

2nd Quarter 2010 Portfolio Manager Market Commentary

Thornburg International Growth Fund



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During the quarter ended June 30, 2010, the Thornburg International Growth Fund returned negative 6.92% (A shares without sales charge) versus negative 11.45% for the MSCI All Country World ex-U.S. Growth Index. For the first half of the year, the Fund returned negative 1.10% versus a loss of 9.63% for the Index. While our goal is to provide attractive, positive returns for our investors, we are pleased to provide strong relative performance in a tough market for global equities.

In addition to the usual diversification – by industry, geography, currency, etc. – we add an additional layer of diversification. We divide stocks into one of three baskets based on their characteristics. Growth Industry Leaders are large, dominant companies in well-established industries that are growing faster than the economy as a whole. The Consistent Growth basket is populated with stable business that we believe are more defensive in nature. Often these businesses involve some sort of recurring or subscription revenues. Emerging Growth Companies tend to be smaller companies in developing industries. They tend to exhibit higher growth rates than the other baskets. Over time we would expect this group to generate higher returns but also higher volatility. The goal of our basket approach is to build a portfolio that has the opportunity to participate in all market environments by having exposure to different areas of growth. Not surprisingly, given the market conditions, our Consistent Growers and Growth Industry Leaders provided relative outperformance, while the Emerging Growers detracted. We would expect to see our Emerging Growers take the lead if economic conditions improve.

During the quarter, all ten economic sectors of the benchmark experienced negative returns. Our individual security selection within the Information Technology, Financial, and Consumer Staples sectors provided relative strength. MercadoLibre (MELI), operator of the dominant online e-commerce platform in Latin America, reported success in getting customers to use its online payment system instead of completing transactions off platform. UK-based capital markets firm Man Group (EMG LN) generated particularly good performance through mid-April and was subsequently sold and replaced by what we believed was a better opportunity. Drogasil (DROG3 BZ), a Brazilian drugstore chain, rose on the back of underlying strength in the Brazilian economy and solid execution of its growth plan.

Sectors which underperformed relative to the benchmark included Industrials and Health Care. In Industrials, Regus (RGU LN) and Duoyuan Printing (DYP) detracted. Regus fell as the market reacted negatively to management's guidance. Duoyuan Printing, a Chinese small cap, declined as investors de-risked their portfolios by moving out of some per-



INTERNATIONAL GROWTH FUND PERFORMANCE

A shares, as of June 30, 2010

YTD	1-yr	3-yr	Since Incep.
Without sales charge			
-1.10%	21.49%	-6.98%	-1.68%
With sales charge			
-5.53%	16.01%	-8.40%	-3.00%
MSCI AC World ex-U.S. Growth			
-9.63%	11.62%	-9.98%	-5.99%

Periods over one year are annualized. Inception of the A shares is 2/01/07.

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 1.97%. Thornburg Investment Management and Thornburg Securities Corporation have contractually agreed to waive fees and reimburse expenses through at least February 1, 2011, so that actual expenses for A shares does not exceed 1.63%

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 insured, nor are they

ceived higher-risk areas of the market. In Health Care, many European names pulled back including Pronova Biopharma (PRON NO) in Norway, Actelion (ATLN VX) in Switzerland, and Bayer (BAY GR) in Germany.

For the sixth quarter in a row, emerging markets outpaced developed markets outside the United States (as measured by the MSCI Emerging Market Index against the MSCI EAFE Index). The International Growth Fund benefited from stocks in Brazil, Argentina, and South Africa in particular. In Brazil, the aforementioned Drogasil contributed, as did Diagnosticos da America (DASA3 BZ), an operator of clinical testing labs. Conversely, three of our Chinese names performed poorly, including the previously mentioned Duoyuan Printing. AirMedia (AMCN), a digital media operator in airports, experienced a weakening balance sheet and Shanda Games (GAME) also declined. We continue to believe each stock is priced below its long-term fundamentals. It should be noted that several of the stocks which fell furthest during the second quarter contributed solidly in the first, including Sony (6758 JP), Duoyuan Printing, Teva Pharmaceuticals (TEVA), and Infineon Technologies (IFX GR).

As mentioned in previous communications, our cash balance of-late has been modestly elevated. This is not a defensive strategy and is not indicative of our outlook on the markets. We have simply had a number of stocks approach or reach price targets which triggers trims and sells. Our target is to be fully invested at all times and we intend to work down cash levels over time. While not a top-down call, the cash level did provide some modest benefits in the second quarter. Currency management was another source of relative outperformance, particularly some hedging we implemented with respect to the Euro. We employ a flexible hedging policy, not as a targeted source of additional value but in an effort to prevent currency movements from eroding the results of our bottom-up research.

Many signs across the investment landscape point to continued volatility in the near-term. As bottom-up investors, we view this as an opportunity to enter new names with attractive growth profiles at attractive valuations. In the past, on a relative basis, investors in the International Growth Fund have been rewarded. We move cautiously forward in the current environment in hope of continuing those results.

Important Information

The views expressed by the Portfolio Manager reflects his 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 Morgan Stanley Capital International All Country World ex-U.S. Growth Index (MSCI AC World ex-U.S. Growth Index) is a market capitalization weighted index which includes growth companies in developed and emerging markets throughout the world, excluding the United States.

The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. As of May 27, 2010 the MSCI Emerging Markets Index consisted of the following 21 emerging market country indices: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

The MSCI Europe, Australasia, Far East Index (EAFE) is an unmanaged index. It is a generally accepted benchmark for major overseas markets. Index weightings represent the relative capitalizations of the major overseas developed markets on a U.S. dollar adjusted basis. The index is calculated with net dividends reinvested in U.S. dollars.

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.

Funds invested in a limited number of holdings may expose an investor to greater volatility.

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

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