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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 March 31, 2011. The managers' views, portfolio holdings, and sector diversification are provided for the general information of the Fund's shareholders; they are historical and subject to change. 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.

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.

Capacity Utilization – The extent to which an enterprise or a nation actually uses its installed productive capacity. Capacity utilization reflects overall growth and demand in the economy, rising when the economy is vibrant, and falling when demand softens. High capacity utilization also exerts inflationary pressures as scarce resources are in higher demand. However, it may also lead to new capital investments, such as new plants, that promote growth in the future.

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.

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.

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

QE2 or Quantitative Easing 2 – The second round of the Federal Reserve's monetary policy used to stimulate the U.S. economy following the recession that began in 2007/08. QE2 was initiated in the fourth quarter of 2010 in order to jump-start the sluggish economic recovery.

Taylor Rule – A monetary-policy formula that provides an indication of how much the central bank would or should change the nominal interest rate in response to divergences of actual inflation rates from target inflation rates and of actual Gross Domestic Product (GDP) from potential GDP. It was first proposed by the U.S. economist John B. Taylor in 1993. The Federal Reserve Board may not use the Taylor Rule in setting monetary policy.

Treasury Inflation Protected Securities (TIPS) – Either a U.S. Treasury note or bond that offers protection from the effects of inflation. Using the Consumer Price Index as a guide, the value of the principal is adjusted to reflect the effects of inflation. A fixed interest rate is paid semi-annually on the adjusted amount. At maturity, if inflation has increased the value of the principal, the investor receives the higher value. If deflation has decreased the value, the investor receives the original face amount of the security.

2011

Certified Semi-Annual Report

Thornburg Strategic Municipal Income Fund

March 31, 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.

Letter to Shareholders



Christopher Ihlefeld
Co-Portfolio Manager

April 13, 2011

Dear Fellow Shareholder:

We are pleased to present the semi-annual report for the Thornburg Strategic Municipal Income Fund. The net asset value (NAV) of the Class A shares declined from \$14.22 to \$13.12 during the six months ended March 31, 2011. If you were invested with us for the entire period, you received dividends of 29.7 cents per share. If you reinvested your dividends, you received 30.0 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.



Christopher Ryon, CFA
Co-Portfolio Manager

The first quarter of 2011 witnessed a supply lull in the municipal bond market, delivering the lightest quarter for new deals in eleven years. It followed a huge volume of deals that were brought to market in the last quarter of 2010. In addition to the light new deal calendar in the first quarter of 2011, average daily trading volume was low, measuring \$11.6 billion, down 15% from the prior year.

Today, conditions in the municipal bond market are characterized by low yields for short-term bonds, combined with a steep yield curve (the difference between long- and short-term interest rates), resulting in relatively more attractive yields for intermediate- and long-term bonds. Today's municipal yield curve is the steepest in 20 years. In the last six months, rates rose, shifting upward by 56 basis points for five-year maturities and by 81 basis points for 10-year maturities. This additional steepening of the yield curve caused longer maturity municipal bond funds to underperform shorter maturity municipal bond funds. Credit spreads are wide, relative to historical averages, with single-A municipal bonds paying on average 110 basis points more than AAA bonds at the end of March 2011.



Josh Gonze
Co-Portfolio Manager

Municipal bond fund investors have been in redemption mode for the past six months, following approximately 22 months of net inflows into municipal bond funds that reversed in late November 2010. Large market outflows were prompted by default fears and falling mutual fund NAVs, but since January 2011, these concerns have abated somewhat. At this point, bond fund outflows industry wide have slowed from a peak of almost \$4 billion weekly to around \$500 million as this is written.

Recent legislation has created both positive and negative forces for performance of municipal bonds. The expiration of the Build America Bond program at the end of 2010 has not led to

sharp growth in tax-exempt volume, as some had forecast. In 2010, Congress extended the Bush tax cuts another two years, so the top marginal tax rate remains at 35%, rather than escalating to 39.6%, which would have created yet more demand for tax-exempt income. Over the years we have seen many tax reform proposals come and go. Currently, a batch of new proposals is blanketing Washington, DC. If any of the proposals gain real traction, we will gauge the impact on our portfolio and seek to make appropriate adjustments.

The U.S. economic picture over the last six months has strengthened, but there remains a large degree of slack. Increased economic activity is reflected in the current 2.5% to 3.0% Gross Domestic Product (GDP) growth rate and healthy sales indicators. Unemployment remains high at 8.8%, though payroll growth was encouraging in February and March 2011, when we saw the best back-to-back increases since the recession's official end in June 2009. Capacity utilization is still low at 76%, leaving excess capacity in the economy. Year over year, the Consumer Price Index (CPI) is currently around 2.0% to 2.5%, much higher than the core CPI rate which is only 1.1% to 1.25%. Meanwhile, the difference between 10-year TIPS yields and 10-year Treasuries is running around 2.7%, and is often viewed as a market opinion of 10-year inflation expectations. We expect QE2, the second phase of quantitative easing, to end abruptly in June 2011.

We are becoming more optimistic about the fiscal outlook for state and local governments. We have been pleased to see a rebound in revenues in most states, driven by growth in income tax and sales tax revenue. Revenues at the state and local level have seen moderate growth over the past six months, providing support for credit ratings and overall credit quality. A preliminary report from the Rockefeller Institute stated that overall state tax revenue grew 6.9% in the fourth quarter of 2010, with 41 states reporting higher revenue.

