

4th Quarter 2011 Portfolio Manager Market Commentary
Thornburg International Value Fund



Bill Fries, CFA
Co-Portfolio Manager



Wendy Trevisani
Co-Portfolio Manager



Lei Wang, CFA
Co-Portfolio Manager



Fund Manager of the Year
International

During an exceptionally volatile quarter for global equity markets, the Thornburg International Value Fund returned 4.05% (A shares without sales charge), versus 3.33% for the MSCI EAFE Index and 3.77% for the MSCI ACWI ex-US Index. Markets rebounded in October after a poor summer, aided by the announcement of a plan to address Europe's debt problems. However, November and December brought renewed concerns and uncertainty regarding the implementation, ramifications and ultimate success of the authorities to address the problems in the Eurozone. This led investors to seek safety in the form of more defensively oriented stocks and dividend-oriented companies. Energy names also performed strongly, helped by the strong rally in the price of oil during the quarter.

Top contributors during the quarter included Novo Nordisk, China Merchants Bank, and Canadian National Railway. Novo Nordisk continues to expand its leadership position within the diabetes space, while maintaining a healthy balance sheet and successful pipeline development indicative of the company's innovation-oriented growth prospects. Canadian National Railway has been expanding its port activity, allowing increased trading of U.S. and Canadian goods to and from Asia. China Merchants Bank was helped by China Central Bank's recent reserve requirement rate cut, and the potential benefits of a more accommodating monetary policy on its substantial retail franchise. Energy names Canadian Natural Resources and Schlumberger rounded out the top contributors, and were positively impacted by the aforementioned oil price recovery. Further, Canadian Natural Resources' Horizon Project is ramping up faster than expected and Schlumberger's performance reflects the potential for increased international drilling activity in the future.

Mobile phone manufacturer HTC (trimmed during the quarter) detracted from performance, as patent litigation issues and a loss of market share, partially attributed to product cycle and poor shipment development in the

**International Value Fund
Performance**

A shares, as of December 31, 2011

	1-yr	3-yr	5-yr	10-yr	Since Incep
Without sales charge	-13.24%	9.04%	-0.77%	7.70%	7.69%
With sales charge	-17.14%	7.38%	-1.68%	7.21%	7.33%
MSCI EAFE Index	-12.14%	7.65%	-4.72%	4.67%	2.55%
MSCI AC World ex-U.S. Index	-13.33%	11.20%	-2.48%	6.76%	4.22%

Periods over one year are annualized.
Inception of the A shares is 5/28/98.

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 877-215-1330. 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 1.33%.

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

United States, weighed on the stock. Other detractors during the quarter included Coal India, which declined due to environmental and regulatory issues. European sovereign debt concerns fueled continued apprehension regarding Turkey's external vulnerability, putting pressure on Garanti during the quarter. Credit Suisse Group has little direct sovereign debt exposure, but profitability is being impacted by more stringent regulation in its investment banking unit, as well as a risk-averse low interest rate environment in its wealth management business. Mitsubishi UFJ also suffered from unease regarding European sovereign debt exposure, coupled with lackluster growth in its home market of Japan.

We purchased two new securities during the quarter, Vodafone Group and Svenska Handelsbanken. Vodafone is a leading global mobile phone service provider, and holds a 45% stake in U.S. telco leader Verizon Wireless, where cash flows may enhance Vodafone's dividend yield potential. Svenska Handelsbanken is a high-quality Swedish bank with strengths in retail banking, lending and financial services, operating primarily in Scandinavia and the United Kingdom. We believe Svenska's solid track record, lack of exposure to questionable European sovereign debt, and focus on long-term shareholder returns through minimizing credit risk and maintaining cost efficiency positions the bank well for the future.

Notable sales included ING and Telefónica, as we believed the opportunity set provided by the current environment was more promising for Svenska Handelsbankena and Vodafone. ING Groep was a particularly difficult sell decision, as while we continue to believe in the company's strategic operating plan, the macroeconomic situation in Europe warrants concern over execution risks. Telefónica was eliminated due to the ongoing challenges facing Spain, and subsequent pressures on dividend sustainability. Our focus has always been to continuously improve the quality of the portfolio, and we believe the changes we made during the quarter are consistent with this effort.

The market environment continues to be dominated by uncertainty and concerns surrounding the future of Europe's economy and the euro. Western Europe represents approximately 18% of global GDP, significant enough to create disruptions in other economies and in the global financial markets. The subdued performance of major financial institutions in Europe mirrors the low expectations investors have for these systemically important entities going forward. Our portfolio has fewer holdings tied primarily to the European economy than in past periods, reflecting the uncertainty of the outlook for the region. Successful resolution of the European financial crisis would presumably go a long way toward bolstering investor confidence in global securities markets, but the core issue of a lack of united fiscal and monetary policy in the region persists. While we have been mindful of maintaining healthy exposure to more defensively positioned companies, certain factors that could hamper global progress have not come to pass, including a potential hard landing for China and a recession in the United States. In the months ahead, we are hopeful that the environment will improve in Europe. Meanwhile, many of the hurdles facing the region are seemingly priced into current valuations, which appear compelling. We will continue to evaluate opportunities one stock at a time, and balance the portfolio accordingly across our three baskets: basic values, consistent earners, and emerging franchises. We thank you for your continued support.

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.

There is no guarantee the Fund will meet its objectives.

are not FDIC insured, nor are they deposits of or guaranteed by a bank or any other entity.

TOP 10 HOLDINGS AS OF 12/31/11

British American Tobacco plc	2.6%
Novo Nordisk A/S	2.6%
Nestle SA	2.5%
Tesco plc	2.4%
SAP AG	2.4%
Standard Chartered plc	2.4%
Novartis AG	2.3%
BG Group plc	2.3%
adidas AG	2.3%
LVMH Moët Hennessy Louis Vuitton SA	2.2%

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 MSCI EAFE (Europe, Australasia, Far East) Index 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 MSCI All Country (AC) World ex-US Index is a market capitalization weighted index representative of the market structure of 44 developed and emerging market countries in North and South America, Europe, Africa, and the Pacific Rim, excluding securities of United States' issuers. The index is calculated with gross 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.

Established in 1988, the Morningstar Fund Manager of the Year Award recognizes portfolio managers who demonstrate excellent investment skill and the courage to differ from the consensus. To qualify for the award, managers must have not only a great year, but also must have a record of delivering outstanding long-term performance and of aligning their interests with shareholders'. The Fund Manager of the Year Award winners are chosen based upon Morningstar's proprietary research and in-depth evaluation by its senior analysts.

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.

Thornburg Funds are distributed by Thornburg Securities Corporation®
2300 North Ridgetop Road
Santa Fe, New Mexico 87506
877.215.1330
www.thornburg.com

1/19/12
TH1759