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**You invest in the future,
without spending a dime.**



Thornburg Strategic Municipal Income Fund

The Fund seeks a high level of current income exempt from federal individual income tax.

In keeping with Thornburg's focus on risk management, not more than 50% of the portfolio is invested in bonds rated below investment grade (or of equivalent quality as determined in accordance with the Prospectus) at the time of purchase. Also, the portfolio is typically diversified among sectors, issuers, credit qualities, geographic regions, and segments of the yield curve. The flexible nature of the Fund allows the team to adapt the portfolio's duration and credit quality to our perception of future market conditions.

Important Information

The information presented on the following pages is current as of September 30, 2011. The managers' views, portfolio holdings, and sector diversification are provided for the general information of the Fund's shareholders; to the extent this information is historical, it should not be considered predictive of future circumstances. This material should not be deemed a recommendation to buy or sell any of the securities mentioned.

Investments in the Fund carry risks, including possible loss of principal. Bond funds 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. 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. Please see the Fund's Prospectus for a discussion of the risks associated with an investment in the Fund. Investments in the Fund are not FDIC insured, nor are they deposits of or guaranteed by a bank or any other entity. There is no guarantee that the Fund will meet its investment objectives.

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 800-847-0200.

Performance data given at net asset value (NAV) does not take into account applicable sales charges. If the sales charges had been included, the performance would have been lower.

Minimum investments for Class I shares are higher than those for other classes. Class I shares may not be available to all investors.

Share Class	NASDAQ Symbol	Cusip
Class A	TSSAX	885-216-101
Class C	TSSCX	885-216-200
Class I	TSSIX	885-216-309

Glossary

BofA Merrill Lynch Municipal Master Index – This index tracks the performance of the investment-grade U.S. tax-exempt bond market. Qualifying bonds must have at least one year remaining term to maturity, a fixed coupon schedule, and an investment grade rating (based on average of Moody's, S&P, and Fitch).

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.

Alternative Minimum Tax (AMT) – A federal tax aimed at ensuring that high-income individuals, estates, trusts, and corporations pay a minimal level income tax. For individuals, the AMT is calculated by adding tax preference items to regular taxable income.

Annualized Distribution Yield – The distribution yield is calculated by taking the sum of the month's total distribution factors and dividing this sum by a 30-day period and annualizing to a 360-day year. The value is then divided by the ending maximum offering price per share to arrive at the annualized distribution yield. The yield is calculated on a periodic basis and is subject to change.

Basis Point (bps) – A unit equal to 1/100th of 1%. 1% = 100 basis points (bps).

Bond Credit Ratings – 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. Unless otherwise noted, the ratings listed are from Municipal Market Data and are a combination of ratings from Standard and Poor's, Moody's Investors Service, and Fitch Ratings.

Build America Bonds (BAB) – Taxable municipal bonds that feature tax credits and/or federal subsidies for bondholders and state and local government bond issuers. Build America Bonds (BABs) were introduced in 2009 as part of President Obama's American Recovery and Reinvestment Act to create jobs and stimulate the economy. BABs attempt to achieve this by lowering the cost of borrowing for state and local governments in financing new projects.

Consumer Price Index (CPI) – An index that measures prices of a fixed basket of goods bought by a typical consumer, including food, transportation, shelter, utilities, clothing, medical care, entertainment and other items. The CPI, published by the Bureau of Labor Statistics in the Department of Labor, is based at 100 in 1982 and is released monthly. It is widely used as a cost-of-living benchmark to adjust Social Security payments and other payment schedules, union contracts and tax brackets. The CPI is also known as the cost-of-living index.

Core CPI – Consumer Price Index minus the energy and food components.

Duration – A bond's sensitivity to interest rates. Bonds with longer durations experience greater price volatility than bonds with shorter durations.

Important Information, *Continued*

Effective Duration – A bond's sensitivity to interest rates, incorporating the embedded option features, such as call provisions. Bonds with longer durations experience greater price volatility than bonds with shorter durations.

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.

General Obligation Bond – A municipal bond backed by the credit and "taxing power" of the issuing jurisdiction rather than the revenue from a given project.

M2 – The amount of money in circulation in notes and coin plus non-interest-bearing bank deposits, building-society deposits, and National Savings accounts.

Operation Twist – A monetary policy where, in an attempt to lower long-term interest rates, the Fed sold short-term Treasury bonds and bought long-term Treasury bonds, which pressured the long-term bond yields downward.

Quantitative Easing – The Federal Reserve's monetary policy used to stimulate the U.S. economy following the recession that began in 2007/08.

SEC Yield – SEC Yield is computed in accordance with SEC standards measuring the net investment income per share over a specified 30-day period expressed as a percentage of the maximum offering price of the Fund's shares at the end of the period.

Treasuries – 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.

2011

Certified Annual Report

Thornburg Strategic Municipal Income Fund

September 30, 2011

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This report is certified under the Sarbanes-Oxley Act of 2002, which requires that public companies, including mutual funds, affirm that the information provided in their annual and semiannual shareholder reports fully and fairly represents their financial position.



Christopher Ihlefeld
Co-Portfolio Manager

October 14, 2011

Dear Fellow Shareholder:

We are pleased to present the annual report for the Thornburg Strategic Municipal Income Fund. The net asset value (NAV) of the Class A shares decreased by 16 cents to \$14.06 per share during the fiscal year ended September 30, 2011. If you were with us for the entire period, you received dividends of 59.2 cents per share. If you reinvested your dividends, you received 60.4 cents per share. Dividends per share were lower for Class C shares and higher for Class I shares to account for varying class-specific expenses. The Class A shares of your Fund produced a total return of 3.47% at NAV over the fiscal year ended September 30, 2011, compared to the 3.97% for the BofA Merrill Lynch Municipal Master Index. The BofA Merrill Lynch Municipal Master Index generated 0.50% more total return. The 0.50% of underperformance is due to the relative durations (a measure of price sensitivity) and relative asset allocations along the yield curve of the Fund versus the BofA Merrill Lynch Municipal Master Index. The Fund had a longer duration (more sensitive to interest rate fluctuations) than the BofA Merrill Lynch Municipal Master Index in the first fiscal quarter as interest rates increased. In the following three quarters, as interest rates decreased, the Fund's relative duration was not as long. This difference in relative durations accounted for approximately 0.35% of the 0.50% underperformance. The relative asset allocation to maturities explains the remaining 0.15% of underperformance.



Christopher Ryan, CFA
Co-Portfolio Manager

The Economy and the Federal Reserve (the Fed)

As we started the fiscal year, beginning October 2010, the Federal Reserve Board announced a new wrinkle to its already accommodative stance toward monetary policy. “Quantitative Easing” is a policy of buying bonds and other assets to boost demand and fight off deflation. As we close this fiscal year, the Fed has announced another extraordinary measure known as “Operation Twist.” This policy enhancement calls for the Fed to purchase, by the end of June 2012, \$400 billion of Treasury securities with remaining maturities from 6 to 30 years and to sell an equal amount of Treasury securities with remaining maturities of 3 years or less. This is intended to cause the yield curve (a representation of the prevailing yields of Treasury securities by maturity) to flatten, reducing the yield difference between long-term and short-term Treasury securities. A typical measure of this phenomenon is the difference between the yield of a 10-year Treasury security and the yield of a 30-year Treasury security. The difference in yield between these two securities was 1.38% on September 1, 2011 (30-year Treasury securities yielded 1.38% more than 10-year Treasury securities). The formal announcement of



Josh Gonze
Co-Portfolio Manager

the Fed's new policy directive was on September 21, 2011, and by September 30, 2011, the difference had narrowed to 1.02%. The above change in the relationship between 10-year and 30-year Treasury securities means that longer maturity Treasury securities outperformed shorter maturity Treasury securities.

The Federal Open Market Committee, in its September 21, 2011 release, stated that "economic growth remains slow" and that there are "significant downside risks to the economic outlook, including strains in global financial markets." These concerns explain why Treasury yields are lower by 0.17% to 1.59% since March 31, 2011. Longer maturity Treasury securities have decreased in yield more than shorter maturity Treasury securities. The "strains in the global financial markets," have led the Treasury market to experience a "flight to quality" in spite of a downgrade to AA+ by Standard and Poor's on August 5, 2011. As one of our colleagues has stated, "the world views Treasury securities as the best house in a bad neighborhood."

We share the Fed's view that "economic growth remains low," but there are some reasons for hope. June 2011 gross domestic product (GDP), a measure of a country's overall economic output, recorded a 1.3% increase, higher than the 0.4% increase recorded in March of 2011. Capacity utilization, a measure of an economy's usage of its productive resources, was running at 77.4% for the month ended August 31, 2011, slightly higher than the 75.7% recorded on September 30, 2011. Money supply as measured by M2, a broad measure of money and money substitutes, remains elevated. The velocity of M2, a measure of the rate at which money in circulation is used in transactions, continues to decline. Typically rising money supply is viewed as an inflationary threat, as long as velocity remains constant or increases. The combination of rising money supply and decreasing velocity is not inflationary. The one significant difference between this fiscal year end and last fiscal year end is that commercial and industrial loans and leases (loans to corporations, commercial enterprises, and joint ventures) have begun to increase, from a very low base. These loans have increased 7.98% over the 12 months ended September 30, 2011 versus a 10.57% decline for the 12 months ended September 30, 2010. These increases in loans to businesses may be laying the groundwork for a more robust expansion.

The employment picture is still a major concern; with so many Americans either unemployed or underemployed, it's hard to fathom where demand for goods and services will come from. The unemployment rate is 9.1%, lower than the 9.8% registered in November 2010. In the 12 months ended September 2011, 1.49 million jobs have been created versus the 118,000 lost in the prior 12 months.

The economic picture is not as bleak as some in the media would paint it. The risks of a double-dip recession seem low, but so do the probabilities of a robust recovery. Our outlook for interest rates is much the same as it was last year with one exception; over the next 6-12 months, we believe the Fed will keep short-term interest rates low, but long-term interest rates have and may continue to benefit from Operation Twist. Investors should ready themselves for increased periods of volatility as some of the exogenous forces impacting the United States play themselves out.

Letter to Shareholders, *Continued*

The Municipal Market

The calendar year began with various predictions of numerous defaults in the municipal bond market; the term “hundreds of billions of dollars” was used. For the nine months ended September 30, 2011, the municipal bond market experienced \$1.1 billion in defaults, a relatively small amount. This means, if one uses \$200 billion as the low end of the estimate, we have only \$198.9 billion to go by December 31, 2011 for these dire predictions to be achieved. Needless to say, these estimates were overly dramatic but they did add to the volatility of returns experienced throughout fiscal 2011. Chart I shows the volatility of returns generated by the BofA Merrill Lynch Municipal Master Index for the 12 months ended September 30, 2011.

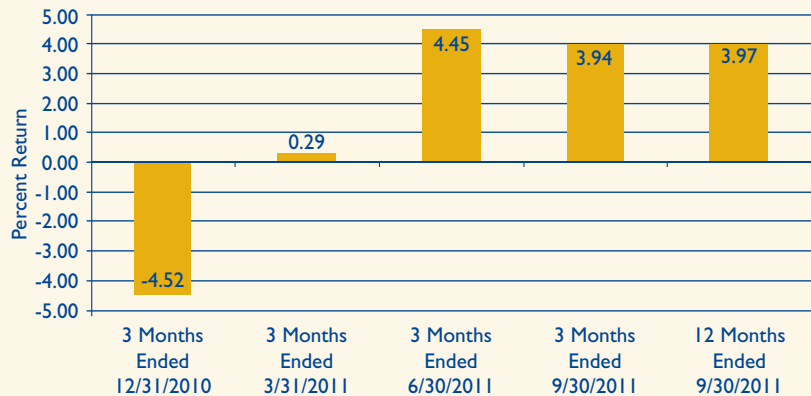
Most, if not all, of the other predictions of doom proved equally false. Supply of new issue municipal bonds did not expand as the Build America Bond program expired on December 31, 2010.

