

2nd Quarter 2010 Portfolio Manager Market Commentary
Thornburg Investment Income Builder Fund



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Thornburg Investment Income Builder paid an ordinary quarterly dividend of 25¢ per A share in the quarter ending June 30, 2010. This compares to a dividend of 24.2¢ for the comparable quarter of 2009. The Fund paid \$1.07 per A share in the twelve-month period ending June 30, 2010, up 2.1% from \$1.05 in the comparable twelve-month period of the prior fiscal year. The dividend per share was higher for I shares and lower for C shares, to account for varying class specific expenses.

The Fund's net asset value decreased by \$1.54 per share (\$18.36-\$16.82) during the quarter, to \$16.82. As another reference point, the net asset values of the A and C shares one year earlier, June 30, 2009, were \$15.30 and \$15.31 respectively.

The quarter ending June 30, 2010 was the 30th full calendar quarter since the inception of Thornburg Investment Income Builder in December 2002. It was one of 8 quarters where the Fund delivered a negative total return. While we regret that quarterly outcome, Investment Income Builder outperformed both the S&P 500 Index and its own blended benchmark index (75% MSCI World Equity Index and 25% Barclay's Capital U.S. Aggregate Bond Index) during the quarter ending June 30th (Fund -7.06% A shares without sales charge; S&P -11.43%; Blended Index -8.75%), for the first six months of calendar 2010 (Fund -3.20% A shares without sales charge; S&P -6.65%; Blended Index -6.07%), and for the trailing twelve months (see chart on the right).

Performance comparisons of Investment Income Builder to each of these benchmarks over various longer periods are shown on the right. Reviewing these, you will see that the performance of the Fund has compared very well to both benchmarks over various periods, particularly longer time periods.

In assessing the performance of Thornburg Investment Income Builder, it is constructive to consider the performance in \$US of the sector components of the MSCI

**INVESTMENT INCOME
BUILDER FUND PERFORMANCE**

A shares, as of June 30, 2010

	1 yr	3 yrs	5 yrs	Since Incep
Without Sales Charge	16.82%	-2.84%	5.98%	10.58%
With Sales Charge	11.57%	-4.32%	5.01%	9.90%
S&P 500 Index	14.43%	-9.81%	-0.79%	3.99%
Blended Benchmark*	10.34%	-6.60%	1.72%	5.81%
MSCI World Index	10.20%	-11.46%	0.06%	5.65%

Periods over one year are annualized. Inception of the A shares is 12/24/02.

The 30-day SEC Yield of Class A shares as of 3/31/10 is 4.71%.

* 75% MSCI World Index & 25% Barclays Capital Aggregate Bond Index

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

World Index over the period ending June 30, 2010. The MSCI World Index comprises 75%, and the entire equity portion, of the Fund's global performance benchmark:

1. All ten Index sectors showed negative total returns, ranging from -7.5% (telecom services) to -16% (energy).
2. In general, stocks in those sectors that exhibit the highest degree of volatility with economic cycles were down the most: energy, financials, materials, and technology. Health care stocks were also pressured by the prospect of unit price reductions imposed by financially stressed government payers around the world.

Relative to the index weightings, Investment Income Builder had relatively large portfolio allocations in telecommunication services firms, utilities, and financials. While the Fund's investments in the telecommunications sector delivered slightly below sector average returns, our large weighting in this defensive sector was helpful to the overall performance of the fund vis-à-vis the benchmark portfolios. Our European telecom service providers, KPN (KPN NA), Telefonica (TEF SM), and France Telecom (FTE FP) were down 16%, 19%, and 25%, respectively, during Q2. The same issues that have concerned investors in these businesses for the last several years remain unresolved....mature markets, competitive price pressures, trade-offs between the secular decline of the traditional fixed-line businesses and the growth of broadband connections. Added to these in recent months was an additional concern that revenue-hungry European governments would increase taxes on these firms.

The Fund's holdings in the financial sector performed relatively well, outpacing the performance of Index financials by more than 9%. Since the Fund's average portfolio weighting in financials was almost 28% (including bonds), these investments were the largest single driver of the Fund's outperformance for the period. We owned no common stocks of banks within the European Monetary Union, and our U.S. bank stock holdings were limited to income-paying hybrid securities. Our utilities investments performed in line with index averages, though our investments in large European utilities E.ON (EOAN GR), ENEL (ENEL IM) and RWE (RWE GR) were each among the fund's worst performing stocks during the quarter. As was the case with the European telecom service firms, investors worry about European governments increasing taxes on these firms.