Default rates have not spiked, as was forecast last year by some, though there's little doubt that more defaults will occur, most likely in sectors tied to real estate development, retirement communities, and health care. Some cities, particularly in the Midwest, are experiencing population declines, which can undermine the tax base.

The Fed is still in super-stimulative mode, with the fed funds rate at nearly 0% since December 2008, which is viewed as appropriate according to the Taylor Rule, which currently indicates the fed funds rate should be negative 1.45%. The Taylor Rule is a formula guideline for evaluating the level of the fed funds rate created by Stanford University economist John Taylor. M2, a broad measure of money and money substitutes, has grown only 4% in the last year, at the lower end of the 3% to 10% annual growth rate that has prevailed over the last decade. Velocity of M2, the degree to which money turns over (a contributor to inflation), has remained muted.

Your Fund contains a portfolio of more than 130 municipal bonds from 31 states and territories. Your Fund is broadly diversified across sectors and 81% invested in bonds rated BBB and above by at least one of the major rating agencies. By Prospectus, we are permitted to allocate up to 50% of the portfolio to bonds that are below investment-grade in qual-

Letter to Shareholders, *Continued*

ity at the time of purchase, but to date we have not chosen to exercise that option because we are often able to find attractive yields on bonds in the lower ranges of the investment grade spectrum.

The Class A shares of your Fund produced a total return of negative 5.51% at NAV over the six-month period ended March 31, 2011, compared to negative 4.24% for the BofA Merrill Lynch Municipal Master Index. The Fund's overweight toward certain sectors such as charter schools and tax allocation districts explained this lag versus the index.

Thank you for investing in Thornburg Strategic Municipal Income Fund.

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.

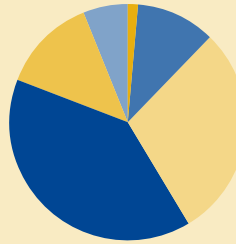
SCHEDULE OF INVESTMENTS

Thornburg Strategic Municipal Income Fund

March 31, 2011 (Unaudited)

SUMMARY OF SECURITY CREDIT RATINGS†

■	AAA/AAA Equivalents	1.5%
■	AA	10.8%
■	A	29.3%
■	BBB	39.5%
■	Not Rated	12.9%
■	Below Invest. Grade	6.0%



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 — 2.02%			
Maricopa County PCR, 6.00% due 5/1/2029 put 5/1/2014 (Arizona Public Service Co.)	BBB-/Baa2	\$ 500,000	\$ 524,825
Pima County Industrial Development Authority Education Revenue, 6.25% due 7/1/2013 (Arizona Charter Schools)	NR/Baa3	815,000	817,095
University Medical Center Corp., 6.25% due 7/1/2029	BBB+/Baa1	100,000	101,727
University Medical Center Corp., 6.50% due 7/1/2039	BBB+/Baa1	275,000	279,169
CALIFORNIA — 16.57%			
California Financial Authority Revenue, 8.50% due 11/1/2039 (Harbor Regulation Control)	NR/Baa1	1,000,000	1,070,840
California HFA, 6.25% due 2/1/2026 (Community Program; Insured: California Mortgage Insurance)	NR/NR	1,500,000	1,535,115
California HFA, 0% due 8/1/2029 (Insured: AMBAC/FHA/VA)	A/A3	1,340,000	397,404
California State Public Works Board, 6.25% due 4/1/2034	BBB+/A2	100,000	100,562
California Statewide Communities Development Authority, 6.125% due 7/1/2046 (Aspire Public Schools)	NR/NR	1,000,000	865,150
Calipatria USD, 0% due 8/1/2025 (Capital Appreciation-Election 1995; Insured: ACA)	NR/NR	2,425,000	775,952
Carson Redevelopment Agency Tax Allocation, 7.00% due 10/1/2036 (Project Area 1)	A-/NR	500,000	516,460
Chico Redevelopment Agency, 5.00% due 4/1/2030 (Chico Amended & Merged Redevelopment; Insured: AMBAC)	A+/NR	1,000,000	829,110
Corona-Norco USD COP, 5.00% due 4/15/2031 (Insured: AGM)	AA+/Aa3	1,750,000	1,622,460
Daly County Housing Development Finance Agency, 5.25% due 12/15/2023 (Franciscan Mobile Park)	A-/NR	650,000	615,875
Lee Lake Water District, 5.875% due 9/1/2027	NR/NR	500,000	429,875
M-S-R Energy Authority, 6.50% due 11/1/2039	A/NR	1,000,000	1,012,970
Merced Redevelopment Agency Tax Allocation, 6.50% due 9/1/2039 (Merced Gateways Redevelopment)	A-/NR	300,000	283,341
Oak Park USD GO, 0% due 8/1/2030 (Insured: AGM)	AA+/Aa3	500,000	143,285
Pittsburg Redevelopment Agency Tax Allocation, 0% due 8/1/2027 (Los Medanos Community Development; Insured: AMBAC)	A+/NR	1,220,000	361,352
Redwood City Redevelopment Agency Tax Allocation, 0% due 7/15/2021 (Redevelopment Project Area 2; Insured: AMBAC)	A-/NR	1,285,000	642,474
Riverside County Asset Leasing Corp., 0% due 6/1/2021 (Riverside County Hospital; Insured: Natl-Re)	BBB/A1	535,000	264,632
San Diego USD, 0% due 7/1/2035 (Election 2008)	AA/Aa1	1,700,000	338,266
San Francisco City & County Redevelopment Financing Authority Tax Allocation, 0% due 8/1/2023 (Redevelopment Project; Insured: Natl-Re)	A/A1	825,000	367,076
San Francisco City & County Redevelopment Financing Authority Tax Allocation, 6.50% due 8/1/2039 (Mission Bay North Redevelopment)	A-/NR	250,000	238,790