In fact, the supply of newly issued municipal debt is down 35% through September 30, 2011 versus the same period in 2010.

On the credit side, the revenue

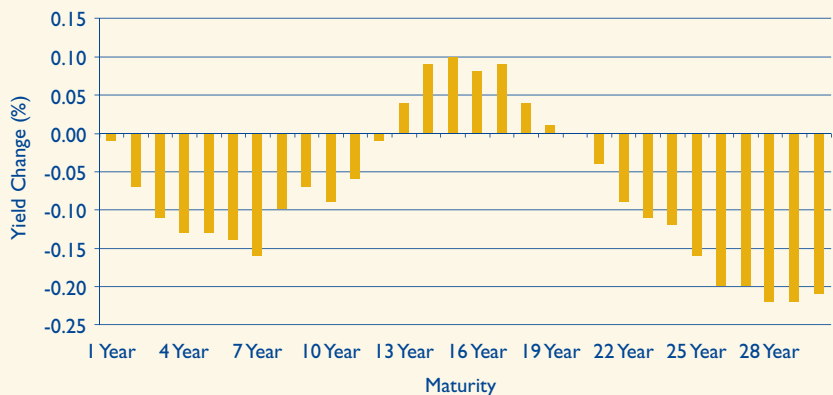
picture for state and local governments is improving. Revenues are increasing, although they are still below peak levels. Also expenditures are being cut. One example of this is that state and local employment payrolls have been cut by in excess of 500,000 jobs nationwide since August 2008.

CHART I: BofA MERRILL LYNCH MUNICIPAL MASTER INDEX
Periodic Returns During the Period from 9/30/2010 through 9/30/2011



Source: Bloomberg
Past performance does not guarantee future results.

CHART II: CHANGES IN AAA GENERAL OBLIGATION BOND YIELDS
9/30/2010 through 9/30/2011



Source: Standard and Poor's 09/30/2011
Past performance does not guarantee future results.

Chart II illustrates how yields have changed over the last 12 months. The largest declines occurred in maturities greater than 21 years. The general level of municipal bond yields appear to be moving in sympathy with the yields on Treasury securities, albeit at a different pace.

Conclusion

Your Thornburg Strategic Municipal Income Fund will continue to search for value in the municipal bond market. We have identified two broad areas of value that we expect to continue to exploit. First, with the difference between long- and short-term yields being so great, we expect to continue to invest in longer maturity municipal bonds; currently approximately 44% of the portfolio is invested in maturities longer than 20 years. Second, with quality spreads (the incremental income an investor earns for investing in lower quality securities) being so wide, we expect to continue to pursue lower quality bonds for investment. Currently, 39% of the portfolio is invested in securities rated below single A or non-rated securities. In closing, we would like to thank you for the trust you have placed with us. We will continue to keep that foremost in our minds as we go forward into a new year.

Sincerely,



Christopher Ihlefeld
Co-Portfolio Manager
Managing Director



Christopher Ryon, CFA
Co-Portfolio Manager
Managing Director



Josh Gonze
Co-Portfolio Manager
Managing Director

The matters discussed in this report may constitute forward-looking statements made pursuant to the safe harbor provisions of the Securities Litigation Reform Act of 1995. These include any advisor or portfolio manager prediction, assessment, analysis or outlook for individual securities, industries, investment styles, market sectors and/or markets. These statements involve risks and uncertainties. In addition to the general risks described for each fund in its current prospectus, other factors bearing on these reports include the accuracy of the advisor's or portfolio manager's forecasts and predictions, the appropriateness of the investment strategies designed by the advisor or portfolio manager and the ability of the advisor or portfolio manager to implement their strategies efficiently and successfully. Any one or more of these factors, as well as other risks affecting the securities markets generally, could cause the actual results of any fund to differ materially as compared to its benchmarks.

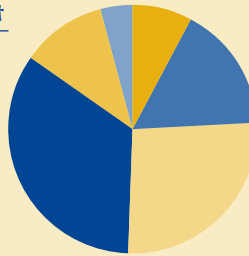
SCHEDULE OF INVESTMENTS

Thornburg Strategic Municipal Income Fund

September 30, 2011

SUMMARY OF SECURITY CREDIT RATINGS†

■	AAA/AAA Equivalents	8.0%
■	AA	16.2%
■	A	26.6%
■	BBB	34.0%
■	Not Rated	11.1%
■	Below Invest. Grade	4.1%



We have used ratings from Standard & Poor's (S&P). Where S&P ratings are not available, we have used Moody's Investors Service. Where neither rating is available, we have used ratings from Fitch Ratings. The category of investments identified as "AAA" in this graph includes investments which are pre-refunded or escrowed to maturity. Such investments are backed by an escrow or trust containing sufficient U.S. Government or U.S. Government agency securities to satisfy the timely payment of principal and interest and, therefore, are normally deemed to be equivalent to AAA-rated securities.

Issuer-Description	Credit Rating† S&P/ Moody's	Principal Amount	Value
ARIZONA — 1.91%			
Maricopa County PCR, 6.00% due 5/1/2029 put 5/1/2014 (Arizona Public Service Co.)	BBB/Baa2	\$ 500,000	\$ 550,510
Pima County Industrial Development Authority, 5.125% due 12/1/2040 (Providence Day School)	BBB+/NR	710,000	622,216
Pima County Industrial Development Authority Education, 6.25% due 7/1/2013 (Arizona Charter Schools)	NR/Baa3	530,000	531,860
University Medical Center Corp., 6.25% due 7/1/2029	BBB+/Baa1	100,000	104,800
University Medical Center Corp., 6.50% due 7/1/2039	BBB+/Baa1	275,000	286,676
CALIFORNIA — 20.68%			
Brea Redevelopment Agency, 0% due 8/1/2032 (Capital Appreciation-Tax Allocation)	AA-/NR	1,270,000	280,289
Brea Redevelopment Agency, 0% due 8/1/2034 (Capital Appreciation-Tax Allocation)	AA-/NR	5,000,000	928,700
California Finance Authority, 8.50% due 11/1/2039 (Harbor Regulation Control)	NR/Baa1	1,000,000	1,110,220
California HFA, 6.25% due 2/1/2026 (Community Program; Insured: California Mtg Insurance)	A-/NR	1,500,000	1,625,580
California HFA, 4.625% due 8/1/2026	BBB/Baa2	560,000	501,256
California HFA, 0% due 8/1/2029 (Insured: AMBAC/FHA/VA)	BBB/Baa2	1,125,000	382,489
California Infrastructure & Economic Development Bank, 0.11% due 11/1/2026 put 10/3/2011 (Pacific Gas & Electric; Insured: Mizuho Corporate Bank) (daily demand notes)	AAA/Aa2	1,000,000	1,000,000
California State Public Works Board, 6.25% due 4/1/2034	BBB+/A2	100,000	108,980
California Statewide Communities Development Authority, 6.125% due 7/1/2046 (Aspire Public Schools)	NR/NR	1,000,000	975,320
Calipatria USD, 0% due 8/1/2025 (Capital Appreciation-Election 1995; Insured: ACA)	NR/NR	2,425,000	893,249
Carson Redevelopment Agency Tax Allocation, 7.00% due 10/1/2036 (Project Area 1)	A-/NR	500,000	557,615
Chico Redevelopment Agency, 5.00% due 4/1/2030 (Chico Amended & Merged Redevelopment; Insured: AMBAC)	A+/NR	1,000,000	929,240
Corona-Norco USD COP, 5.00% due 4/15/2031 (Insured: AGM)	AA+/Aa3	1,750,000	1,800,190
Daly County Housing Development Finance Agency, 5.25% due 12/15/2023 (Franciscan Mobile Park)	A/NR	650,000	651,651
Huntington Beach Union High School District, 0% due 8/1/2031 (Capital Appreciation-Election 2004; Insured: Natl-Re)	BBB/Aa2	5,000,000	1,532,900
Lee Lake Water District, 5.875% due 9/1/2027	NR/NR	500,000	463,650
M-S-R Energy Authority, 6.50% due 11/1/2039	A/NR	1,000,000	1,096,400
Merced Redevelopment Agency Tax Allocation, 6.50% due 9/1/2039 (Merced Gateways Redevelopment)	A-/NR	300,000	315,693
Moorpark Mobile Home Park, 6.15% due 5/15/2031 (Villa Del Arroyo)	BBB/NR	1,000,000	1,012,950
Newport Mesa USD, 0% due 8/1/2034 (Capital Appreciation-Election 2005)	AA/Aa1	5,000,000	1,349,000
Oak Park USD GO, 0% due 8/1/2030 (Insured: AGM)	AA+/Aa3	500,000	164,800
Pittsburg Redevelopment Agency Tax Allocation, 0% due 8/1/2027 (Los Medanos Community Development; Insured: AMBAC)	A+/NR	1,220,000	428,989

SCHEDULE OF INVESTMENTS, CONTINUED

Thornburg Strategic Municipal Income Fund

September 30, 2011

<u>Issuer-Description</u>	<u>Credit Rating†</u> <u>S&P/ Moody's</u>	<u>Principal</u> <u>Amount</u>	<u>Value</u>
Redwood City Redevelopment Agency Tax Allocation, 0% due 7/15/2021 (Redevelopment Project Area 2; Insured: AMBAC)	A-/NR	\$ 1,285,000	\$ 731,473
Riverside County Asset Leasing Corp., 0% due 6/1/2021 (Riverside County Hospital; Insured: Natl-Re)	BBB/A1	535,000	301,012
San Diego USD, 0% due 7/1/2035 (Election 2008)	AA/Aa1	1,700,000	418,421
San Francisco City & County Redevelopment Financing Authority Tax Allocation, 0% due 8/1/2023 (Redevelopment Project; Insured: Natl-Re)	A/A1	925,000	474,451
San Francisco City & County Redevelopment Financing Authority Tax Allocation, 6.50% due 8/1/2039 (Mission Bay North Redevelopment)	A-/NR	250,000	267,852
San Francisco City & County Redevelopment Financing Authority Tax Allocation, 6.75% due 8/1/2041 (Mission Bay North Redevelopment)	A-/NR	500,000	543,360
San Jose Redevelopment Agency Tax, 4.25% due 8/1/2023 (Merged Area Redevelopment; Insured: Syncora)	BBB+/Baa2	500,000	433,875
San Jose Redevelopment Agency Tax, 5.50% due 8/1/2035 (Merged Area Redevelopment)	A/A2	1,000,000	977,840
Sonoma County Community Redevelopment Agency Tax Allocation, 6.50% due 8/1/2034 (The Springs Redevelopment; Insured: AGM)	AA+/NR	100,000	104,034
Union Elementary School District, 0% due 9/1/2027 (Capital Appreciation-Election 1999; Insured: Natl-Re)	AA+/NR	905,000	367,611
COLORADO — 7.12%			
Colorado Educational & Cultural Facilities Authority, 5.25% due 8/15/2019 (Peak to Peak Charter School; Insured: Syncora)	A/NR	1,600,000	1,675,664
Denver Convention Center, 5.125% due 12/1/2026 (Insured: Syncora)	BBB-/Baa3	1,000,000	938,180
Denver Convention Center, 5.00% due 12/1/2030 (Insured: Syncora)	BBB-/Baa3	450,000	411,070
Denver Convention Center, 5.00% due 12/1/2035 (Insured: Syncora)	BBB-/Baa3	605,000	528,970
E-470 Public Highway Authority, 0% due 9/1/2037 (Capital Appreciation)	BBB-/Baa2	1,000,000	167,240
E-470 Public Highway Authority, 0% due 9/1/2040 (Capital Appreciation)	BBB-/Baa2	2,000,000	268,160
Eagle Bend Metropolitan District GO, 5.00% due 12/1/2020 (Insured: Radian)	A-/NR	1,100,000	1,128,622
Eagle River Fire District, 6.625% due 12/1/2024	NR/NR	225,000	238,450
Eagle River Fire District, 6.875% due 12/1/2030	NR/NR	400,000	417,576
Pinery West Metropolitan District No. 2, 4.50% due 12/1/2032 (Insured: Radian)	NR/NR	500,000	382,045
Public Authority for Colorado Energy, 5.75% due 11/15/2018 (Natural Gas Purchase Revenue)	A/Baa1	825,000	864,196
Public Authority for Colorado Energy, 6.50% due 11/15/2038 (Natural Gas Purchase Revenue)	A/Baa1	250,000	268,375
Regional Transportation District COP, 5.375% due 6/1/2031	A-/Aa3	500,000	534,045
CONNECTICUT — 0.92%			
Connecticut Health & Educational Facilities Authority, 6.00% due 7/1/2039 (Ethel Walker School)	BBB-/NR	1,000,000	1,009,750
DISTRICT OF COLUMBIA — 0.56%			
Metropolitan Washington Airports Authority, 0% due 10/1/2027 (Dulles Toll Road; Insured: AGM)	AA+/Aa3	1,500,000	619,785
FLORIDA — 4.41%			
Hollywood Community Redevelopment Agency, 5.625% due 3/1/2024	NR/A3	340,000	352,084
Lakeland Energy System Revenue, 5.25% due 10/1/2036	AA-/A1	2,000,000	2,259,500
Sarasota County Public Hospital Board, 7.212% due 10/1/2021 (Miles-Sarasota Memorial Hospital; Insured: Natl-Re)	BBB/A1	1,000,000	932,670
St. Johns County IDA, 5.625% due 8/1/2034 (Presbyterian Retirement)	NR/NR	230,000	220,432
Tampa Sports Authority, 5.75% due 10/1/2020 (Tampa Bay Arena; Insured: Natl-Re)	BBB/Baa1	1,000,000	1,083,670
GEORGIA — 1.34%			
Atlanta Water & Waste Water, 6.25% due 11/1/2034	A/A1	500,000	560,180