We continue to have large weightings in the financial, telecom service, and utilities sectors, where we find a relatively high concentration of cash generative dividend-paying businesses.

Some of the best contributing investments to portfolio performance in Q2 were the bond-like mortgage REITs: Annaly Capital (NLY), MFA Financial (MFA), and Anworth Mortgage Asset (ANH). Generally speaking, no stocks in the Income Builder portfolio performed well enough during the quarter to merit special mention. The performance, and the weighting, of our energy sector holdings were in line with Index portfolio characteristics. French oil giant Total (FP FP) and Italy's ENI (ENI IM) were among the quarter's worst performing stocks. We exited our prior investment in BP shortly after the Gulf of Mexico oil spill incident took place, and avoided most of the damage to that firm's stock price.

Investment Income Builder's under weightings to equities in the industrials, information technology, and materials sectors were generally helpful to its relative performance in Q2. In general, these sectors have fewer high dividend payers, so we expect the Fund's under-allocation here to

total annual fund operating expense for A shares is 1.30%.

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. Funds investing in bonds have the same interest rate, inflation, and credit risks that are associated with the underlying bonds. The principal value of bonds will fluctuate relative to changes in interest rates, decreasing when interest rates rise. Investments in the Fund are not FDIC insured, nor are they deposits of or guaranteed by a bank or any other entity.

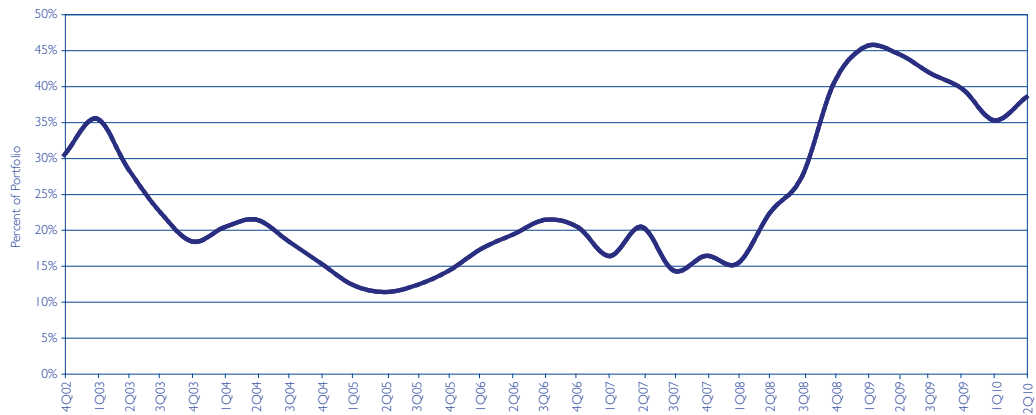
Before investing, carefully consider the Fund's investment goals, risks, charges, and expenses. For a prospectus containing this and other information, contact your financial advisor or visit thornburg.com. Read it carefully before investing.

persist. A portion of the underperformance of several of the specific stocks mentioned previously related to depreciation of the Euro vis-à-vis the \$US. We hedged a majority of this currency risk to mitigate the damage.

Within its bond portfolio, Investment Income Builder owned significantly fewer U.S. government and agency bonds than the Barclays Capital Aggregate Bond Index. This fact hurt the relative performance of the Fund's portfolio in 2008, was quite helpful in 2009, and hurt once again in Q2 of 2010. Readers of this commentary who are long-time shareholders of the Investment Income Builder Fund will recall that the interest bearing debt portion of the Fund's portfolio fell well below 20% during the "yield drought" between 2004 and 2007. For most of 2009, the Investment Income Builder portfolio was weighted more than 40% in interest bearing debt, as a result of large bond purchases we made in response to material increases in non-government bond yields over the four quarters ending March 31, 2009. We have slipped below that level in the first quarter of 2010. We allocated the great majority of new cash flow into equities in the early months of 2010, because yields on corporate bonds and other non-government debt securities dropped to far less interesting levels. In recent weeks, we have once again purchased bonds on days when bond prices dropped significantly.