SCHEDULE OF INVESTMENTS, CONTINUED

Thornburg Strategic Municipal Income Fund

March 31, 2011 (Unaudited)

<u>Issuer-Description</u>	<u>Credit Rating† S&P/ Moody's</u>	<u>Principal Amount</u>	<u>Value</u>
San Francisco City & County Redevelopment Financing Authority Tax Allocation, 6.75% due 8/1/2041 (Mission Bay North Redevelopment)	A-/NR	\$ 500,000	\$ 499,555
San Jose Redevelopment Agency Tax, 5.50% due 8/1/2035 (Merged Area Redevelopment)	A/A1	1,000,000	832,870
Sonoma County Community Redevelopment Agency Tax Allocation, 6.50% due 8/1/2034 (The Springs Redevelopment; Insured: AGM)	AA+/NR	100,000	102,636
Union Elementary School District, 0% due 9/1/2027 (Capital Appreciation - Election 1999; Insured: Natl-Re)	AA+/NR	905,000	310,677
COLORADO — 8.55%			
Colorado Educational & Cultural Facilities Authority, 5.25% due 8/15/2019 (Peak to Peak Charter School; Insured: Syncora)	A/NR	1,600,000	1,635,616
Denver Convention Center, 5.125% due 12/1/2026 (Insured: Syncora)	BBB-/Baa3	1,000,000	864,260
Denver Convention Center, 5.00% due 12/1/2030 (Insured: Syncora)	BBB-/Baa3	450,000	366,597
Denver Convention Center, 5.00% due 12/1/2035 (Insured: Syncora)	BBB-/Baa3	605,000	466,080
E-470 Public Highway Authority Revenue, 0% due 9/1/2037 (Capital Appreciation)	BBB-/Baa2	1,000,000	127,200
E-470 Public Highway Authority Revenue, 0% due 9/1/2040 (Capital Appreciation)	BBB-/Baa2	2,000,000	201,860
Eagle Bend Metropolitan District GO, 5.00% due 12/1/2020 (Insured: Radian)	A-/NR	1,100,000	1,079,276
Eagle River Fire District, 6.625% due 12/1/2024	NR/NR	225,000	223,855
Eagle River Fire District, 6.875% due 12/1/2030	NR/NR	400,000	384,760
Pinery West Metropolitan District No. 2, 4.50% due 12/1/2032 (Insured: Radian)	NR/NR	500,000	340,525
Public Authority for Colorado Energy, 5.75% due 11/15/2018 (Natural Gas Purchase Revenue; Guaranty: BofA-Merrill Lynch & Co.)	A/A2	825,000	864,724
Public Authority for Colorado Energy, 6.50% due 11/15/2038 (Natural Gas Purchase Revenue; Guaranty: BofA-Merrill Lynch & Co.)	A/A2	250,000	250,935
Regional Transportation District COP, 5.375% due 6/1/2031	A-/Aa3	500,000	498,435
CONNECTICUT — 1.07%			
Connecticut Health & Educational Facilities Authority, 6.00% due 7/1/2039 (Ethel Walker School)	BBB-/NR	1,000,000	913,990
DISTRICT OF COLUMBIA — 0.62%			
Metropolitan Washington Airports Authority, 0% due 10/1/2027 (Dulles Toll Road; Insured: AGM)	AA+/Aa3	1,500,000	527,085
FLORIDA — 5.11%			
Hollywood Community Redevelopment Agency, 5.625% due 3/1/2024	NR/A3	340,000	343,876
Lakeland Energy System Revenue, 5.25% due 10/1/2036	AA-/A1	2,000,000	1,897,780
Sarasota County Public Hospital Board, 3.269% due 10/1/2021 (Miles-Sarasota Memorial Hospital; Insured: Natl-Re)	BBB/A1	1,000,000	895,890
St. John's County IDA, 5.625% due 8/1/2034 (Presbyterian Retirement)	NR/NR	230,000	197,151
Tampa Sports Authority Revenue, 5.75% due 10/1/2020 (Tampa Bay Arena; Insured: Natl-Re)	BBB/Baa1	1,000,000	1,034,530
GEORGIA — 1.63%			
Atlanta Water & Waste Water, 6.25% due 11/1/2034	A/A1	500,000	524,310
Main Street Natural Gas, Inc., 5.00% due 3/15/2018 (Georgia Gas)	A+/Aa3	515,000	531,212
Main Street Natural Gas, Inc., 5.50% due 9/15/2023 (Georgia Gas)	A/A2	350,000	340,435
GUAM — 2.26%			
Guam Government, 5.75% due 12/1/2034 (Section 30)	BBB-/NR	500,000	471,625
Guam Government Department of Education COP, 6.875% due 12/1/2040 (John F. Kennedy High School)	B/NR	1,000,000	923,350
Guam Government GO, 7.00% due 11/15/2039	B+/NR	520,000	533,114

SCHEDULE OF INVESTMENTS, CONTINUED

Thornburg Strategic Municipal Income Fund

March 31, 2011 (Unaudited)