SCHEDULE OF INVESTMENTS, CONTINUED

Thornburg Strategic Municipal Income Fund

September 30, 2011

<u>Issuer-Description</u>	<u>Credit Rating† S&P/ Moody's</u>	<u>Principal Amount</u>	<u>Value</u>
Main Street Natural Gas, Inc., 5.00% due 3/15/2018 (Georgia Gas)	A+/Aa3	\$ 515,000	\$ 555,567
Main Street Natural Gas, Inc., 5.50% due 9/15/2023 (Georgia Gas)	A/Baa1	350,000	351,512
GUAM — 1.89%			
Guam Government, 5.75% due 12/1/2034 (Section 30)	BBB-/NR	500,000	512,720
Guam Government Department of Education COP, 6.875% due 12/1/2040 (John F. Kennedy High School)	B/NR	1,000,000	1,022,500
Guam Government GO, 7.00% due 11/15/2039	B+/NR	520,000	542,386
HAWAII — 0.27%			
Hawaii State Department of Budget & Finance, 5.45% due 11/1/2023 (Hawaiian Electric Co.; Insured: Natl-Re) (AMT)	NR/Baa1	300,000	298,488
ILLINOIS — 8.27%			
Broadview Tax Increment, 5.25% due 7/1/2012	NR/NR	265,000	265,231
Chicago Tax Increment, 4.70% due 11/15/2013 (Near South Redevelopment; Insured: AMBAC)	NR/NR	800,000	802,032
Chicago Tax Increment, 6.75% due 6/1/2022 (Pilsen Redevelopment)	NR/NR	1,000,000	1,018,140
Cook County GO, 5.25% due 11/15/2033	AA/Aa3	1,000,000	1,064,040
Illinois Civic Center, 5.375% due 12/15/2012 (Insured: AGM)	NR/Aa3	505,000	506,969
Illinois Finance Authority, 5.75% due 11/15/2037 (OSF Healthcare System)	A/A3	330,000	334,729
Illinois Finance Authority, 6.00% due 5/15/2039 (OSF Healthcare System)	A/A3	1,240,000	1,289,798
Melrose Park Tax Increment, 6.75% due 12/15/2016 (Insured: Natl-Re)	NR/Baa1	250,000	283,078
Melrose Park Tax Increment, 6.75% due 12/15/2021 (Insured: Natl-Re)	NR/Baa1	410,000	495,165
Metropolitan Pier & Exposition Authority, 5.00% due 6/15/2050 (McCormick Place)	AAA/A2	1,500,000	1,489,710
Railsplitter Tobacco Settlement Authority, 6.00% due 6/1/2028	A-/NR	1,000,000	1,036,260
Southwestern Illinois Development Authority, 5.50% due 8/15/2020 (Southwestern Illinois Health Facilities)	BBB/Baa2	500,000	500,375
INDIANA — 1.99%			
Carmel Redevelopment District, 6.50% due 7/15/2035	NR/NR	1,000,000	985,590
Indiana Finance Authority, 0.13% due 2/1/2037 put 10/3/2011 (Lease Appropriation; SPA: JPMorgan Chase Bank) (daily demand notes)	AA+/Aa3	1,200,000	1,200,000
KANSAS — 1.03%			
Wichita Multi-Family Housing, 5.90% due 12/1/2016 (Brentwood Apartments)	B/NR	465,000	431,474
Wichita Multi-Family Housing, 5.85% due 12/1/2025 (Brentwood Apartments)	B/NR	895,000	701,626
KENTUCKY — 1.98%			
Kentucky EDA, 0% due 10/1/2021 (Norton Healthcare, Inc.; Insured: Natl-Re)	BBB/Baa1	365,000	223,219
Kentucky EDA, 0% due 10/1/2022 (Norton Healthcare, Inc.; Insured: Natl-Re)	BBB/Baa1	2,490,000	1,426,571
Owen County Waterworks Systems, 6.25% due 6/1/2039 (American Water Co.)	BBB+/Baa2	500,000	527,960
LOUISIANA — 0.54%			
Louisiana Public Facilities Authority, 5.00% due 7/1/2032 (Black & Gold Facilities; Insured: CIFG)	AA+/Aa3	120,000	117,712
Louisiana Public Facilities Authority, 5.375% due 5/15/2043 (Ochsner Clinic Foundation)	NR/Baa1	500,000	474,875
MASSACHUSETTS — 0.46%			
Massachusetts Educational Financing Authority, 6.00% due 1/1/2028	AA/NR	460,000	506,428

SCHEDULE OF INVESTMENTS, CONTINUED

Thornburg Strategic Municipal Income Fund

September 30, 2011

<u>Issuer-Description</u>	<u>Credit Rating†</u> <u>S&P/ Moody's</u>	<u>Principal</u> <u>Amount</u>	<u>Value</u>
MICHIGAN — 7.92%			
Detroit School District, 5.25% due 5/1/2027 (Insured: AGM)	AA+/Aa2	\$ 1,000,000	\$ 1,026,800
Detroit Water Supply Systems, 5.00% due 7/1/2018 (Insured: Natl-Re)	BBB/A1	350,000	377,717
Dickinson County Healthcare Systems, 5.80% due 11/1/2024 (Insured: ACA)	NR/NR	270,000	270,440
Dickinson County Healthcare Systems, 5.80% due 11/1/2024	NR/Baa3	1,000,000	1,001,630
Kalamazoo Hospital Finance Authority, 5.00% due 5/15/2036 (Bronson Methodist Hospital)	NR/A2	1,000,000	951,030
Michigan Financial Authority Limited Obligation, 8.125% due 4/1/2041 (Hope Academy)	NR/NR	1,000,000	1,047,810
Michigan Public Educational Facilities Authority, 8.75% due 9/1/2039 (Bradford Academy)	BBB-/NR	500,000	542,935
Michigan Public School Academy, 8.00% due 8/1/2035 (Will Carleton Charter School)	NR/NR	1,085,000	1,035,057
Michigan State Hospital Finance Authority, 5.00% due 7/15/2025 (Oakwood Obligated Group)	A/A2	650,000	654,921
Michigan State Hospital Finance Authority, 5.75% due 4/1/2032 (Oakwood Obligated Group)	A/A2	150,000	151,242
Michigan State Hospital Finance Authority, 5.75% due 11/15/2039 (Henry Ford Health)	A/A1	1,000,000	1,021,390
Michigan State Strategic Fund, 5.00% due 8/1/2013 (NSF International)	A-/NR	300,000	313,755
Michigan Strategic Fund, 7.00% due 5/1/2021 (The Detroit Edison Company; Insured: Natl-Re/AMBAC)	NR/NR	250,000	313,005
MINNESOTA — 0.43%			
St. Paul Housing & Redevelopment Authority, 5.25% due 5/15/2023 (Healthpartners Obligated Group)	BBB+/A3	100,000	103,477
Washington County Housing Redevelopment Authority, 5.625% due 6/1/2037 (Birchwood & Woodbury)	NR/NR	415,000	371,566
MISSOURI — 5.09%			
Kansas City Tax Increment Financing Commission, 5.25% due 3/1/2018 (Maincor Project)	NR/NR	700,000	692,468
Missouri Development Finance Board, 0.13% due 12/1/2033 put 10/3/2011 (Nelson Gallery Foundation; SPA: JPMorgan Chase Bank) (daily demand notes)	AAA/Aaa	4,900,000	4,900,000
NEVADA — 0.76%			
Mesquite Redevelopment Agency Tax Increment, 7.125% due 6/1/2021	A-/NR	300,000	312,447
Mesquite Redevelopment Agency Tax Increment, 7.375% due 6/1/2024	A-/NR	500,000	519,935
NEW MEXICO — 1.33%			
Farmington PCR, 4.70% due 9/1/2024 (Arizona Public Service Co.)	BBB/Baa2	1,000,000	1,023,970
Santa Fe County Charter School Foundation, 6.625% due 1/15/2036 (ATC Foundation)	NR/NR	485,000	442,422
NEW YORK — 2.00%			
New York City Transitional Finance Authority, 0.21% due 8/1/2031 put 10/3/2011 (SPA: Landesbank Hessen-Thuringen) (daily demand notes)	AAA/Aaa	2,200,000	2,200,054
OHIO — 3.60%			
Cleveland Cuyahoga County Port Authority, 6.25% due 5/15/2016 (LOC: FifthThird Bank)	BBB-/NR	395,000	398,993
Cleveland Cuyahoga County Port Authority, 7.00% due 5/15/2040 (Insured: City Appropriations)	BBB-/NR	1,000,000	1,056,440
Ohio State Water Development Authority PCR, 5.875% due 6/1/2033 put 6/1/2016 (FirstEnergy)	BBB-/Baa2	1,000,000	1,123,560
Ohio State Water Development Authority PCR, 3.375% due 7/1/2033 put 7/1/2015 (FirstEnergy)	BBB-/Baa3	1,350,000	1,378,404
OREGON — 0.89%			
Western Generation Agency, 5.00% due 1/1/2016 (Wauna Cogeneration; Insured: ACA)	NR/NR	1,000,000	979,330
PENNSYLVANIA — 5.76%			
Allegheny County IDA, 6.75% due 8/15/2035 (Propel Charter School)	BBB-/NR	970,000	941,404

