



Investment Management®

Strategies for Building Real Wealth

Investment Solutions

for Your Clients' Income Needs

Core Fixed
Income



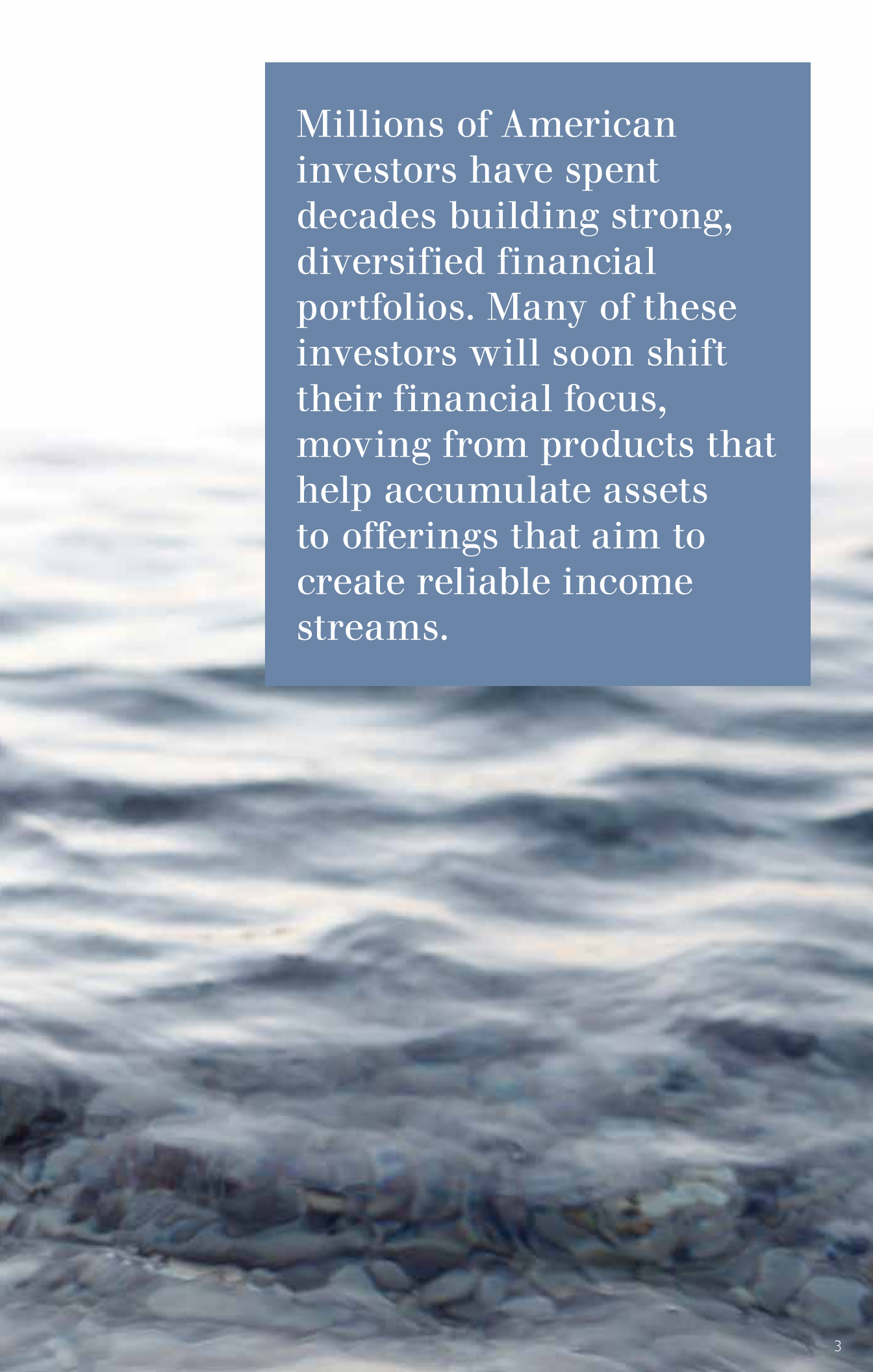
Strategic
Income



Dividend
Income







Millions of American investors have spent decades building strong, diversified financial portfolios. Many of these investors will soon shift their financial focus, moving from products that help accumulate assets to offerings that aim to create reliable income streams.






A Range of Investment Solutions

At Thornburg, we know that there is no one-size-fits-all product for investors seeking investment income. Each investor has a unique wealth level, risk tolerance, and time horizon. Some simply cannot stomach market fluctuations or must protect limited portfolios that provide current income. Others have greater risk tolerances or are willing to accept more volatility as they seek opportunities for higher sustainable incomes, while some investors are concerned with maintaining a specific standard of living over a long time horizon.