<u>Issuer-Description</u>	<u>Credit Rating† S&P/ Moody's</u>	<u>Principal Amount</u>	<u>Value</u>
HAWAII — 0.34%			
Hawaii State Department of Budget & Finance, 5.45% due 11/1/2023 (Hawaiian Electric Co.; Insured: Natl-Re) (AMT)	NR/Baa1	\$ 300,000	\$ 289,140
ILLINOIS — 8.98%			
Broadview Tax Increment Revenue, 5.25% due 7/1/2012	NR/NR	515,000	515,134
Chicago Tax Increment, 4.70% due 11/15/2013 (Near South Redevelopment; Insured: AMBAC)	NR/NR	800,000	801,488
Chicago Tax Increment, 6.75% due 6/1/2022 (Pilsen Redevelopment)	NR/NR	1,000,000	992,160
Cook County GO, 5.25% due 11/15/2033	AA/Aa2	1,000,000	974,110
Illinois Finance Authority, 5.75% due 11/15/2037 (OSF Healthcare System)	A/A3	330,000	302,722
Illinois Finance Authority, 6.00% due 5/15/2039 (OSF Healthcare System)	A/A3	1,000,000	951,790
Melrose Park Tax Increment Revenue, 6.75% due 12/15/2021 (Insured: Natl-Re)	NR/Baa1	410,000	454,407
Metropolitan Pier & Exposition Authority, 5.00% due 6/15/2050 (McCormick Place)	AAA/A2	1,500,000	1,221,195
Railsplitter Tobacco Settlement Authority, 6.00% due 6/1/2028	A-/NR	1,000,000	966,660
Southwestern Illinois Development Authority, 5.50% due 8/15/2020 (Southwestern Illinois Health Facilities)	BBB/Baa2	500,000	498,155
INDIANA — 1.53%			
Carmel Redevelopment District, 6.50% due 7/15/2035	NR/NR	1,000,000	899,060
Indiana Power System Revenue, 5.50% due 1/1/2017 (Insured: AMBAC)	A+/A1	400,000	411,360
KANSAS — 0.79%			
Wichita Multi-Family Housing, 5.85% due 12/1/2025 (Brentwood Apartments)	B/NR	895,000	673,684
KENTUCKY — 2.28%			
Kentucky EDA, 0% due 10/1/2021 (Norton Healthcare, Inc.; Insured: Natl-Re)	BBB/Baa1	365,000	196,906
Kentucky EDA, 0% due 10/1/2022 (Norton Healthcare, Inc.; Insured: Natl-Re)	BBB/Baa1	2,490,000	1,245,847
Owen County Waterworks Systems, 6.25% due 6/1/2039 (American Water Co.)	BBB+/Baa2	500,000	507,280
LOUISIANA — 1.03%			
Louisiana Public Facilities Authority, 5.00% due 7/1/2032 (Black & Gold Facilities; Insured: CIFG)	NR/Baa3	120,000	102,103
Louisiana Public Facilities Authority, 5.375% due 5/15/2043 (Ochsner Clinic Foundation)	NR/Baa1	500,000	403,035
Orleans Parish School Board GO, 0% due 2/1/2015 (Insured: FGC)	NR/NR	480,000	378,677
MASSACHUSETTS — 0.58%			
Massachusetts Educational Financing Authority, 6.00% due 1/1/2028	AA/NR	480,000	495,101
MICHIGAN — 8.03%			
Detroit School District, 5.25% due 5/1/2027 (Insured: AGM)	AA+/Aa2	1,000,000	981,860
Dickinson County Healthcare Systems, 5.80% due 11/1/2024 (Insured: ACA)	NR/NR	270,000	271,882
Dickinson County Healthcare Systems, 5.80% due 11/1/2024	NR/Baa3	1,000,000	1,006,970
Kalamazoo Hospital Finance Authority, 5.00% due 5/15/2036 (Bronson Methodist Hospital)	NR/A2	1,000,000	875,690
Michigan Public Educational Facilities Authority, 8.75% due 9/1/2039 (Bradford Academy)	BBB-/NR	500,000	535,450
Michigan Public School Academy, 8.00% due 8/1/2035 (Will Carleton Charter School)	NR/NR	1,100,000	974,303
Michigan State Hospital Finance Authority, 5.00% due 7/15/2025 (Oakwood Obligated Group)	A/A2	650,000	611,266
Michigan State Hospital Finance Authority, 5.75% due 4/1/2032 (Oakwood Obligated Group)	A/A2	150,000	143,831
Michigan State Hospital Finance Authority Revenue, 5.75% due 11/15/2039	A/A1	1,000,000	917,530
Michigan State Strategic Fund, 5.00% due 8/1/2013 (NSF International)	A-/NR	300,000	313,344

SCHEDULE OF INVESTMENTS, CONTINUED

Thornburg Strategic Municipal Income Fund

March 31, 2011 (Unaudited)