SCHEDULE OF INVESTMENTS, CONTINUED

Thornburg Strategic Municipal Income Fund

September 30, 2011

<u>Issuer-Description</u>	<u>Credit Rating† S&P/ Moody's</u>	<u>Principal Amount</u>	<u>Value</u>
Geisinger Authority, 0.13% due 6/1/2041 put 10/3/2011 (Geisinger Health System; SPA: JPMorgan Chase Bank) (daily demand notes)	AA/Aa2	\$ 1,680,000	\$ 1,680,000
Pennsylvania EDA, 5.00% due 12/1/2014 (Colver Project; Insured:AMBAC) (AMT)	BBB-/Ba1	450,000	451,143
Pennsylvania EDA, 4.625% due 12/1/2018 (Colver Project; Insured:AMBAC) (AMT)	BBB-/Ba1	600,000	566,106
Pennsylvania Turnpike Commission, 0% due 12/1/2030 (Convertible Capital Appreciation)	A-/A3	2,000,000	1,640,280
Philadelphia IDA, 6.00% due 8/1/2035 (Mast Charter School)	BBB+/NR	1,000,000	1,053,850
RHODE ISLAND — 0.70%			
Pawtucket Housing Authority Capital Funds Housing, 5.50% due 9/1/2022	AA/NR	315,000	366,125
Pawtucket Housing Authority Capital Funds Housing, 5.50% due 9/1/2024	AA/NR	350,000	398,415
SOUTH DAKOTA — 0.72%			
South Dakota Health & Educational Facilities Authority, 5.50% due 11/1/2040 (Sanford Health)	AA-/A1	750,000	785,835
TENNESSEE — 0.54%			
Tennessee Energy Acquisition Corp., 5.00% due 2/1/2015	BBB/Baa3	100,000	104,417
Tennessee Energy Acquisition Corp., 5.25% due 9/1/2024	B/Ba3	500,000	490,785
TEXAS — 11.09%			
Austin Convention Enterprises, Inc., 5.25% due 1/1/2024 (Austin Convention Center; Insured: Syncora)	BB+/Ba1	720,000	678,132
Austin Convention Enterprises, Inc., 5.00% due 1/1/2034 (Austin Convention Center; Insured: Syncora)	BB+/Ba1	665,000	556,099
Clifton Higher Education Finance Corp., 9.00% due 2/15/2038 (Tejano Center for Community Concerns, Inc.)	BBB-/NR	1,000,000	1,106,170
Gulf Coast Waste Disposal Authority, 6.10% due 8/1/2024 (International Paper Co.) (AMT)	BBB/Baa3	100,000	101,415
Kimble County Hospital District, 6.25% due 8/15/2033	NR/NR	500,000	533,535
La Vernia Higher Education Finance Corp., 6.25% due 8/15/2039 (Kipp, Inc.)	BBB/NR	1,000,000	1,040,860
Matagorda County Navigation District, 5.15% due 11/1/2029 (Houston Industries, Inc.; Insured: Natl-Re)	BBB/Baa1	280,000	279,978
San Antonio Energy Acquisition Public Facilities Corp., 5.50% due 8/1/2021	A/Baa3	40,000	41,536
San Juan Higher Education Finance Authority, 6.70% due 8/15/2040 (Idea Public School)	BBB/NR	1,000,000	1,050,620
Texas City Industrial Development Corp., 7.375% due 10/1/2020 (Arco Pipe Line Company)	A/A2	1,000,000	1,262,310
Texas Multi-Family Housing Corp., 7.00% due 7/1/2043 (HDSA Affordable Housing Pool)	A-/NR	2,000,000	2,010,920
Texas Public Finance Authority Charter School Finance Corp., 4.15% due 8/15/2016 (Idea Public School; Insured:ACA)	BBB/NR	100,000	99,996
Texas Public Finance Authority Charter School Finance Corp., 5.00% due 2/15/2018 (Cosmos Foundation, Inc.)	BBB/NR	895,000	903,798
Texas Public Finance Authority Charter School Finance Corp., 5.00% due 8/15/2023 (Idea Public School; Insured:ACA)	BBB/NR	155,000	148,820
Texas Public Finance Authority Charter School Finance Corp., 5.00% due 8/15/2030 (Idea Public School; Insured:ACA)	BBB/NR	1,500,000	1,347,435
Texas Public Finance Authority Charter School Finance Corp., 6.20% due 2/15/2040 (Cosmos Foundation, Inc.)	BBB/NR	1,000,000	1,022,830
U.S. VIRGIN ISLANDS — 0.63%			
Virgin Islands Public Finance Authority, 6.75% due 10/1/2037	NR/Baa3	500,000	537,680
Virgin Islands Water & Power Authority, 5.50% due 7/1/2017	NR/Baa3	150,000	150,272

SCHEDULE OF INVESTMENTS, CONTINUED

Thornburg Strategic Municipal Income Fund

September 30, 2011

<u>Issuer-Description</u>	<u>Credit Rating†</u> <u>S&P/ Moody's</u>	<u>Principal</u> <u>Amount</u>	<u>Value</u>
UTAH — 0.97%			
Herriman Utah Special Assessment, 4.75% due 11/1/2022 (Towne Center Assessment Area)	A/NR	\$ 1,000,000	\$ 1,061,480
VIRGINIA — 2.80%			
Lexington IDA Residential Care Facility, 5.375% due 1/1/2028 (Kendal at Lexington)	NR/NR	1,000,000	909,200
Mecklenburg County IDA, 6.50% due 10/15/2017 (Virginia Electric and Power Company)	NR/Baa1	1,000,000	1,005,140
Norton IDA, 6.00% due 12/1/2014 (Norton Community Hospital; Insured:ACA)	NR/NR	635,000	638,778
Virginia Small Business Financing Authority, 9.00% due 7/1/2039 (Hampton RDS Proton)	NR/NR	500,000	528,325
WASHINGTON — 0.93%			
Washington HFA, 5.70% due 7/1/2038 (Overlake Hospital Medical Center)	A-/A3	1,000,000	1,022,710
TOTAL INVESTMENTS — 99.53% (Cost \$104,876,671)			\$ 109,377,168
OTHER ASSETS LESS LIABILITIES — 0.47%			511,256
NET ASSETS — 100.00%			\$ 109,888,424

Footnote Legend

† Credit ratings are unaudited. Rating changes may have occurred subsequent to the reporting period end.

Portfolio Abbreviations

To simplify the listings of securities, abbreviations are used per the table below:

ACA	Insured by American Capital Access
AGM	Insured by Assured Guaranty Municipal Corp.
AMBAC	Insured by American Municipal Bond Assurance Corp.
AMT	Alternative Minimum Tax
CIFG	CIFG Assurance North America Inc.
COP	Certificates of Participation
EDA	Economic Development Authority
FHA	Insured by Federal Housing Administration
GO	General Obligation
HFA	Health Facilities Authority
IDA	Industrial Development Authority
LOC	Letter of Credit
Mtg	Mortgage
Natl-Re	Insured by National Public Finance Guarantee Corp.
PCR	Pollution Control Revenue Bond
Radian	Insured by Radian Asset Assurance
SPA	Stand-by Purchase Agreement
Syncora	Insured by Syncora Guarantee Inc.
VA	Veterans Affairs
USD	Unified School District

See notes to financial statements.

STATEMENT OF ASSETS AND LIABILITIES

Thornburg Strategic Municipal Income Fund

September 30, 2011

ASSETS

Investments at value (cost \$104,876,671) (Note 2)	\$ 109,377,168
Cash	784,128
Receivable for investments sold	50,000
Receivable for fund shares sold	505,724
Interest receivable	1,507,274
Prepaid expenses and other assets	20,618
	<hr/>
Total Assets	112,244,912

LIABILITIES

Payable for investments purchased	2,069,500
Payable for fund shares redeemed	77,074
Payable to investment advisor and other affiliates (Note 3)	67,663
Accounts payable and accrued expenses	56,384
Dividends payable	85,867
	<hr/>
Total Liabilities	2,356,488

NET ASSETS

\$ 109,888,424

NET ASSETS CONSIST OF:

Undistributed net investment income	\$ 3,622
Net unrealized appreciation on investments	4,500,497
Accumulated net realized gain (loss)	98,006
Net capital paid in on shares of beneficial interest	105,286,299
	<hr/>
	<u><u>\$ 109,888,424</u></u>

NET ASSET VALUE:

Class A Shares:

Net asset value and redemption price per share
(\$39,808,077 applicable to 2,831,256 shares of beneficial
interest outstanding - Note 4) \$ 14.06

Maximum sales charge, 2.00% of offering price

0.29

Maximum offering price per share \$ 14.35

Class C Shares:

Net asset value and offering price per share*
(\$15,343,872 applicable to 1,090,163 shares of beneficial
interest outstanding - Note 4) \$ 14.07

Class I Shares:

Net asset value, offering and redemption price per share
(\$54,736,475 applicable to 3,889,451 shares of beneficial
interest outstanding - Note 4) \$ 14.07

* Redemption price per share is equal to net asset value less any applicable contingent deferred sales charge.

See notes to financial statements.

STATEMENT OF OPERATIONS

Thornburg Strategic Municipal Income Fund

Year Ended September 30, 2011

INVESTMENT INCOME:

Interest income (net of premium amortized of \$143,955) \$ 4,977,705

EXPENSES:

Investment advisory fees (Note 3)	664,709
Administration fees (Note 3)	
Class A Shares	41,284
Class C Shares	18,391
Class I Shares	20,444
Distribution and service fees (Note 3)	
Class A Shares	82,568
Class C Shares	88,498
Transfer agent fees	
Class A Shares	18,412
Class C Shares	12,279
Class I Shares	17,664
Registration and filing fees	
Class A Shares	21,053
Class C Shares	21,075
Class I Shares	21,331
Custodian fees (Note 3)	51,385
Professional fees	41,827
Accounting fees	3,787
Trustee fees	2,281
Other expenses	<u>18,520</u>
Total Expenses	1,145,508
Less:	
Expenses reimbursed by investment advisor (Note 3)	(100,276)
Fees paid indirectly (Note 3)	<u>(804)</u>
Net Expenses	<u>1,044,428</u>
Net Investment Income	<u>3,933,277</u>

REALIZED AND UNREALIZED GAIN (LOSS)

Net realized gain (loss) on investments	98,722
Net change in unrealized appreciation (depreciation) on investments	<u>(464,465)</u>
Net Realized and Unrealized Loss	<u>(365,743)</u>
Net Increase in Net Assets Resulting from Operations	<u>\$ 3,567,534</u>

See notes to financial statements.

STATEMENTS OF CHANGES IN NET ASSETS

Thornburg Strategic Municipal Income Fund

	Year Ended September 30, 2011	Year Ended September 30, 2010
INCREASE (DECREASE) IN NET ASSETS FROM		
OPERATIONS:		
Net investment income	\$ 3,933,277	\$ 2,268,325
Net realized gain (loss) on investments	98,722	377,353
Net unrealized appreciation (depreciation) on investments	<u>(464,465)</u>	<u>2,052,352</u>
Net Increase (Decrease) in Net Assets Resulting from Operations	3,567,534	4,698,030
DIVIDENDS TO SHAREHOLDERS:		
From net investment income		
Class A Shares	(1,443,523)	(779,270)
Class C Shares	(599,513)	(319,620)
Class I Shares	(1,887,215)	(1,169,435)
From realized gains		
Class A Shares	(48,451)	(110,997)
Class C Shares	(26,448)	(40,025)
Class I Shares	(67,868)	(164,754)
FUND SHARE TRANSACTIONS (NOTE 4):		
Class A Shares	11,532,230	15,636,797
Class C Shares	401,837	11,167,420
Class I Shares	<u>12,899,113</u>	<u>22,636,138</u>
Net Increase in Net Assets	24,327,696	51,554,284
NET ASSETS:		
Beginning of Year	<u>85,560,728</u>	<u>34,006,444</u>
End of Year	<u>\$ 109,888,424</u>	<u>\$ 85,560,728</u>
Undistributed net investment income	\$ 3,622	\$ -

See notes to financial statements.