Over our 28-year history, Thornburg has developed a range of income-seeking solutions, each tailored to the needs of specific income-oriented investors. Every investment uses the intensive, bottom-up research on which Thornburg Investment Management has built its reputation.

Our income offerings span the risk/return spectrum with goals including income and preservation, high income, as well as income and appreciation.

Thornburg's Income Spectrum

Core Fixed Income	<p>Thornburg Limited Term Municipal Fund</p> <p>Thornburg Intermediate Municipal Fund</p>	<p>For Investors Seeking...</p> <ul style="list-style-type: none"> • Steady stream of monthly income • Preservation of principal • Low volatility • Low correlation to equities • Tax-exempt, monthly income* 	
	<p>Thornburg Limited Term U.S. Government Fund</p> <p>Thornburg Limited Term Income Fund</p>	<p>For Investors Seeking...</p> <ul style="list-style-type: none"> • Steady stream of monthly income • Preservation of principal • Low volatility • Low correlation to equities 	
Strategic Income	<p>Thornburg Strategic Municipal Income Fund</p>	<p>For Investors Seeking...</p> <ul style="list-style-type: none"> • High income exempt from federal income taxes* • Flexibility to invest across all credit qualities and maturities • Limited exposure to bonds rated below investment grade 	
	<p>Thornburg Strategic Income Fund</p>	<p>For Investors Seeking...</p> <ul style="list-style-type: none"> • High income • Global reach • Small allocation to dividend-paying stocks • Flexibility to invest in a variety of income-producing securities 	
Dividend Income	<p>Thornburg Investment Income Builder Fund</p>	<p>For Investors Seeking...</p> <ul style="list-style-type: none"> • Potentially growing income stream • Investments in dividend-paying stocks • Global reach • Flexible allocation to bonds • Long-term capital appreciation potential 	

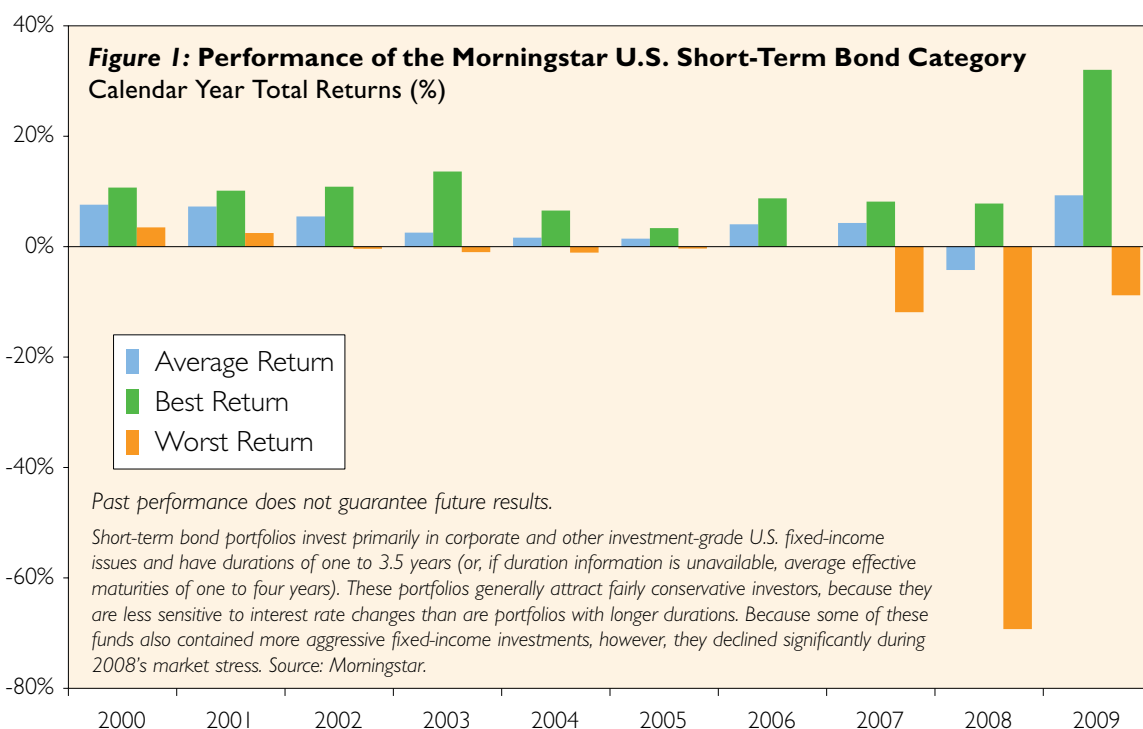
* Interest dividends paid by the municipal funds are generally exempt from federal income tax (interest dividends may be subject to AMT). Income sourced from state of residency is generally exempt from state income tax. There is no guarantee the funds will meet their objectives.