<u>Issuer-Description</u>	<u>Credit Rating† S&P/ Moody's</u>	<u>Principal Amount</u>	<u>Value</u>
Michigan Strategic Fund, 7.00% due 5/1/2021 (The Detroit Edison Company; Insured: Natl-Re/AMBAC)	NR/NR	\$ 200,000	\$ 229,214
MINNESOTA — 0.51%			
St. Paul Housing & Redevelopment Authority, 5.25% due 5/15/2023 (Healthpartners Obligated Group)	BBB+/A3	100,000	99,994
Washington County Housing Redevelopment Authority, 5.625% due 6/1/2037 (Birchwood & Woodbury)	NR/NR	415,000	336,158
NEVADA — 0.61%			
Mesquite Redevelopment Agency Tax Increment Revenue, 7.375% due 6/1/2024	A-/NR	500,000	520,200
NEW MEXICO — 1.85%			
Farmington PCR, 4.70% due 9/1/2024 (Arizona Public Service Co.)	BBB-/Baa2	1,000,000	929,500
Santa Fe County Charter School Foundation, 6.625% due 1/15/2036 (ATC Foundation)	NR/NR	485,000	411,750
Santa Fe Educational Facilities, 5.50% due 3/1/2024 (St. John's College)	NR/NR	265,000	238,418
NEW YORK — 2.34%			
New York City Transitional Finance Authority, 0.18% due 8/1/2031 put 4/1/2011 (SPA: Landsbank Hessen) (daily demand notes)	AAA/Aaa	2,000,000	2,000,000
OHIO — 4.98%			
Buckeye Tobacco Settlement Financing Authority, 6.50% due 6/1/2047	BB-/Baa3	590,000	430,907
Cleveland Cuyahoga County Port Authority, 6.25% due 5/15/2016 (LOC: FifthThird Bank)	BBB-/NR	445,000	443,807
Cleveland Cuyahoga County Port Authority, 7.00% due 5/15/2040 (Insured: City Appropriations)	BBB-/NR	1,000,000	990,080
Ohio State Water Development Authority PCR, 5.875% due 6/1/2033 put 6/1/2016 (FirstEnergy)	BBB-/Baa1	1,000,000	1,073,310
Ohio State Water Development Authority PCR, 3.375% due 7/1/2033 put 7/1/2015 (FirstEnergy)	BBB-/Baa2	1,350,000	1,321,920
OREGON — 1.12%			
Western Generation Agency, 5.00% due 1/1/2016 (Wauna Cogeneration; Insured: ACA)	NR/NR	1,000,000	959,980
PENNSYLVANIA — 5.00%			
Allegheny County IDA, 6.75% due 8/15/2035 (Propel Charter School)	BB+/NR	1,000,000	872,950
Pennsylvania EDA, 5.00% due 12/1/2014 (Colver Project; Insured: AMBAC) (AMT)	BBB-/Ba1	450,000	445,833
Pennsylvania EDA, 4.625% due 12/1/2018 (Colver Project; Insured: AMBAC) (AMT)	BBB-/Ba1	600,000	540,054
Pennsylvania Turnpike Commission, 0% due 12/1/2030 (Convertible Capital Appreciation)	A-/A3	2,000,000	1,429,420
Philadelphia IDA, 6.00% due 8/1/2035 (Mast Charter School)	BBB+/NR	1,000,000	982,330
RHODE ISLAND — 0.83%			
Pawtucket Housing Authority Capital Funds Housing Revenue, 5.50% due 9/1/2022	AA/NR	315,000	336,968
Pawtucket Housing Authority Capital Funds Housing Revenue, 5.50% due 9/1/2024	AA/NR	350,000	369,446
SOUTH DAKOTA — 0.87%			
South Dakota Health & Educational Facilities Authority, 5.50% due 11/1/2040 (Sanford Health)	AA-/A1	750,000	740,250
TENNESSEE — 0.67%			
Tennessee Energy Acquisition Corp., 5.00% due 2/1/2015	BBB-/Baa3	100,000	104,253
Tennessee Energy Acquisition Corp., 5.25% due 9/1/2024	B/Ba3	500,000	470,580

SCHEDULE OF INVESTMENTS, CONTINUED

Thornburg Strategic Municipal Income Fund

March 31, 2011 (Unaudited)