NOTE 1 – ORGANIZATION

Thornburg Strategic Municipal Income Fund (the “Fund”) is a diversified series of Thornburg Investment Trust (the “Trust”). The Trust is organized as a Massachusetts business trust under a Declaration of Trust dated June 3, 1987 and is registered as a diversified, open-end management investment company under the Investment Company Act of 1940, as amended. The Fund is currently one of sixteen separate series of the Trust. Each series is considered to be a separate entity for financial reporting and tax purposes and bears expenses directly attributable to it. The Fund’s primary investment objective is to seek a high level of current income exempt from federal individual income tax.

The Fund currently offers three classes of shares of beneficial interest outstanding: Class A, Class C, and Institutional Class (Class I). Each class of shares of the Fund represents an interest in the same portfolio of investments, except that (i) Class A shares are sold subject to a front-end sales charge collected at the time the shares are purchased and bear a service fee, (ii) Class C shares are sold at net asset value without a sales charge at the time of purchase, but are subject to a contingent deferred sales charge upon redemption within one year of purchase, and bear both a service fee and a distribution fee, (iii) Class I shares are sold at net asset value without a sales charge at the time of purchase, and (iv) the respective classes may have different reinvestment privileges and conversion rights. Additionally, the Fund may allocate among its classes certain expenses, to the extent allowable to specific classes, including transfer agent fees, government registration fees, certain printing and postage costs, and administrative and legal expenses. Currently, class specific expenses of the Fund are limited to service and distribution fees, administration fees, and certain registration and transfer agent expenses.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies of the Trust are as follows:

Valuation of Investments: Debt obligations have a primary market over the counter and are valued by an independent pricing service approved by the Trustees of the Trust. The pricing service ordinarily values debt obligations at quoted bid prices. When quotations are not available, debt obligations are valued at evaluated prices determined by the pricing service using methods which include consideration of yields or prices of debt obligations of comparable quality, type of issue, coupon, maturity and rating, and indications as to value from dealers and general market conditions. Short-term obligations having remaining maturities of 60 days or less are ordinarily valued at amortized cost, which approximates market value.

In any case where a pricing service fails to provide a price for a debt obligation held by the Fund, the valuation and pricing committee determines a fair value for the obligation using procedures approved by the Trustees. Additionally, in any case where management believes that a price provided by a pricing service for a debt obligation may be unreliable, the valuation and pricing committee decides whether or not to use the pricing service’s valuation or to determine a fair value for the obligation.

In determining fair value for any portfolio security or other investment, the valuation and pricing committee seeks to determine the amount that an owner of the investment might reasonably expect to receive upon a sale of the investment. However, because fair value prices are estimated prices, the valuation and pricing committee’s determination of fair value for an investment may differ from the value that would be realized by the Fund upon a sale of the investment, and that difference could be material to the Fund’s financial statements. The valuation and pricing committee’s determination of fair value for an investment may also differ from the prices obtained by other persons (including other mutual funds) for the investment.

Valuation Measurements: Various inputs are used in determining the value of the Fund’s investments. These inputs are summarized in the three levels listed below:

Level 1: Quoted prices in active markets for identical investments.

Level 2: Other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment rates, credit risk, etc.).

Level 3: Significant unobservable inputs (including the Fund’s own assumptions in determining the fair value of investments).

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Thornburg Strategic Municipal Income Fund

September 30, 2011

The following table displays a summary of the inputs used to value the Fund's net assets as of September 30, 2011. In any instance when valuation inputs from more than one level are used to determine the fair value of a specific investment, the investment is placed in the level of the table based upon the lowest level input that is significant in determining the fair value of the investment:

	Fair Value Measurements at September 30, 2011			
	Total	Level 1	Level 2	Level 3
Assets				
Investments in Securities				
Municipal Bonds	\$ 109,377,168	\$ -	\$ 109,377,168	\$ -
Total Investments in Securities	\$ 109,377,168	\$ -	\$ 109,377,168	\$ -

Other Notes: It is the policy of the Fund to recognize significant transfers between Levels 1, 2 and 3 and to disclose those transfers at the beginning of the reporting period. The Fund recognized no significant transfers between levels for the year ended September 30, 2011.

Federal Income Taxes: It is the policy of the Trust to comply with the provisions of the Internal Revenue Code applicable to "regulated investment companies," and to distribute to shareholders substantially all taxable (if any) and tax exempt income of the Fund. Therefore, no provision for federal income tax is required.

Management reviews each uncertain tax position believed to be material to the preparation of the Fund's financial statements, to assess if it is more likely than not that the position would be sustained upon examination, based upon the technical merits of the position. As of September 30, 2011, management has not identified any such position for which a liability must be reflected in the Statement of Assets and Liabilities. The Fund's tax returns remain subject to examination for three years after filing.

When-Issued and Delayed Delivery Transactions: The Fund may engage in when-issued or delayed delivery transactions. To the extent the Fund engages in such transactions, it will do so for the purpose of acquiring portfolio securities consistent with the Fund's investment objectives and not for the purpose of investment leverage or to speculate on interest rate and/or market changes. At the time the Fund makes a commitment to purchase a security on a when-issued or delayed delivery basis, the Fund will record the transaction and reflect the value in determining its net asset value. When effecting such transactions, assets of an amount sufficient to make payment for the portfolio securities to be purchased will be segregated on the Fund's records on the trade date. Securities purchased on a when-issued or delayed delivery basis do not earn interest until the settlement date.

Dividends: Net investment income of the Fund is declared daily as a dividend on shares for which the Fund has received payment. Dividends are paid monthly and are reinvested in additional shares of the Fund at net asset value per share at the close of business on the dividend payment date, or at the shareholder's option, paid in cash. Net realized capital gains, to the extent available, will be distributed at least annually.

General: Securities transactions are accounted for on a trade date basis. Interest income is accrued as earned. Premiums and discounts on securities purchased are amortized to call dates or maturity dates of the respective securities. Realized gains and losses from the sale of securities are recorded on an identified cost basis. Net investment income (other than class specific expenses) and realized and unrealized gains and losses are allocated daily to each class of shares based upon the relative net asset value of outstanding shares (or the value of the dividend-eligible shares, as appropriate) of each class of shares at the beginning of the day (after adjusting for the current capital shares activity of the respective class). Expenses common to all Funds are allocated among the Funds comprising the Trust based upon their relative net asset values or other appropriate allocation methods.

Guarantees and Indemnifications: Under the Trust's organizational documents, its officers and Trustees are indemnified against certain liabilities arising out of the performance of their duties to the Fund. Additionally, in the normal course of business the Trust enters into contracts with service providers that contain general indemnification clauses. The Trust's maximum exposure under these arrangements is unknown. However, based on experience, the Trust expects the risk of loss to be remote.

Use of Estimates: The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent

assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates.

NOTE 3 – INVESTMENT ADVISORY FEE AND OTHER TRANSACTIONS WITH AFFILIATES

Pursuant to an investment advisory agreement, Thornburg Investment Management, Inc. (the “Advisor”) serves as the investment advisor and performs services to the Fund for which the fees are payable at the end of each month. For the year ended September 30, 2011, these fees were payable at annual rates ranging from .75 of 1% to .50 of 1% per annum of the average daily net assets of the Fund depending on the Fund’s asset size. The Trust also has entered into administrative services agreements with the Advisor, whereby the Advisor will perform certain administrative services for the shareholders of each class of the Fund’s shares, and for which fees will be payable at an annual rate of up to .125 of 1% per annum of the average daily net assets attributable to each class of shares. For the year ended September 30, 2011, the Advisor contractually reimbursed certain class specific expenses and administrative fees of \$41,917 for Class A shares, \$41,786 for Class C shares and \$16,573 for Class I shares.

The Trust has an underwriting agreement with Thornburg Securities Corporation (the “Distributor,” an affiliate of the Advisor), which acts as the distributor of the Fund’s shares. For the year ended September 30, 2011, the Distributor has advised the Fund that it earned net commissions aggregating \$1,175 from the sale of Class A shares, and collected contingent deferred sales charges aggregating \$4,541 from redemptions of Class C shares of the Fund.

Pursuant to a service plan under Rule 12b-1 of the Investment Company Act of 1940, the Fund may reimburse to the Advisor an amount not to exceed .25 of 1% per annum of the average daily net assets attributable to each class of shares of the Fund for payments made by the Advisor to securities dealers and other financial institutions to obtain various shareholder and distribution related services. For the year ended September 30, 2011, there were no 12b-1 service plan fees charged for Class I shares. The Advisor may pay out of its own resources additional expenses for distribution of the Fund’s shares.

The Trust has also adopted a distribution plan pursuant to Rule 12b-1, applicable only to the Fund’s Class C shares, under which the Fund compensates the Distributor for services in promoting the sale of Class C shares of the Fund at an annual rate of up to .35 of 1% per annum of the average daily net assets attributable to Class C shares. Total fees incurred by the Distributor for each class of shares of the Fund under their respective Service and Distribution Plans for the year ended September 30, 2011, are set forth in the Statement of Operations.

The Trust has an agreement with the custodian bank to indirectly pay a portion of the custodian’s fees through credits earned by the Fund’s cash on deposit with the bank. This deposit agreement is an alternative to overnight investments. Custodial fees have been adjusted to reflect amounts that would have been paid without this agreement, with a corresponding adjustment reflected as fees paid indirectly in the Statement of Operations. For the year ended September 30, 2011, fees paid indirectly were \$804.

Certain officers and Trustees of the Trust are also officers or directors of the Advisor and Distributor. The compensation of independent Trustees is borne by the Trust.

NOTE 4 – SHARES OF BENEFICIAL INTEREST

At September 30, 2011, there were an unlimited number of shares of beneficial interest authorized. Transactions in shares of beneficial interest were as follows:

	Year Ended September 30, 2011		Year Ended September 30, 2010	
	Shares	Amount	Shares	Amount
Class A Shares				
Shares sold	1,515,491	\$ 20,437,728	1,292,244	\$ 17,833,733
Shares issued to shareholders in reinvestment of dividends	83,263	1,126,525	53,595	735,252
Shares repurchased	(748,444)	(10,032,023)	(213,606)	(2,932,188)
Net increase (decrease)	850,310	\$ 11,532,230	1,132,233	\$ 15,636,797

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Thornburg Strategic Municipal Income Fund

September 30, 2011

	Year Ended September 30, 2011		Year Ended September 30, 2010	
	Shares	Amount	Shares	Amount
Class C Shares				
Shares sold	500,548	\$ 6,822,609	893,854	\$ 12,358,292
Shares issued to shareholders in reinvestment of dividends	28,470	385,419	16,955	233,302
Shares repurchased	(511,043)	(6,806,191)	(104,152)	(1,424,174)
Net increase (decrease)	<u>17,975</u>	<u>\$ 401,837</u>	<u>806,657</u>	<u>\$ 11,167,420</u>
Class I Shares				
Shares sold	2,118,197	\$ 28,788,268	1,714,923	\$ 23,915,174
Shares issued to shareholders in reinvestment of dividends	114,091	1,545,006	73,042	1,003,621
Shares repurchased	(1,304,041)	(17,434,161)	(165,161)	(2,282,657)
Net increase (decrease)	<u>928,247</u>	<u>\$ 12,899,113</u>	<u>1,622,804</u>	<u>\$ 22,636,138</u>

NOTE 5 – SECURITIES TRANSACTIONS

For the year ended September 30, 2011, the Fund had purchase and sale transactions of investment securities (excluding short-term investments) of \$38,916,535 and \$16,466,450, respectively.

NOTE 6 – INCOME TAXES

At September 30, 2011, information on the tax components of capital is as follows:

Cost of investments for tax purposes	<u>\$ 104,876,671</u>
Gross unrealized appreciation on a tax basis	\$ 4,820,761
Gross unrealized depreciation on a tax basis	<u>(320,264)</u>
Net unrealized appreciation (depreciation) on investments (tax basis)	<u>\$ 4,500,497</u>
Distributable capital gains (tax basis)	\$ 98,006

At September 30, 2011, the Fund did not have any undistributed net ordinary income.

