales charge	-11.94%	14.02%	0.27%	-	4.58%	1.48%	—
MSCI AC World Index		-7.34%	12.01%	-1.93%	-	0.48%		
<b>Thornburg International Growth Fund</b>	Without sales charge	-2.97%	21.38%	-	-	3.40%		
TIGAX Inception: 2/1/07	With sales charge	-7.33%	19.51%	-	-	2.44%	1.54%	—
MSCI AC World ex-U.S. Growth Index		-14.20%	10.84%	-	-	-2.56%		
<b>Thornburg Developing World Fund</b>	Without sales charge	-15.63%	-	-	-	5.17%		
THDAX Inception: 12/16/09	With sales charge	-19.44%	-	-	-	2.84%	1.89%	1.83%
MSCI Emerging Markets Index		-18.42%	-	-	-	-0.68%		
<b>Thornburg Limited Term Municipal Fund</b>	Without sales charge	6.70%	6.15%	4.65%	3.97%	5.53%		
LTMFX Inception: 9/28/84	With sales charge	5.11%	5.62%	4.33%	3.82%	5.47%	0.74%	—
<b>Thornburg Intermediate Municipal Fund</b>	Without sales charge	9.49%	8.47%	4.73%	4.50%	5.29%		
THIMX Inception: 7/22/91	With sales charge	7.27%	7.74%	4.31%	4.29%	5.19%	0.95%	—
<b>Thornburg Strategic Municipal Income Fund</b>	Without sales charge	12.40%	-	-	-	11.99%		
TSSAX Inception: 4/1/09	With sales charge	10.16%	-	-	-	11.18%	1.38%	1.25%
<b>Thornburg California Limited Term Municipal Fund</b>	Without sales charge	6.74%	6.13%	4.47%	3.68%	4.80%		
LTCAX Inception: 2/19/87	With sales charge	5.13%	5.59%	4.16%	3.53%	4.73%	0.96%	—
<b>Thornburg New Mexico Intermediate Municipal Fund</b>	Without sales charge	7.80%	6.24%	4.52%	4.18%	4.97%		
THNMX Inception: 6/18/91	With sales charge	5.64%	5.53%	4.10%	3.96%	4.87%	0.96%	—
<b>Thornburg New York Intermediate Municipal Fund</b>	Without sales charge	9.70%	6.70%	4.82%	4.15%	4.45%		
THNYX Inception: 9/5/97	With sales charge	7.52%	5.99%	4.40%	3.94%	4.30%	1.07%	0.99%
<b>Thornburg Limited Term Income Fund</b>	Without sales charge	5.08%	9.18%	5.88%	4.96%	5.62%		
THIFX Inception: 10/1/92	With sales charge	3.50%	8.62%	5.56%	4.80%	5.54%	0.98%	—
<b>Thornburg Limited Term U.S. Government Fund</b>	Without sales charge	3.73%	3.75%	4.95%	4.28%	5.79%		
LTUSX Inception: 11/16/87	With sales charge	2.17%	3.22%	4.64%	4.12%	5.73%	0.89%	—
<b>Thornburg Strategic Income Fund</b>	Without sales charge	4.44%	17.31%	-	-	7.59%		
TSIAX Inception: 12/19/07	With sales charge	-0.25%	15.51%	-	-	6.37%	1.32%	1.25%

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. Thornburg Investment Management and Thornburg Securities Corporation have contractually agreed to waive fees and reimburse expenses through at least February 1, 2013, so that actual expenses do not exceed the subsidized ratios above.

Investments in the Funds carry risks, including possible loss of principal. Investing outside the United States, especially in emerging markets, entails special risks, such as currency fluctuations, illiquidity, and volatility. Investments in small capitalization companies may increase the risk of greater price fluctuations. Funds investing in bonds have the same interest rate, inflation, and credit risks that are associated with the underlying bonds. The principal 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. Funds invested in mortgage backed securities may bear additional risk. 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 the Funds are not FDIC insured, nor are they deposits of or guaranteed by a bank or any other entity.

The Global Opportunities Fund, the International Growth Fund, and the Developing World Fund may invest in shares of companies through initial public offerings (IPOs). IPOs have the potential to produce substantial gains and there is no assurance that the Fund will have continued access to profitable IPOs. As Fund assets grow, the impact of IPO investments on performance may decline.

*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](http://thornburg.com). Read it carefully before investing.*

Assets under management as of 12/31/11: \$73 billion  
Employee assets invested as of 12/31/11: \$278 million