<u>Issuer-Description</u>	<u>Credit Rating† S&P/ Moody's</u>	<u>Principal Amount</u>	<u>Value</u>
TEXAS — 12.45%			
Austin Convention Enterprises, Inc., 5.25% due 1/1/2024 (Austin Convention Center; Insured: Syncora)	BB+/Ba1	\$ 720,000	\$ 590,141
Austin Convention Enterprises, Inc., 5.00% due 1/1/2034 (Austin Convention Center; Insured: Syncora)	BB+/Ba1	615,000	422,001
Bexar County Housing Finance Corp. MFR, 5.70% due 1/1/2021 (American Opportunity Housing; Insured: Natl-Re)	NR/Baa1	1,135,000	1,031,851
Bexar County Housing Finance Corp. MFR, 5.80% due 1/1/2031 (American Opportunity Housing; Insured: Natl-Re)	NR/Baa1	550,000	454,383
Clifton Higher Education Finance Corp., 9.00% due 2/15/2038	BBB-/NR	1,000,000	1,102,350
Gulf Coast Waste Disposal Authority, 6.10% due 8/1/2024 (International Paper Co.) (AMT)	BBB/Baa3	100,000	100,249
Kimble County Hospital District, 6.25% due 8/15/2033	NR/NR	500,000	504,490
La Vernia Higher Education Finance Corp., 6.25% due 8/15/2039 (Kipp Inc.)	BBB/NR	1,000,000	972,750
San Antonio Energy Acquisition Public Facilities Corp., 5.50% due 8/1/2021	A/A2	40,000	40,225
San Juan Higher Education Finance Authority Revenue, 6.70% due 8/15/2040 (Idea Public School)	BBB/NR	1,000,000	1,000,860
Texas City Industrial Development Corp., 7.375% due 10/1/2020 (Arco Pipe Line Company; Guaranty: Atlantic Richfield)	A/A2	1,000,000	1,149,290
Texas Public Finance Authority Charter School Finance Corp., 4.15% due 8/15/2016 (Idea Public School; Insured: ACA)	BBB/NR	100,000	97,643
Texas Public Finance Authority Charter School Finance Corp., 5.00% due 2/15/2018 (Cosmos Foundation, Inc.)	BBB/NR	895,000	876,124
Texas Public Finance Authority Charter School Finance Corp., 5.00% due 8/15/2023 (Idea Public School; Insured: ACA)	BBB/NR	155,000	141,208
Texas Public Finance Authority Charter School Finance Corp., 5.00% due 8/15/2030 (Idea Public School; Insured: ACA)	BBB/NR	1,500,000	1,264,185
Texas Public Finance Authority Charter School Finance Corp., 6.20% due 2/15/2040 (Cosmos Foundation, Inc.)	BBB/NR	1,000,000	895,640
U.S. VIRGIN ISLANDS — 0.78%			
Virgin Islands Public Finance Authority, 6.75% due 10/1/2037	NR/Baa3	500,000	514,270
Virgin Islands Water & Power Authority, 5.50% due 7/1/2017	NR/Baa3	150,000	150,170
UTAH — 1.15%			
Herriman Utah Special Assessment, 4.75% due 11/1/2022 (Towne Center Assessment Area)	A/NR	1,000,000	985,340
VIRGINIA — 2.50%			
Mecklenburg County IDA, 6.50% due 10/15/2017 (Virginia Electric and Power Company)	NR/Baa1	1,000,000	989,250
Norton IDA, 6.00% due 12/1/2014 (Norton Community Hospital; Insured: ACA)	NR/NR	635,000	635,553
Virginia Small Business Financing Authority, 9.00% due 7/1/2039 (Hampton RDS Proton)	NR/NR	500,000	508,400
WASHINGTON — 1.12%			
Washington HFA, 5.70% due 7/1/2038 (Overlake Hospital Medical Center)	BBB+/A3	1,000,000	959,880
TOTAL INVESTMENTS — 98.17% (Cost \$85,767,323)			\$ 83,893,729
OTHER ASSETS LESS LIABILITIES — 1.83%			1,563,170
NET ASSETS — 100.00%			\$ 85,456,899

SCHEDULE OF INVESTMENTS, CONTINUED

Thornburg Strategic Municipal Income Fund

March 31, 2011 (Unaudited)

Footnote Legend

† Credit ratings are unaudited. Rating changes may have occurred subsequent to the reporting period end. Bonds issued with a maturity of one year or less are assigned Moody's ratings from MIG-1 to MIG-4 and Standard and Poor's ratings from SP-I+ to SP-3 with MIG-1 and SP-I+ being the strongest ratings.

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
FGIC	Insured by Financial Guaranty Insurance Co.
FHA	Insured by Federal Housing Administration
GO	General Obligation
HFA	Health Facilities Authority
IDA	Industrial Development Authority
LOC	Letter of Credit
MFR	Multi-Family Revenue
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

March 31, 2011 (Unaudited)

ASSETS

Investments at value (cost \$85,767,323) (Note 2)	\$ 83,893,729
Cash	299,715
Receivable for investments sold	45,000
Receivable for fund shares sold	291,973
Interest receivable	1,325,233
Prepaid expenses and other assets	<u>43,545</u>
Total Assets	<u><u>85,899,195</u></u>

LIABILITIES

Payable for fund shares redeemed	258,172
Payable to investment advisor and other affiliates (Note 3)	72,185
Accounts payable and accrued expenses	21,457
Dividends payable	<u>90,482</u>
Total Liabilities	<u><u>442,296</u></u>

NET ASSETS

\$ 85,456,899

NET ASSETS CONSIST OF:

Net unrealized depreciation on investments	(1,873,594)
Accumulated net realized gain (loss)	84,020
Net capital paid in on shares of beneficial interest	<u>87,246,473</u>
	<u><u>\$ 85,456,899</u></u>

NET ASSET VALUE:

Class A Shares:

Net asset value and redemption price per share (\$32,201,115 applicable to 2,454,237 shares of beneficial interest outstanding - Note 4)	\$ 13.12
Maximum sales charge, 2.00% of offering price	<u>0.27</u>
Maximum offering price per share	<u><u>\$ 13.39</u></u>

Class C Shares:

Net asset value and offering price per share * (\$13,996,069 applicable to 1,065,615 shares of beneficial interest outstanding - Note 4)	<u><u>\$ 13.13</u></u>
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Class I Shares:

Net asset value, offering and redemption price per share (\$39,259,715 applicable to 2,989,439 shares of beneficial interest outstanding - Note 4)	<u><u>\$ 13.13</u></u>
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* 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

Six Months Ended March 31, 2011 (Unaudited)

INVESTMENT INCOME:

Interest income (net of premium amortized of \$69,934) \$ 2,389,606

EXPENSES:

Investment advisory fees (Note 3) 315,768

Administration fees (Note 3)

Class A Shares 18,693

Class C Shares 9,505

Class I Shares 9,772

Distribution and service fees (Note 3)