The tax character of distributions paid for the years ended September 30, 2011, and September 30, 2010, was as follows:

	2011	2010
Distributions from:		
Tax exempt income	\$ 3,828,976	\$ 2,190,183
Ordinary income	238,593	393,918
Capital gains	5,449	-
Total Distributions	<u>\$ 4,073,018</u>	<u>\$ 2,584,101</u>

The Regulated Investment Company Modernization Act of 2010 (the "Act") was signed into law on December 22, 2010. The Act makes changes to a number of tax rules impacting the Fund. Under the Act, future capital losses generated by the Fund may be carried over indefinitely, but these losses must be used prior to the utilization of any pre-enactment capital losses. Since pre-enactment capital losses may only be carried forward for eight years, there may be a greater likelihood that all or a portion of a Fund's pre-enactment capital losses will expire unused. In general, the provisions of the Act will be effective for the Fund's fiscal year ending September 30, 2012. As of September 30, 2011, the Fund had no pre-enactment capital loss carryforwards to offset future capital gains.

In order to account for permanent book/tax differences, the Fund increased undistributed net investment income by \$3,622 and decreased net capital paid in on shares of beneficial interest by \$3,622. This reclassification has no impact on the net asset value of the Fund. This reclassification resulted primarily from non-deductible expenses paid.

OTHER NOTES:

Risks: The Fund's investments subject it to risks including, but not limited to, credit risk, interest rate risk, management risk, market and economic risk, liquidity risk, and the risks associated with investments in derivative instruments. Please see the Fund's prospectus for a discussion of the risks associated with an investment in the Fund.

Subsequent Events: Fund management believes no events have occurred between September 30, 2011 and the date of issuance of the financial statements, which require adjustment to, or disclosure in the accompanying financial statements.

FINANCIAL HIGHLIGHTS

Thornburg Strategic Municipal Income Fund

PER SHARE PERFORMANCE (for a share outstanding throughout the Year)+

Unless Otherwise Noted, Periods are Fiscal Years Ended Sept. 30,	Net Asset Value Beginning of Year	Net Investment Income (Loss)	Net Realized & Unrealized Gain (Loss) on Investments	Total from Investment Operations	Dividends from Net Investment Income	Dividends from Net Realized Gains	Total Dividends	Net Asset Value End of Year
Class A Shares								
2011 ^(b)	\$ 14.22	0.59	(0.14)	0.45	(0.59)	(0.02)	(0.61)	\$ 14.06
2010 ^(b)	\$ 13.86	0.60	0.48	1.08	(0.61)	(0.11)	(0.72)	\$ 14.22
2009 ^{(b)(c)}	\$ 11.94	0.29	1.91	2.20	(0.28)	-	(0.28)	\$ 13.86
Class C Shares								
2011	\$ 14.23	0.55	(0.14)	0.41	(0.55)	(0.02)	(0.57)	\$ 14.07
2010	\$ 13.87	0.55	0.49	1.04	(0.57)	(0.11)	(0.68)	\$ 14.23
2009 ^(c)	\$ 11.94	0.27	1.93	2.20	(0.27)	-	(0.27)	\$ 13.87
Class I Shares								
2011	\$ 14.23	0.63	(0.14)	0.49	(0.63)	(0.02)	(0.65)	\$ 14.07
2010	\$ 13.87	0.64	0.48	1.12	(0.65)	(0.11)	(0.76)	\$ 14.23
2009 ^(c)	\$ 11.94	0.31	1.92	2.23	(0.30)	-	(0.30)	\$ 13.87

(a) Not annualized for periods less than one year.

(b) Sales loads are not reflected in computing total return, which are not annualized for periods less than one year.

(c) Fund commenced operations on April 1, 2009.

(d) Annualized.

(e) Due to the size of net assets and fixed expenses, ratios may appear disproportionate.

+ Based on weighted average shares outstanding.

See notes to financial statements.

FINANCIAL HIGHLIGHTS, CONTINUED

Thornburg Strategic Municipal Income Fund

RATIOS TO AVERAGE NET ASSETS

Net Investment Income (Loss) (%)	Expenses, After Expense Reductions (%)	Expenses, After Expense Reductions and Net of Custody Credits (%)	Expenses, Before Expense Reductions (%)
4.37	1.25	1.25	1.38
4.40	1.25	1.25	1.50
4.71 ^(d)	1.25 ^(d)	1.25 ^(d)	2.92 ^(d)
4.07	1.55	1.55	1.83
4.05	1.55	1.55	2.36
4.40 ^(d)	1.55 ^(d)	1.55 ^(d)	6.40 ^{(d)(e)}
4.62	0.99	0.99	1.03
4.66	0.99	0.99	1.11
4.90 ^(d)	0.99 ^(d)	0.99 ^(d)	2.12 ^(d)

SUPPLEMENTAL DATA

Total Return (%) ^(a)	Portfolio Turnover Rate (%)	Net Assets at End of Year (Thousands)
3.47	19.45	\$ 39,808
8.20	16.26	\$ 28,166
18.65	14.37	\$ 11,761
3.16	19.45	\$ 15,344
7.88	16.26	\$ 15,261
18.58	14.37	\$ 3,684
3.74	19.45	\$ 54,736
8.48	16.26	\$ 42,134
18.87	14.37	\$ 18,561

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Thornburg Strategic Municipal Income Fund

To the Trustees and Shareholders of
Thornburg Strategic Municipal Income Fund

In our opinion, the accompanying statement of assets and liabilities, including the schedule of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Thornburg Strategic Municipal Income Fund (one of the portfolios constituting Thornburg Investment Trust, hereafter referred to as the “Fund”) at September 30, 2011, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the periods presented, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as “financial statements”) are the responsibility of the Fund’s management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at September 30, 2011 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

New York, New York
November 21, 2011

EXPENSE EXAMPLE

Thornburg Strategic Municipal Income Fund

September 30, 2011 (Unaudited)

As a shareholder of the Fund, you incur two types of costs:

(1) transaction costs, including

(a) sales charges (loads) on purchase payments, for Class A shares;

(b) a deferred sales charge on redemptions of any part or all of a purchase of \$1 million of Class A shares within 12 months of purchase;

(c) a deferred sales charge on redemptions of Class C shares within 12 months of purchase;

(2) ongoing costs, including management fees; distribution and/or service (12b-1) fees; and other Fund expenses.

This example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds.

The example is based on a \$1,000 investment beginning on April 1, 2011, and held until September 30, 2011.

ACTUAL EXPENSES

For each class of shares, the first line of the table at right provides information about actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first line for your class of shares under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

HYPOTHETICAL EXAMPLE FOR COMPARISON PURPOSES

For each class of shares, the second line of the table at right provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

	Beginning Account Value 4/1/11	Ending Account Value 9/30/11	Expenses Paid During Period† 4/1/11–9/30/11
Class A Shares			
Actual	\$1,000.00	\$ 1,095.00	\$ 6.56
Hypothetical*	\$1,000.00	\$ 1,018.80	\$ 6.33
Class C Shares			
Actual	\$1,000.00	\$ 1,093.40	\$ 8.13
Hypothetical*	\$1,000.00	\$ 1,017.30	\$ 7.84
Class I Shares			
Actual	\$1,000.00	\$ 1,096.40	\$ 5.20
Hypothetical*	\$1,000.00	\$ 1,020.11	\$ 5.01

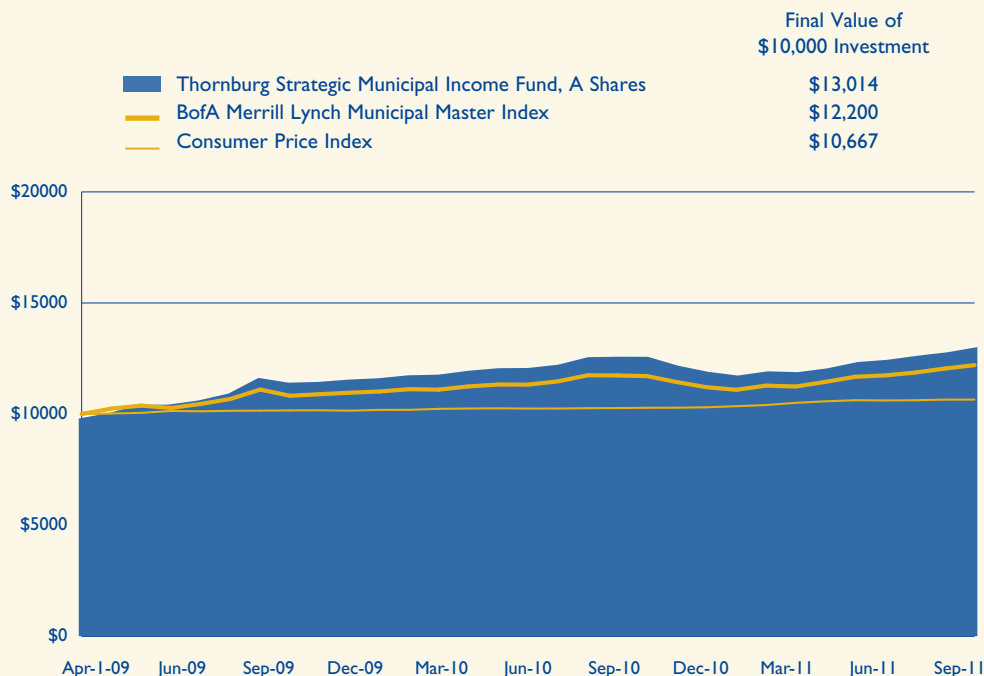
† Expenses are equal to the annualized expense ratio for each class (A: 1.25%; C: 1.55%; I: 0.99%) multiplied by the average account value over the period, multiplied by 183/365 to reflect the one-half year period.

* Hypothetical assumes a rate of return of 5% per year before expenses.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs, such as sales charges (loads), redemption fees, or exchange fees. Therefore, the second line of the table for each class of shares is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

GROWTH OF A HYPOTHETICAL \$10,000 INVESTMENT

Thornburg Strategic Municipal Income Fund versus BofA Merrill Lynch Municipal Master Index and Consumer Price Index (April 1, 2009 to September 30, 2011)



AVERAGE ANNUAL TOTAL RETURNS

For the periods ended September 30, 2011 (with sales charge)

	1 Yr	5 Yrs	10 Yrs	Since Inception
A Shares (Incep: 4/1/09)	1.40%	-	-	11.14%
C Shares (Incep: 4/1/09)	2.57%	-	-	11.74%
I Shares (Incep: 4/1/09)	3.74%	-	-	12.35%

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 800.847.0200. The performance data and graph do not reflect the deduction of taxes that a shareholder would pay on distributions or the redemption of Fund shares. Returns reflect the reinvestment of dividends and capital gains as well as applicable sales charges. Class A shares are sold with a maximum sales charge of 2.00%. Class C shares assume deduction of a 0.60% contingent deferred sales charge (CDSC) for the first year only. There is no sales charge for Class I shares.