The chart below shows that interest bearing investments as a percentage of the Fund's portfolio have varied over time, ranging from less than 12% in mid 2005 to 45% at June 30, 2009. We tend to buy more bonds on those days when liquidity is pressured and bond prices are depressed.

**Interest Bearing Investments as a Percentage of Total Portfolio
Thornburg Investment Income Builder Fund**



As of June 2010, the Fund portfolio included more than 200 bonds and hybrid securities, with an average cost of approximately 84% of the maturity value of these bonds. In general, secondary market prices of these bonds declined slightly during Q2 2010, so the average market price of these bonds on June 30 was approximately 95% of maturity value.

In the six months ending March 31, 2010, approximately 57% of the Investment Income Builder's income was derived from stock dividends, with the remaining 43% coming from interest. At June 30, 2010, domestic stocks, including preferred stocks, comprise around 28% of the portfolio; foreign stocks around 34%, and interest bearing investments 38%.

In recent years, the dividend increases paid by Investment Income Builder have been powered primarily by dividend increases from the Fund's equity holdings. These increases slowed significantly over the last year. We have attempted to "weed" the portfolio of firms suffering significant business setbacks. Some firms that we continued to hold elected to pay down debt or retain more cash to increase flexibility. Other firms that had the ability to pay increased dividends lacked the willingness to do so, sometimes for political reasons.

In general, the sustainability of dividends from your portfolio holdings has exceeded that of most major index portfolios, which typically showed annual declines exceeding 20% during 2009. In 2009, companies in the S&P 500 Index paid dividends totaling \$196 billion, a 21% decline from the \$248 billion paid in 2008. Standard & Poor's reported that cash dividends paid in H1 of 2010 declined an additional 3.2% from the observed levels of H1 2009, though it expects dividend pay-

ments to recover gradually later this year. The general scarcity of growing dividends, plus the much reduced yields now available from bond investments, restricts our ability to increase the Fund's dividend at the rates observed in earlier years.

If the global economy recovers, we expect firming interest rates, better business conditions, and reduced anxiety from corporate boards about distributing retained earnings. To the extent the global economy remains sluggish, it will be very challenging for us to increase the Fund's dividend payments on a year-over-year basis in 2010. We will do our best in a challenging environment.

From mid-2007 until the end of 2009, an overwhelming majority of new investor dollars have flowed into bank deposits and money market funds. Yields on taxable and tax exempt money funds have dropped below $\frac{1}{4}$ of one percent, and banks have aggressively reduced yields on all deposits. It is only a matter of time before a very large pool of investor dollars will be looking for better returns elsewhere, but in sensible investment programs. This process is already underway, as evidenced by the sizable flows of investor dollars into bond funds and individual bonds. We are optimistic that the types of income-producing investments owned by Thornburg Investment Income Builder will experience sustainable popularity among investors as their intrinsic values for income production are recognized. A high percentage of investor funds belong to people over the age of 55, for whom income is an increasingly necessary and desirable attribute.

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 S&P 500 Index, an unmanaged broad measure of the U.S. stock market, does not reflect sales charges.

The Morgan Stanley Capital International (MSCI) World Index is an unmanaged market-weighted index that consists of over 1,200 securities traded in 23 of the world's most developed countries. Securities are listed on exchanges in the US, Europe, Canada, Australia, New Zealand, and the Far East. The index is calculated with net dividends reinvested, in U.S. dollars.

The Barclays Capital Aggregate Bond Index is composed of approximately 8,000 publicly traded bonds including U.S. government, mortgage-backed, corporate and Yankee bonds. The index is weighted by the market value of the bonds included in the index.

The performance of any index is not indicative of the performance of any particular investment. 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.

Treasuries are negotiable debt obligations of the U.S. government 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. Treasury Bills are short-term instruments with maturities of no more than one year. Treasury bills function like zero-coupon bonds. Investors buy bills at a discount from the par, or face value and then receive the full amount when the bill matures. Treasury Notes are intermediate to long term investments typically issued in maturities of two, five and ten years. Interest is paid semi-annually. Treasury Bonds cover terms of more than ten years and are currently issued only in maturities of 30 years. Interest is paid semi-annually.

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