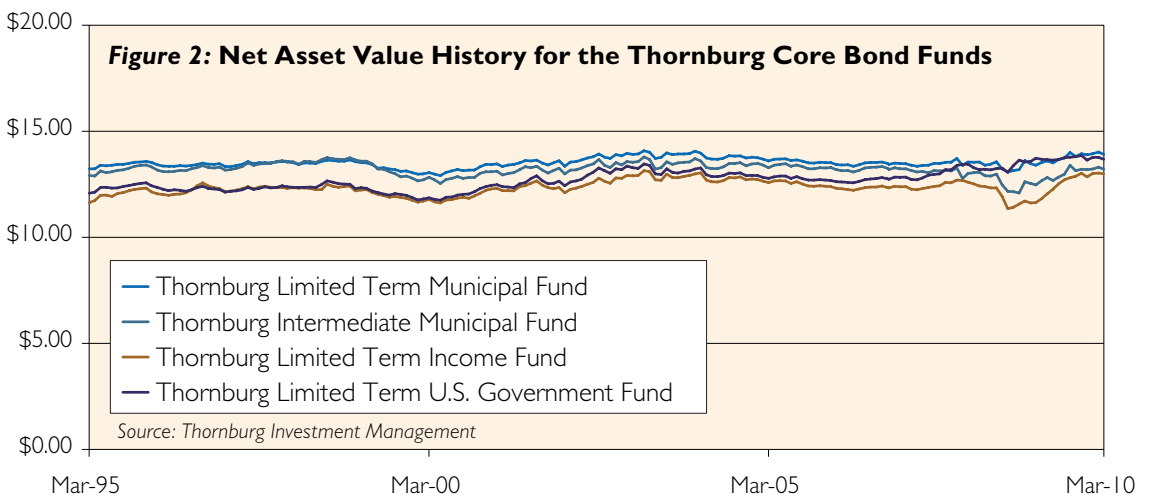
Core Fixed Income

Conservative fixed-income investments, such as those in Thornburg's core fixed-income funds, are often an appropriate option for investors who want a steady flow of income, capital preservation, diversification away from an all-equity portfolio, and limited volatility.

When financial experts address risk, they typically speak in terms of average returns of an asset class and the variance around those average returns. But most investors, especially those who rely on investments for income, are not concerned with statistical measures. Instead, they focus on the effect that severe market declines, like those seen in 2008, could have on their financial security.

Recently, many investors pursued more aggressive fixed-income strategies to increase their portfolio yields, not realizing that as they did so, they were giving up many of the benefits that bonds are supposed to provide to a well-constructed portfolio. When the markets suffered stress, both equities and aggressive fixed-income strategies declined significantly. Some bond portfolios believed to be conservative took excessive risk and lost. **Figure 1** shows the annual performance of Morningstar's U.S. Short-term Bond fund category. We'd expect this category to be conservative, with low volatility and low correlations to equities. However, as you can see, some funds in this category experienced unprecedented losses in 2008.





Thornburg’s core fixed-income funds seek to provide a relatively stable income stream while preserving principal. **Figure 2** shows the net asset value over the last fifteen years. Our process is grounded in straightforward investment principles and is designed to strike a sensible balance between the various risks that income-seeking investors face. With a strategy grounded in common-sense, we don’t need to engineer an artificially higher yield or utilize complex trading tactics.

Utilizing a comprehensive approach to risk management, our core fixed income portfolio team manages interest rate risk by laddering bonds with staggered maturities, so that only a portion of the total bond portfolio matures and must be replaced each year. Laddering also manages price risk, because bonds generally appreciate as they approach maturity and “roll” down the yield curve.

In addition to laddering, Thornburg’s portfolio managers strive to add value through insightful

portfolio construction and individual, bottom-up credit research. Our funds’ flexible mandates let management teams overweight portfolios, within their stated objectives, towards market areas that Thornburg managers believe offer relative value. Thornburg teams select individual securities within those segments after carefully assessing potential risks and rewards – we cannot eliminate credit risk completely, but aim to ensure that our investors are adequately compensated for taking risk. We further mitigate individual credit risk by maintaining well-diversified portfolios.

Thornburg’s core fixed-income funds strive to offer attractive returns without significant downside risk. Our common-sense approach may not provide the highest returns every year; however, we strive for a sensible balance between risk and return for investors seeking a relatively steady portfolio income or a fixed-income anchor that offsets or reduces overall portfolio risk.



Strategic Income

Some investors may be willing to incur greater volatility as they pursue potentially higher investment income. Thornburg's strategic income funds – fixed-income funds with more flexible mandates – may meet the needs of these individuals.