TRUSTEES AND OFFICERS

Thornburg Strategic Municipal Income Fund

September 30, 2011 (Unaudited)

Name, Age, Position Held with Fund Year Elected	Principal Occupation(s) During Past Five Years	Other Directorships Held by Trustee
INTERESTED TRUSTEES⁽¹⁾⁽²⁾⁽⁴⁾		
Garrett Thornburg, 65 Chairman of Trustees, Trustee since 1987 ⁽³⁾	Chairman and controlling shareholder and, until 2008, CEO of Thornburg Investment Management, Inc. (investment advisor); Chairman, CEO, and controlling shareholder of Thornburg Securities Corporation (securities dealer); CEO until 2007 and Chairman until 2009 of TMST, Inc. (f/k/a Thornburg Mortgage, Inc.) (real estate investment trust); President and Sole Director of Thornburg Mortgage Advisory Corporation (investment manager to TMST, Inc.).	None
Brian J. McMahon, 55 Trustee since 2001, Member of Governance & Nominating Committee & Operations Risk Oversight Committee, President since 1997 ⁽⁵⁾⁽⁶⁾	CEO since 2008, President, Managing Director, Chief Investment Officer, and Portfolio Manager of Thornburg Investment Management, Inc.	None
INDEPENDENT TRUSTEES⁽¹⁾⁽²⁾⁽⁴⁾		
David A. Ater, 66 Trustee since 1994, Member of Audit Committee & Governance & Nominating Committee	Principal in Ater & Associates, Santa Fe, NM (developer, planner and broker of residential and commercial real estate); owner, developer and broker for various real estate projects.	None
David D. Chase, 70 Trustee since 2000, Chairman of Audit Committee	Managing Member of Vestor Associates, LLC, Santa Fe, NM (private equity fund); Managing Member of CS Group, LLC, Santa Fe, NM (merchant bank).	None
Eliot R. Cutler, 65 Trustee since 2004 & Nominating Committee, Chairman of Governance	Senior Counsel and, until 2009, Partner in Akin, Gump, Strauss, Hauer & Feld LLP (law firm) in Washington, D.C. and Beijing, China.	None
Susan H. Dubin, 62 Trustee since 2004, Member of Audit Committee	President of Dubin Investments, Ltd., Greenwich, CT (private investment fund); Director and officer of various charitable organizations.	None
Owen D. Van Essen, 57 Trustee since 2004, Member of Governance & Nominating Committee & Chairman of Operations Risk Oversight Committee	President of Dirks, Van Essen & Murray, Santa Fe, NM (newspaper mergers and acquisitions).	None
James W. Weyhrauch, 52 Trustee since 1996, Member of Audit Committee & Operations Risk Oversight Committee	Real estate broker, Santa Fe Properties, Santa Fe, NM; Vice Chairman of Nambe LLC, Santa Fe, NM (manufacturing & design company).	None

TRUSTEES AND OFFICERS, CONTINUED

Thornburg Strategic Municipal Income Fund

September 30, 2011 (Unaudited)

Name, Age, Position Held with Fund Year Elected	Principal Occupation(s) During Past Five Years	Other Directorships Held by Trustee
OFFICERS OF THE FUND (WHO ARE NOT TRUSTEES)⁽¹⁾⁽⁶⁾⁽⁷⁾		
George T. Strickland, 48 Vice President since 1996, Treasurer since 2007 ⁽⁶⁾	Portfolio Manager, Vice President, and Managing Director of Thornburg Investment Management, Inc.	Not applicable
William V. Fries, 72 Vice President since 1995	Portfolio Manager, Vice President, and Managing Director of Thornburg Investment Management, Inc.	Not applicable
Leigh Moiola, 44 Vice President since 2001	Vice President, Managing Director, and Director of Marketing of Thornburg Investment Management, Inc.	Not applicable
Alexander Motola, 41 Vice President since 2001	Portfolio Manager, Vice President, and Managing Director of Thornburg Investment Management, Inc.	Not applicable
Wendy Trevisani, 40 Vice President since 1999	Portfolio Manager and Managing Director of Thornburg Investment Management, Inc.	Not applicable
Joshua Gonze, 48 Vice President since 1999	Portfolio Manager since 2007, Managing Director, and Associate Portfolio Manager until 2007 of Thornburg Investment Management, Inc.	Not applicable
Christopher Ihlefeld, 41 Vice President since 2003	Portfolio Manager since 2007, Managing Director, and Associate Portfolio Manager until 2007 of Thornburg Investment Management, Inc.	Not applicable
Leon Sandersfeld, 45 Vice President since 2003	Managing Director since 2007 and Fund Accounting Director of Thornburg Investment Management, Inc.	Not applicable
Sasha Wilcoxon, 37 Vice President since 2003 Secretary since 2007 ⁽⁶⁾	Managing Director since 2007, Director of Operations, and Vice President of Thornburg Investment Management, Inc.	Not applicable
Edward Maran, 53 Vice President since 2004	Portfolio Manager and Managing Director of Thornburg Investment Management, Inc.	Not applicable
Vinson Walden, 41 Vice President since 2004	Portfolio Manager and Managing Director of Thornburg Investment Management, Inc.	Not applicable
Thomas Garcia, 40 Vice President since 2006	Vice President since 2011, Managing Director, Head Equity Trader, and Associate Portfolio Manager of Thornburg Investment Management, Inc.	Not applicable
Lei Wang, 40 Vice President since 2006	Portfolio Manager and Managing Director of Thornburg Investment Management, Inc.	Not applicable
Connor Browne, 32 Vice President since 2006	Portfolio Manager and Managing Director of Thornburg Investment Management, Inc.	Not applicable
Jason Brady, 37 Vice President since 2007	Vice President since 2011, Portfolio Manager since 2007, Managing Director since 2007, and Associate Portfolio Manager 2006–2007 of Thornburg Investment Management, Inc.	Not applicable

TRUSTEES AND OFFICERS, CONTINUED

Thornburg Strategic Municipal Income Fund

September 30, 2011 (Unaudited)

Name, Age, Position Held with Fund Year Elected	Principal Occupation(s) During Past Five Years	Other Directorships Held by Trustee
Lewis Kaufman, 35 Vice President since 2007	Portfolio Manager since 2007, Managing Director since 2007, and Associate Portfolio Manager until 2009 of Thornburg Investment Management, Inc.	Not applicable
Christopher Ryon, 55 Vice President since 2008	Portfolio Manager since 2009, Managing Director since 2009, and Associate Portfolio Manager 2008–2009 of Thornburg Investment Management, Inc.; Principal of Vanguard Funds until 2008.	Not applicable
Lon Erickson, 36 Vice President since 2008	Portfolio Manager since 2010, Managing Director since 2010, and Associate Portfolio Manager 2008–2010 of Thornburg Investment Management, Inc.; Senior Analyst of State Farm Insurance until 2008.	Not applicable
Kathleen Brady, 51 Vice President since 2008	Senior Tax Accountant since 2007 of Thornburg Investment Management, Inc.; Chief Financial Officer of Vestor Partners, LP (private equity fund) until 2007.	Not applicable
Jack Gardner, 57 Vice President since 2008	Managing Director since 2007 of Thornburg Investment Management, Inc.; President since 2008 and National Sales Director of Thornburg Securities Corporation.	Not applicable
Laura Hillstrom, 44 Vice President since 2009	Chief Administrative Officer since 2009, Vice President and Managing Director, and Director of Information Systems until 2009 of Thornburg Investment Management, Inc.	Not applicable

- (1) Each person's address is 2300 North Ridgetop Road, Santa Fe, New Mexico 87506.
- (2) The Fund is one of sixteen separate investment "Funds" or "series" of Thornburg Investment Trust (the "Trust"), which comprises the Thornburg mutual fund complex and is organized as a Massachusetts business trust. Thornburg Investment Management, Inc. is the investment advisor to, and manages, the sixteen Funds of the Trust. Each Trustee oversees the sixteen Funds of the Trust.
- (3) Mr. Thornburg is considered an "interested" Trustee under the Investment Company Act of 1940 because he is the sole director and controlling shareholder of Thornburg Investment Management, Inc., the investment advisor to the sixteen active Funds of the Trust, and is the sole director and controlling shareholder of Thornburg Securities Corporation, the distributor of shares for the Trust.
- (4) Each Trustee serves in office until the election and qualification of a successor.
- (5) Mr. McMahon is considered an "interested" Trustee because he is the chief executive officer and president of Thornburg Investment Management, Inc.
- (6) The Trust's president, secretary, and treasurer each serves a one-year term or until the election and qualification of a successor; each other officer serves at the pleasure of the Trustees.
- (7) Assistant vice presidents, assistant secretaries and assistant treasurers are not shown.

The Statement of Additional Information for each Fund of the Trust includes additional information about the Trustees and is available, without charge and upon request, by calling 1-800-847-0200.

PORTFOLIO PROXY VOTING**Policies and Procedures:**

The Trust has delegated to Thornburg Investment Management, Inc. (the "Advisor") voting decisions respecting proxies for the Fund's voting securities. The Advisor makes voting decisions in accordance with its Proxy Voting Policy. A description of the Policy is available (i) without charge, upon request, by calling the Advisor toll-free at 1-800-847-0200, (ii) on the Thornburg website at www.thornburg.com, and (iii) on the Securities and Exchange Commission's website at www.sec.gov.

Information regarding how proxies were voted is available on or before August 31 of each year for the twelve months ending the preceding June 30. This information is available (i) without charge, upon request by calling the Advisor toll-free at 1-800-847-0200, (ii) on the Thornburg website at www.thornburg.com, and (iii) on the Securities and Exchange Commission's website at www.sec.gov.

TAX INFORMATION

For the tax year ended September 30, 2011 dividends paid by the Fund of \$3,828,976 (or the maximum allowed) are tax exempt dividends and \$5,449 are designated as taxable long-term capital gain dividends for federal income tax purposes.

The information and distributions reported herein may differ from the information and distributions reported to the shareholders for the calendar year ending December 31, 2011. Complete information will be reported in conjunction with your 2011 Form 1099.

AVAILABILITY OF QUARTERLY PORTFOLIO SCHEDULE

The Fund files with the Securities and Exchange Commission schedules of its portfolio holdings on Form N-Q for the first and third quarters of each fiscal year. The Fund's Forms N-Q are available on the Commission's website at www.sec.gov, or may be reviewed and copied at the Commission's Public Reference Room in Washington, D.C. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330. The Fund also makes this information available on its website at www.thornburg.com/ download or upon request by calling 1-800-847-0200.

STATEMENT RESPECTING RENEWAL OF INVESTMENT ADVISORY AGREEMENT

Thornburg Investment Management, Inc. (the "Advisor") provides investment management services to Thornburg Strategic Municipal Income Fund pursuant to an investment advisory agreement. The Trustees consider the renewal of this agreement annually, and most recently determined to renew the agreement on September 13, 2011.

In anticipation of their recent consideration of the advisory agreement's renewal, the independent Trustees met in May 2011 to plan the Trustees' evaluation of the Advisor's performance and to specify the information the Advisor would present to the Trustees for their review. The Advisor's chief investment officer subsequently reviewed portions of the information with the Trustees at a meeting session scheduled for that purpose, and the independent Trustees thereafter met in independent session to consider the Advisor's presentation and various specific issues respecting their consideration of the advisory agreement's renewal. Following these sessions, the Trustees met to consider a renewal of the agreement, and the independent Trustees voted unanimously at that meeting to renew the agreement for an additional term of one year.

The information below summarizes certain factors considered by the Trustees in connection with the determination to renew the advisory agreement. In determining to renew the agreement, the Trustees did not identify any single factor as controlling, and this summary does not describe all of the matters considered by the Trustees in making their determination.

Quality of Services; Fund Investment Performance. The Trustees evaluated the nature, extent and quality of services provided by the Advisor under the advisory agreement, and evaluated the investment performance of the Fund.

In connection with their general supervision of the Advisor, and as an important element of their annual consideration of a renewal of the advisory agreement, the Trustees received and considered reports from the Advisor throughout the year. These reports addressed a wide variety of topics, including particularly the Advisor's selection of investments and execution of the Fund's investment strategies. In addition, the Trustees considered information provided to them at their request in anticipation of their annual evaluation of the Advisor's services, including (i) the Fund's absolute investment performance and achievement of stated objectives, (ii) the Advisor's

commentary on the Fund's performance in the context of the Fund's objectives and reasonable expectations, and business, market and economic conditions, and (iii) measures of the Fund's investment performance since inception relative to two categories of municipal debt mutual funds selected by independent mutual fund analyst firms, and relative to a broad-based securities index.

