

*2nd Quarter 2010 Portfolio Manager Market Commentary*

**Thornburg Core Growth Fund**



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Global equity markets were under a lot of pressure during the second quarter and the US markets were no different. The Russell 3000 Growth Index declined negative 11.55%, while the Thornburg Core Growth Fund (A Shares without sales charge) returned negative 12.50%.

Stock selection helped returns in the consumer discretionary, health care, and energy sectors. Stocks in information technology, financials, and materials negatively impacted performance relative to the benchmark. Overall, our underperformance was driven mainly by a handful of our most heavily weighted positions, which underperformed in spite of strong favorable fundamentals and attractive valuations. We continue to have high conviction in most of these names and believe we will ultimately be rewarded.

Examples include Gilead (GILD), Microsoft (MSFT), Charles Schwab (SCHW) and Visa (V). Gilead's quarterly results were mixed. We were encouraged with the positive phase III trial data on one of the drugs in its pipeline, which could fuel company profits. We recently met with the President/COO of the company which reinforced our conviction in the investment thesis. Microsoft was down during the quarter on renewed fears of a global slowdown in the second half of 2010.

Within financials, Charles Schwab was negatively impacted by extremely low interest rates which compressed net interest margins and triggered fee waivers in some money market mutual funds. We continue to believe that Schwab has a dominant position in a growing industry and will exhibit significant earnings power in a normal interest rate environment. Visa has suffered due to a regulatory overhang and pressure from financial reform legislation. We are closely monitoring events in Washington and how these might impact the stock.

Coinstar (CSTR), Talecris (TLCR), DirecTV (DTV), Las Vegas Sands (LVS) and MercadoLibre (MELI) were among



**Lipper Fund Award (for consistent return)**  
Thornburg Core Growth Fund –  
Multi-Cap Growth Category

2008 - Class A shares for five-year period ended 12/31/07, among 332 funds. *The Fund did not win the most current award.*

**CORE GROWTH FUND  
PERFORMANCE**

A shares, as of June 30, 2010

YTD	1-yr	3-yr	5-yr	Since Incep.
Without sales charge				
-11.21%	5.53%	-13.93%	-0.40%	0.75%
With sales charge				
-15.21%	0.80%	-15.23%	-1.32%	0.26%
Russell 3000G Index				
-7.25%	13.95%	-6.97%	0.44%	-2.32%

Periods over one year are annualized.  
Inception of the A shares is 12/27/00.

*Performance data shown represents past performance and is no guarantee of future results. Investment return and principal value will fluctuate so shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than quoted. For performance current to the most recent month end, visit thornburg.com.*

*The maximum sales charge for the Fund's A shares is 4.50%. The Fund's A shares carry a 30-day redemption fee of 1%. The total annual fund operating expense for A shares is 1.49%.*

Investments in the Fund carry risks, including possible loss of principal. Special risks may be associated with investments outside the United States, especially in emerging markets, including currency fluctuations, illiquidity and volatility. Investments in small capitalization companies may increase the risk of greater price fluctuations. Investments in the Fund are not FDIC

our top contributors during the quarter. Although Coinstar was down for the month of June, it was a significant contributor during the quarter. Certain film studios sought to bar Coinstar from offering new titles in its RedBox rental kiosks until at least 28 days after they are released into retail stores. CSTR was able to resolve these issues during the quarter. Talecris was up on news of a takeover by rival Grifols of Spain. DirectTV reached our price objective and was sold. Las Vegas Sands performed favorably as a result of the Macau market recovery and reduced government influence. MercadoLibre, operator of the dominant online e-commerce platform in Latin America, has logged two straight quarters with triple-digit profit gains, encouraging multiple expansion.

insured, nor are they deposits of or guaranteed by a bank or any other entity.

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

During the quarter we sold XTO Energy (XTO), Western Union (WU), America Movil (AMX), Neutral Tandem (TNDM), Ecolab (ECL), Inverness Medical (IMA), Hansen Natural (HANS), Community Health (CYH) and DirecTV (DTV). XTO Energy was acquired by Exxon Mobil and was sold out of the portfolio as a result. Lower remittances around the world due to the global recession have weighed on Western Union along with concerns about emerging alternative technologies to transfer money and as such we chose to sell the position. America Movil was sold as the company continues to aggressively expand into the Brazil marketplace – an area which we deem less attractive given wireless penetration rates and competition levels. Natural Tandem, which connects calls between different wireless networks, was sold as a new competitor entered the market hurting pricing levels. Ecolab achieved our target price. Inverness was sold as we became less constructive on a possible turnaround for the company. Hansen Natural was sold as we sought to upgrade the portfolio. Finally, we sold Community Health Systems (CYH) as it was near our appraisal value.

Over the course of the second quarter, we added several positions to the portfolio, including Salix Pharmaceuticals (SLXP), Adobe Systems (ADBE), Dressbarn (DBRN), Intercontinental Exchange (ICE) and Amazon (AMZN). Salix Pharmaceuticals is a specialty pharmaceutical company which has built a portfolio of drugs to treat gastro-intestinal ailments. Adobe Systems is a diversified software company offering a broad line of creative, business, Web, and mobile software and services. Adobe is currently in a product upgrade cycle, having just launched a new version of their Creative Suite, which has been well received to date. Dressbarn is a value-priced retailer with three concepts: Dressbarn, Maurices, and Justice. Intercontinental Exchange, through its subsidiaries, operates regulated futures exchange and over-the-counter (OTC) markets and derivatives clearing houses. The company offers an integrated electronic trading platform for side-by-side trading of products in both futures and OTC markets, together with clearing, post-trade, and market data services. It operates in three segments: futures, OTC and market data. ICE operates trading and clearing in competitively protected markets (futures and cleared OTC). ICE trading volumes will likely be driven by global demand for commodities. As volumes have tended to grow over time, much of ICE's incremental revenues drop to the bottom line. Amazon is the leading online retailer globally. The company provides a wide selection of products from books to household goods to electronics. By investing in distribution infrastructure and achieving greater scale than competitors Amazon is able to provide great selection at very competitive prices. As a percentage of retail spending, e-commerce still represents a very small portion. As broadband penetration continues to grow around the world and spending habits gradually shift, e-commerce share should continue to grow. Amazon's superior product offering and scale advantage have led to share gains within e-commerce.

While we expect a mixed and volatile earnings season, many companies which have been under pressure may find relief by meeting or exceeding expectations. In many cases, these earnings calls will be one of the first forums for management teams to discuss the impact of world events on their companies in several months – and a lot of things have happened: currency moves, increased fears of a “double-dip,” austerity measures, and spending reforms clashing with remaining unspent stimulus dollars and government regulation. Although U.S. interest rates are at or near all time lows, stocks are not reflecting this (in the sense of the overall market) in their valuations. Most of the stocks we research are selling at discounts to their historical averages. The research burden shifts to finding truly “out of consensus” earnings drivers which could fuel multiple expansion as well as earnings upside. These opportunities, as always, remain rare, but we have been finding some.

We continue to believe that an investment philosophy grounded in rigorous fundamental research, finding dynamic growth companies, and valuation sensitivity can be successful over a long holding period.

### **Important Information**

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

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

The Russell 3000 Growth Index is an unmanaged index comprised of those Russell 3000 companies with higher price-to-book ratios and higher forecasted growth values.

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

Lipper Fund Awards are granted annually to the fund in each Lipper classification that consistently delivered the strongest risk-adjusted performance (calculated with dividends reinvested and without sales charges). Awards are given for three-year, five-year, and ten-year periods. The fund did not win the award for other time periods. Past performance does not guarantee future results.

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