

2nd Quarter 2010 Portfolio Manager Market Commentary

Thornburg Value Fund



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During the second quarter, the US equity markets were influenced by a number of macro-related and overseas news events that made it difficult for investors to find a safe haven for their portfolios. These events included the need for a joint EU-IMF bailout package for Greece and other European countries at risk for sovereign debt default; the Deepwater Horizon oil spill in the Gulf of Mexico; slower than expected GDP growth for the developed economies (including the US/UK/EU-bloc); and a pause in favorable housing and unemployment trends during the month of June for the US Economy. The Thornburg Value Fund returned negative 13.43% (A shares without sales charge) versus the S&P 500 Index total return of negative 11.45%.

Some of our consumer discretionary names performed well during the quarter, including DirecTV (sold) and LifeTime Fitness (LTM). DirecTV reported solid growth in new subscribers, healthy operating cash flows, and stable customer attrition metrics despite a tough consumer-spending environment. Due in-part to these factors, the Fund's investment in DirecTV has provided significant outperformance over the S&P 500 Index over the investment holding period. For LifeTime Fitness, same store sales comparables (i.e. comps) have been favorable and management announced that it will accelerate its new store build out program. Other top contributors were found in energy (ConocoPhillips-COP and new purchase Ensco-ESV) as well as in healthcare (Talecris-TLCR, and Community Health-CYH), and telecommunications (China Mobile 941-HK). Our convertible note in Hertz Global Holdings (42805TAA3-sold) was also a top contributor.

Transocean (RIG) was our largest performance detractor during the quarter. The fear among some investors is that Transocean will end up being economically liable for a substantial portion of the pollution and/or third-party property damage liabilities. We have spoken with legal experts, sell-side analysts, other offshore drilling companies, Halliburton (did the cementing job for BP), and Anadarko (the non-operating partner with BP). After this research, our conclusion is that there are no likely scenarios where Transocean would be determined to be grossly negligent and therefore liable for associated environmental and property damage costs.

VALUE FUND PERFORMANCE

A shares, as of June 30, 2010

	1-yr	3-yr	5-yr	10-yr	Since Incep.
Without Sales Charge	10.52%	-9.33%	1.58%	0.38%	8.85%
With sales charge	5.55%	-10.72%	0.65%	-0.08%	8.52%
S&P 500 Index	14.43%	-9.81%	-0.79%	-1.59%	5.83%

Periods over one year are annualized. Inception of the A shares is 10/2/95.

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 1.34%.

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

Only time will tell whether there are material facts that we are unaware of or whether our analysis of the situation is correct. If we are correct in this assessment of Transocean's liabilities, then we believe there is significant upside for the stock price. We are constantly monitoring developments and may change our point of view on Transocean at any time.

Other detractors for the quarter included Gilead Sciences (GILD), Monsanto (MON), technology stocks Dell (DELL) and Google (GOOG), Inverness Medical Innovation (IMA), and J.P. Morgan (JPM). Gilead's quarterly results were mixed. We recently met with the President/COO of the company which reinforced our conviction in the investment thesis. Monsanto declined as management guided down revenues and earnings due to deteriorating pricing and market share for its herbicide product. We continue to like the genetically modified seeds business and think the company's operating results can rebound.

Technology stocks in general, and Dell and Google in particular, hurt the portfolio during the quarter. We believe the promise and discount of both of these stocks are unusually compelling right now. Dell has been weak as investors have become pessimistic regarding the timing for technology hardware replacement spending. Google is the leader in internet advertising, which is an area that, we believe, has very promising growth prospects, but next quarter's earnings may be hurt by currency translation effects due to weakness in the British Pound and the Euro. Longer term, we are optimistic on the outlook for the technology replacement cycle and for growth in internet advertising. Similarly, we like Google's opportunities in numerous areas that are not yet generating significant revenues such as mobile telephone operating systems, cloud computing, and computer software for office applications and operating systems. Inverness Medical has recently guided to slower organic growth for the rest of 2010 and J.P. Morgan was impacted by regulatory concerns.

We increased our energy exposure during the quarter as BP's Gulf of Mexico oil spill brought down valuations for the entire energy complex. For example, we purchased Ensco, an offshore driller with no involvement in the oil spill. According to our analysis, Ensco's mix of jackup and deepwater rigs, as well as their rigs' specifications, locations and contracts, make them less vulnerable than other drillers to the regulatory risks created by the oil spill disaster. We also added to our existing energy holdings due to compelling valuations and our belief that the fundamentals of these companies remain intact.

The Senate passed financial reform legislation at the end of the quarter that will impact some of our holdings. The final outcome of the legislation remains uncertain, with the potential special TARP tax being the largest risk. Although both J.P. Morgan (JPM) and U.S. Bancorp (USB) are likely to have their earnings impacted negatively by the financial reform, we believe that the market has discounted a worse scenario than what will ultimately occur and their share prices should rise as the level of uncertainty declines.

We are optimistic on the outlook for equities. The cyclical recovery in company earnings is robust. Corporate balance sheets are extremely strong and free cash flow generation is unusually high. The Federal Reserve is likely to keep short-term interest rates at or near zero through year-end and probably well into 2011. The recent decline in long-term yields, with the ten-year treasury yield dipping below 5.0%, is indicative of a high degree of fear among investors. We believe the combination of these factors is extremely positive for stocks.

We would be more bullish, however, were it not for the rising level of government intervention in the economy, the risk of rising taxes, the headwinds created by the European sovereign debt crisis, the uncertain outlook for demand from China as their government seeks to control inflation, and the still shaky state of home prices and unemployment. For US stocks, we view the positive factors listed above as being more important than the negative headwinds. As always, we remain optimistic that our focused portfolio of stocks selected using bottom-up fundamental research has the potential to deliver favorable results regardless of what changes occur in the macro environment.

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.

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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.

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

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.

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