The Trustees also considered their perceptions of portfolio management personnel developed in formal and informal meetings throughout the year, the Advisor's staffing and other resources, trade execution, the Advisor's performance of accounting and other services, the Advisor's observance of compliance and regulatory requirements, the Advisor's responsiveness to the Trustees, and other factors.

In evaluating quantitative and performance data presented, the Trustees noted (among other aspects of the data) performance data for the one full calendar year since the Fund's inception, which showed that the Fund's investment return for the year had exceeded the average return of the mutual fund category for which calendar year data was presented. Other noted quantitative data showed that the Fund's investment returns fell within the top third of performance for the first fund category for the year-to-date period ended with the second quarter of the current year and within the top half of the same category for the one-year period, and that the Fund's investment returns fell within the top quartile of performance for the second fund category for the year-to-date and one-year periods.

The Trustees concluded, based upon these and other considerations, that the nature, extent and quality of the Advisor's services were sufficient and that the Advisor had satisfactorily pursued the Fund's stated investment objectives. The Trustees further concluded that the investment performance of the Fund was satisfactory in the context of the Fund's objectives and policies, and prevailing market conditions.

Fees and Expenses; Profitability of Advisor; Economies of Scale; Ancillary Benefits to Advisor. The Trustees evaluated the level of the management fee charged by the Advisor to the Fund, and in this connection, reviewed the profitability of the Advisor, economies of scale potentially available to the Fund and whether the Advisor received any ancillary benefits from its relationship with the Fund.

In evaluating the level of the management fee, the Trustees considered the fee charged by the Advisor and the other expenses charged to the Fund in light of the nature and quality of services provided, comparison of the actual Advisor's fee and Fund expenses to the statement of fees and expenses in the Fund's prospectuses, and comparisons of the Advisor's fee and other Fund expenses to median and average fees and expenses charged to two groups of municipal debt mutual funds assembled by independent mutual fund analyst firms. Comparative fee and expense data noted by the Trustees showed that the management fee charged to the Fund was higher than the median and average fee levels for the two groups of mutual funds, and that the overall expense ratio of the Fund was higher than the median and average expense ratios for the first fund group and somewhat higher than the median expense ratio and slightly higher than the average expense ratio for the second group. The Trustees did not identify the differences as significant. The Trustees considered information about the fees charged by the Advisor to other investment management clients, together with information about fees charged by other advisors to different clients, and analysis of the differences between the requirements of institutional clients and mutual funds and the consequently different investment management services provided, respectively, to institutional clients and to mutual funds. The Trustees confirmed their previous observations that the differences between the fees charged by the Advisor to different types of clients did not appear exceptional, and that the fee rates charged by investment advisors to institutional clients had limited relevance to the evaluation of fee rates charged to mutual funds, because of the significant differences between the respective requirements of institutional clients and mutual funds, the differences between the respective services rendered to institutional clients and mutual funds, and the different circumstances in which the respective fees originate.

In reviewing the profitability of the Advisor, the Trustees considered costs incurred by the Advisor and data comparing the profitability of the Advisor to other investment management firms. The Trustees considered information from the Advisor respecting the effects of recent economic events on the Advisor and the Advisor's responses to those events. The information provided did not indicate that the Advisor's profitability was unusual, and the Trustees noted the adequacy of the Advisor's resources and service capabilities. In reviewing the extent to which economies of scale would be realized by the Fund as it grows and whether fee levels reflect economies of scale, the Trustees considered the breakpoint structure for advisory fees chargeable to the Fund, the demonstrated economies of scale enjoyed by other Funds of the Trust as they had grown in size, and economies of scale realized by other mutual funds. The information provided demonstrated to the Trustees that the Fund may reasonably be expected to realize economies of scale as the Fund increases in size due to the breakpoint fee structure of the advisory agreement and other factors. In reviewing potential benefits to the Advisor because of its relationship to the Fund, the Trustees considered the Advisor's receipt of research services from broker dealers, and the benefits to both the Fund and the Advisor of the Advisor's expansion of its staffing, compliance and systems capabilities and other resources to serve a broader variety of investment management clients. No unusual or unfair benefits to the Advisor from its relationship to the Fund were identified by the Trustees.

OTHER INFORMATION, CONTINUED

Thornburg Strategic Municipal Income Fund

September 30, 2011 (Unaudited)

The Trustees concluded, based upon their consideration of these factors, that the management fee charged to the Fund by the Advisor was fair and reasonable in view of the nature and quality of the services provided by the Advisor, the clear disclosure of fees and expenses in the Fund's prospectuses, the investment performance of the Fund, and comparisons of fees and costs charged to the Fund to fees and expenses charged to other mutual funds.

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Trustees' Statement to Shareholders

Not part of the Certified Annual Report

September 13, 2011

The Trustees believe current and prospective shareholders should know how we discharge our responsibilities in supervising the Funds' investment advisor and in reviewing the advisor's contract for renewal. Since 2005, we have issued a statement which sets out clearly the three principal guidelines that we follow in supervising the Trust's investment advisor on your behalf. In accordance with our customary practice, in September of this year we again reviewed our statement and concluded we should reissue this statement outlining the principal features of our supervision of the advisor's performance of investment management services for the Funds.

We begin with the premise that each shareholder selected his or her Fund because its investments are managed by the investment advisor identified in the prospectus and in accordance with the objective and policies described in the prospectus. We realize, as each of you do, that if you believe that your Fund's stated objective and policies no longer serve your personal investment goals, you can sell your shares and leave the Fund.

Therefore, we believe that our primary supervisory task – our principal obligation to you – is to assess the nature and quality of the advisor's services, and to confirm that the advisor actively and competently pursues the Fund's objective, in accordance with the policies set out in the prospectus. To do this, we meet regularly with management to review your Fund's portfolio and to discuss the advisor's specific actions and judgments in pursuing the Fund's objective. We do not substitute our own judgment for the advisor's decisions in selecting investments; the advisor is paid to exercise its informed judgment on investment decisions, and we seek to confirm, in reviewing the advisor's performance, that the advisor is doing just that.

Second, while we are conscious of costs and the effect that costs have on shareholders' returns, we do not seek the lowest fees or expense ratio as our sole or primary objective. We try to make sure that your Fund's fees and costs are reasonable in relationship to the services rendered and that they are generally in line with those charged by other expert investment advisors, consistent with our belief that the Fund's investors searched for and expect that expertise and attention and have decided to pay a reasonable price for it. We do not put the management contract "out to bid" as a matter of course, and we would not do so unless we had concluded that the advisor materially had failed to pursue the Fund's objectives in accordance with its policies, or for other equally important reasons. We believe that any other approach would be inconsistent with your interests and contrary to your expectations when you bought shares of the Fund in the first place.

Finally, because we believe that most Thornburg Fund shareholders have invested with a long-term perspective, we try not to focus too much on the fashions of the moment and on short-term performance. The market will not favor any specific investment objective or set of policies at all times and under all economic circumstances. A fund will experience periods of both high and low returns relative to other funds and other investments. Even if one of our Funds is not favored by the market at a particular time, we believe that the advisor is nonetheless obliged to remain true to the Fund's objective and policies, and we watch to see that it does so.

Retirement and Education Accounts

Thornburg Investment Management offers retirement and education savings accounts that can help you meet a variety of planning challenges. For account applications or further information on any of the accounts below, please call 1-800-847-0200 or go to www.thornburg.com/ira. Your financial advisor can help you determine which plan is right for you.

Individual Retirement Accounts

Individual Retirement Accounts (IRAs) provide a tax-advantaged means to save money for the future. For a detailed outline of the difference between retirement accounts, see www.thornburg.com/ira. Rollovers are available. Call 1-800-847-0200 for more information.

Traditional IRAs – Contributions to Traditional IRAs are tax deductible for eligible individuals, and withdrawals are taxed as additional ordinary income. You may contribute to an IRA if you receive compensation and are under 70½, even if you are covered by an employer retirement plan. Deductible contributions are subject to certain qualifications. Please consult your tax advisor.

Roth IRAs – Under a Roth IRA, there is no tax deduction for contributions, but there is no income tax on qualified withdrawals. For a more detailed comparison of Traditional and Roth IRAs, please see our web site at www.thornburg.com/ira.

SEP IRAs – Simplified Employee Pension (SEP) IRAs are established by employers. The employer is allowed a tax deduction for contributions made to the SEP Plan and makes contributions to each eligible employee's SEP IRA on a discretionary basis.

SIMPLE IRAs – Savings Incentive Match Plan for Employees of Small Employers (SIMPLE) is designed to give small business owners a simplified method to establish and contribute to a retirement plan for employees. The employer is allowed a tax deduction for contributions and makes either matching or non-elective contributions to each eligible employee's SIMPLE IRA. Employees may make salary deferral contributions.

Coverdell Education Savings Account

These savings accounts are designed to provide a way to save money for higher education expenses. In an Education Savings Account, earnings and interest grow tax-free, and qualified withdrawals used to pay for eligible higher-education expenses are tax- and penalty-free.

Funds Available

The following funds are available in the accounts listed above:

- Thornburg International Value Fund
- Thornburg Value Fund
- Thornburg Core Growth Fund
- Thornburg Investment Income Builder Fund
- Thornburg Global Opportunities Fund
- Thornburg International Growth Fund
- Thornburg Developing World Fund
- Thornburg Limited Term U.S. Government Fund
- Thornburg Limited Term Income Fund
- Thornburg Strategic Income Fund



The Firm

Thornburg Investment Management is a privately held investment management company based in Santa Fe, New Mexico with assets under management of \$70 billion. Founded in 1982, the firm manages seven equity funds, nine bond funds, and separate portfolios for select institutions and individuals.

Investment Philosophy

We seek to preserve and increase the real wealth of the Funds' shareholders after accounting for inflation, taxes, and investment expenses. We're committed to disciplined investing and managing risk in all market environments.

Portfolio Holdings Disclosure

We believe you should know about your portfolio. Our web site keeps investors informed of the Funds' equity holdings. Go to www.thornburg.com/funds for commentary on our equity fund holdings.

Co-Ownership of Funds

We invest side-by-side with the Funds' shareholders. Our employees have invested \$248 million in Thornburg products.

Thornburg Equity Funds

Thornburg's equity research uses a fundamental and comprehensive analytical approach. Thornburg equity funds focus on a limited number of securities so that each holding can impact performance. The equity team searches for firms believed to have a promising future and seeks to buy shares of those companies at a discount to their intrinsic value.

- Thornburg Value Fund
- Thornburg International Value Fund
- Thornburg Core Growth Fund
- Thornburg Investment Income Builder Fund
- Thornburg Global Opportunities Fund
- Thornburg International Growth Fund
- Thornburg Developing World Fund

Thornburg Bond Funds

Thornburg Investment Management applies a disciplined philosophy to fixed-income management. Since the launch of our first fixed-income fund over 25 years ago, we have been conducting fundamental, bottom-up research in an effort to identify bonds which we believe provide the best return for a given level of risk. We are very organic in our approach, avoiding leverage or complex strategies which could backfire in periods of market uncertainty.

- Thornburg Limited Term Municipal Fund
- Thornburg Intermediate Municipal Fund
- Thornburg California Limited Term Municipal Fund
- Thornburg New Mexico Intermediate Municipal Fund
- Thornburg New York Intermediate Municipal Fund
- Thornburg Strategic Municipal Income Fund
- Thornburg Limited Term U.S. Government Fund
- Thornburg Limited Term Income Fund
- Thornburg Strategic Income Fund

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.

For additional information, please visit www.thornburg.com

Thornburg Investment Management, Inc. 2300 North Ridgetop Road, Santa Fe, NM 87506



This Annual Report is submitted for the general information of shareholders of the Fund. It is not authorized for distribution to prospective investors in the Fund unless preceded or accompanied by an effective prospectus.

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