Class A Shares 37,386

Class C Shares 45,818

Transfer agent fees

Class A Shares 7,412

Class C Shares 4,554

Class I Shares 6,928

Registration and filing fees

Class A Shares 8,977

Class C Shares 8,947

Class I Shares 9,129

Custodian fees (Note 3) 23,970

Professional fees 17,522

Accounting fees 1,171

Trustee fees 1,060

Other expenses 8,421

Total Expenses **535,033**

Less:

Expenses reimbursed by investment advisor (Note 3) (37,366)

Fees paid indirectly (Note 3) (631)

Net Expenses **497,036**

Net Investment Income **1,892,570**

REALIZED AND UNREALIZED GAIN (LOSS)

Net realized gain (loss) on investments 84,736

Net change in unrealized appreciation (depreciation) of investments (6,838,556)

Net Realized and Unrealized Loss **(6,753,820)**

Net Decrease in Net Assets Resulting from Operations **\$ (4,861,250)**

See notes to financial statements.

STATEMENTS OF CHANGES IN NET ASSETS

Thornburg Strategic Municipal Income Fund

	Six Months Ended March 31, 2011*	Year Ended September 30, 2010
INCREASE (DECREASE) IN NET ASSETS FROM		
OPERATIONS:		
Net investment income	\$ 1,892,570	\$ 2,268,325
Net realized gain (loss) on investments	84,736	377,353
Increase (Decrease) in unrealized appreciation (depreciation) of investments	<u>(6,838,556)</u>	<u>2,052,352</u>
Net Increase (Decrease) in Net Assets Resulting from Operations	(4,861,250)	4,698,030
DIVIDENDS TO SHAREHOLDERS:		
From net investment income		
Class A Shares	(663,811)	(779,270)
Class C Shares	(313,384)	(319,620)
Class I Shares	(912,349)	(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	6,404,702	15,636,797
Class C Shares	28,238	11,167,420
Class I Shares	<u>356,792</u>	<u>22,636,138</u>
Net Increase (Decrease) in Net Assets	(103,829)	51,554,284
NET ASSETS:		
Beginning of Period	<u>85,560,728</u>	<u>34,006,444</u>
End of Period	<u>\$ 85,456,899</u>	<u>\$ 85,560,728</u>

* Unaudited

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: 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

March 31, 2011 (Unaudited)

The following table displays a summary of the inputs used to value the Fund's net assets as of March 31, 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:

Assets	Fair Value Measurements at March 31, 2011			
	Total	Level 1	Level 2	Level 3
Investments in Securities				
Municipal Bonds	\$ 83,893,729	\$ -	\$ 83,893,729	\$ -
Total Investments in Securities	\$ 83,893,729	\$ -	\$ 83,893,729	\$ -

Other Notes: It is the policy of the Fund to recognize significant transfers between Levels 1 and 2 and to disclose those transfers at the last date of the reporting period. The Fund recognized no significant transfers into and out of Levels 1 and 2 during the six months ended March 31, 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 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 March 31, 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 six months ended March 31, 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 six months ended March 31, 2011, the Advisor contractually reimbursed certain class specific expenses and administrative fees of \$16,069 for Class A shares, \$17,283 for Class C shares and \$4,014 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 six months ended March 31, 2011, the Distributor has advised the Fund that it earned net commissions aggregating \$855 from the sale of Class A shares, and collected contingent deferred sales charges aggregating \$2,723 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 six months ended March 31, 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 distribution plans 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 six months ended March 31, 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 six months ended March 31, 2011, fees paid indirectly were \$631.

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

NOTE 4 – SHARES OF BENEFICIAL INTEREST

At March 31, 2011, there were an unlimited number of shares of beneficial interest authorized. Transactions in shares of beneficial interest were as follows:

	Six Months Ended		Year Ended	
	March 31, 2011 (Unaudited)		September 30, 2010 (Audited)	
	Shares	Amount	Shares	Amount
Class A Shares				
Shares sold	909,071	\$ 12,194,636	1,292,244	\$ 17,833,733
Shares issued to shareholders in reinvestment of dividends	41,389	554,323	53,595	735,252
Shares repurchased	(477,169)	(6,344,257)	(213,606)	(2,932,188)
Net Increase (Decrease)	473,291	\$ 6,404,702	1,132,233	\$ 15,636,797

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Thornburg Strategic Municipal Income Fund

March 31, 2011 (Unaudited)

	Six Months Ended		Year Ended	
	March 31, 2011 (Unaudited)		September 30, 2010 (Audited)	
	Shares	Amount	Shares	Amount
Class C Shares				
Shares sold	360,655	\$ 4,898,638	893,854	\$ 12,358,292
Shares issued to shareholders in reinvestment of dividends	15,333	205,724	16,955	233,302
Shares repurchased	<u>(382,561)</u>	<u>(5,076,124)</u>	<u>(104,152)</u>	<u>(1,424,174)</u>
Net Increase (Decrease)	<u>(6,573)</u>	<u>\$ 28,238</u>	<u>806,657</u>	<u>\$ 11,167,420</u>
Class I Shares				
Shares sold	1,004,053	\$ 13,322,492	1,714,923	\$ 23,915,174
Shares issued to shareholders in reinvestment of dividends	57,429	770,272	73,042	1,003,621
Shares repurchased	<u>(1,033,247)</u>	<u>(13,735,972)</u>	<u>(165,161)</u>	<u>(2,282,657)</u>
Net Increase (Decrease)	<u>28,235</u>	<u>\$ 356,792</u>	<u>1,622,804</u>	<u>\$ 22,636,138</u>

NOTE 5 – SECURITIES TRANSACTIONS

For the six months ended March 31, 2011, the Fund had purchase and sale transactions of investment securities (excluding short-term investments) of \$25,324,373 and \$12,742,189, respectively.

NOTE 6 – INCOME TAXES

At March 31, 2011, information on the tax components of capital is as follows:

Cost of investments for tax purposes	<u>\$ 85,767,323</u>
Gross unrealized appreciation on a tax basis	\$ 1,514,592
Gross unrealized depreciation on a tax basis	<u>(3,388,186)</u>
Net unrealized appreciation (depreciation) on investments (tax basis)	<u>\$ (1,873,594)</u>

OTHER NOTES

Fund management believes no events have occurred between March 31, 2011 and May 20, 2011, the date of issuance of the financial statements, which require adjustment of, or disclosure in, the accompanying financial statements.

FINANCIAL HIGHLIGHTS

Thornburg Strategic Municipal Income Fund

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

Unless Otherwise Noted, Periods are Fiscal Years Ended Sept. 30,	Net Asset Value Beginning of Period	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 Period
Class A Shares								
2011 ^{(b)(c)}	\$ 14.22	0.30	(1.08)	(0.78)	(0.30)	(0.02)	(0.32)	\$ 13.12
2010 ^(c)	\$ 13.86	0.60	0.48	1.08	(0.61)	(0.11)	(0.72)	\$ 14.22
2009 ^{(c)(e)}	\$ 11.94	0.29	1.91	2.20	(0.28)	-	(0.28)	\$ 13.86
Class C Shares								
2011 ^(b)	\$ 14.23	0.28	(1.08)	(0.80)	(0.28)	(0.02)	(0.30)	\$ 13.13
2010	\$ 13.87	0.55	0.49	1.04	(0.57)	(0.11)	(0.68)	\$ 14.23
2009 ^(e)	\$ 11.94	0.27	1.93	2.20	(0.27)	-	(0.27)	\$ 13.87
Class I Shares								
2011 ^(b)	\$ 14.23	0.31	(1.07)	(0.76)	(0.32)	(0.02)	(0.34)	\$ 13.13
2010	\$ 13.87	0.64	0.48	1.12	(0.65)	(0.11)	(0.76)	\$ 14.23
2009 ^(e)	\$ 11.94	0.31	1.92	2.23	(0.30)	-	(0.30)	\$ 13.87

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

(b) Unaudited Six Month Period Ended March 31.

(c) Sales loads are not reflected in computing total return.

(d) Annualized.

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

(f) 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 (%)
4.44 ^(d)	1.25 ^(d)	1.25 ^(d)	1.36 ^(d)
4.40	1.25	1.25	1.50
4.71 ^(d)	1.25 ^(d)	1.25 ^(d)	2.92 ^(d)
4.12 ^(d)	1.55 ^(d)	1.55 ^(d)	1.78 ^(d)
4.05	1.55	1.55	2.36
4.40 ^(d)	1.55 ^(d)	1.55 ^(d)	6.40 ^{(d)(f)}
4.68 ^(d)	0.99 ^(d)	0.98 ^(d)	1.01 ^(d)
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 Period (Thousands)
(5.51)	15.69	\$ 32,201
8.20	16.26	\$ 28,166
18.65	14.37	\$ 11,761
(5.65)	15.69	\$ 13,996
7.88	16.26	\$ 15,261
18.58	14.37	\$ 3,684
(5.38)	15.69	\$ 39,260
8.48	16.26	\$ 42,134
18.87	14.37	\$ 18,561

EXPENSE EXAMPLE

Thornburg Strategic Municipal Income Fund

March 31, 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 October 1, 2010, and held until March 31, 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 10/1/10	Ending Account Value 3/31/11	Expenses Paid During Period† 10/1/10–3/31/11
Class A Shares			
Actual	\$1,000.00	\$ 944.90	\$ 6.06
Hypothetical*	\$1,000.00	\$ 1,018.70	\$ 6.29
Class C Shares			
Actual	\$1,000.00	\$ 943.50	\$ 7.51
Hypothetical*	\$1,000.00	\$ 1,017.20	\$ 7.79
Class I Shares			
Actual	\$1,000.00	\$ 946.20	\$ 4.77
Hypothetical*	\$1,000.00	\$ 1,020.03	\$ 4.95

† Expenses are equal to the annualized expense ratio for each class (A: 1.25%; C: 1.55%; I: 0.98%) multiplied by the average account value over the period, multiplied by 182/365 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.

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 and Procedures. A description of the Policy and Procedures 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.

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.

Trustees' Statement to Shareholders

Not part of the Certified Semi-Annual Report

February 8, 2005, as readopted September 13, 2010

The Trustees are concerned that ongoing commentaries and opinions reported in the media may confuse investors in general as to the supervisory duties of trustees of mutual funds and, in particular, leave Thornburg Investment Trust shareholders uncertain regarding how we discharge our responsibilities in supervising the Funds' investment advisor and in reviewing the advisor's contract for renewal. We decided to spell out clearly three principal guidelines that we follow in supervising the Trust's investment advisor on your behalf.

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 \$80 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 \$285 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

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Thornburg **Investment Management**[®]
Strategies for Building Real Wealth

This Semi-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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Distributor:
Thornburg Securities Corporation[®]
800.847.0200

TH1979

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Wait not**



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