Our strategic income funds cast a wide net in the search for income-producing securities, looking for sectors and individual issues that offer greater value relative to the overall market. At their discretion, Thornburg strategic income fund managers may hold bonds with longer durations or lower credit qualities than those in our more conservative bond funds, and may also invest in higher-yielding fixed-income securities.

Working to meet the needs of investors who seek higher, sustainable incomes, Thornburg offers both taxable and tax-exempt strategic funds.

The **Thornburg Strategic Income Fund** applies a “go-anywhere” approach to taxable fixed-income portfolios. The fund can invest globally where there is potentially greater value or a better risk-reward ratio. Fund investments include government bonds and debt issued by domestic and foreign corporations, as well as asset-backed securities. Fund managers have a smaller, opportunistic equity allocation; they typically focus this allocation on stocks that pay attractive dividends.

The **Thornburg Strategic Municipal Income Fund** takes that same relative value approach to the U.S. tax-exempt market, investing across a wide range of maturities and qualities to create a potentially higher-yielding alternative. The fund can invest up to 50% of assets in bonds rated below investment grade at the time of purchase.

Dividend Income

For some investors, an attractive current income is only part of the equation. Those with lengthy time horizons need to plan not only for today's income needs, but also for the future. Some investors require an income stream with the potential to grow over time. Though bonds or other fixed-income investments can provide relatively stable income streams, investments that may generate returns above inflation are equally important to these investors.

The **Thornburg Investment Income Builder Fund** may satisfy these needs. The fund seeks to provide an attractive current dividend that can grow over time, with periodic fluctuations. Thornburg managers pursue this goal by focusing mainly on dividend-paying equities around the globe, searching specifically for companies that have both the willingness and the ability to increase dividends over time. A flexible mandate allows the Income Builder Fund to also purchase fixed-income securities to help ease volatility and supplement stock income when managers believe it is appropriate. This focus on dividend-paying equities provides investors with an income that has the potential to keep pace with, or even exceed, inflation.

Historically, dividends paid on common stocks have increased regularly and have represented a significant portion of an investment's total return. However, many investors shy away from dividend-paying stocks believing that companies pay

dividends only when future growth prospects are limited. A growing body of evidence is challenging this notion, showing that dividend-paying companies actually demonstrate stronger future earnings growth rates than do firms that don't pay dividends (see **figure 3**). Authors of these studies hypothesize that paying dividends imposes capital discipline, encouraging a company's managers to undertake more thoughtful evaluations before committing finite resources. These studies validate our belief that investment in companies demonstrating both the willingness and the ability to increase shareholder dividends provides opportunities for income and capital appreciation.

The Thornburg Investment Income Builder Fund team capitalizes on its flexible mandate and the extensive, bottom-up global equity and fixed-income research on which Thornburg Investment Management has built its reputation. This combination helps managers in their efforts to meet the Fund's goals.

Figure 3: Average Subsequent 10-Yr EPS Growth

Starting Payout Quartile	Worst	Average	Best
One (Lowest Payout)	-3.4%	-0.4%	3.2%
Two	-2.4%	1.3%	5.7%
Three	-1.1%	2.7%	6.6%
Four (Highest Payout)	0.6%	4.2%	11.0%

Source: Robert D. Arnott and Clifford S. Asness, "Surprise! Higher Dividends = Higher Earnings Growth", *Financial Analysts Journal*, Jan/Feb 2003. Data analyzed: 1946-2001. This is the most recent data available. Inclusion of subsequent periods could change the results.



Conclusion

Thornburg Investment Management has been providing income-seeking solutions to investors for more than 28 years. Since 1982, Thornburg's portfolio managers have experienced all types of market environments, providing a depth of knowledge so important today when managing investments designed to provide investors with a consistent and dependable income stream. At Thornburg Investment Management, we have always taken our role as manager and fiduciary very seriously. We have consistently focused on helping investors build real wealth, after inflation,

taxes, and investment expenses. Whether clients select one investment product or a diversified portfolio that deploys multiple Thornburg investments, they'll find that our goal remains the same: to provide investors with strategies for building real wealth.

Visit thornburg.com/incomesolutions or call 877-215-1330 today to learn more about Thornburg's diverse range of income-seeking solutions.

Portfolio Management Teams



Back row: Josh Gonze, Lon Erickson, Chris Ihlefeld, Jason Brady; Front row: Cliff Remily, George Strickland, Yvette Garcia, Chris Ryon, Brian McMahon

Thornburg Family of Income Funds

CORE FIXED INCOME

Co-managed by **George Strickland**, **Josh Gonze**, and **Chris Ihlefeld**

- Thornburg Limited Term Municipal Fund
A shares LTMFX (incept: 9/28/84); C shares LTMCX (incept: 9/11/94); I shares LTMIX (incept: 7/5/96)
- Thornburg Intermediate Municipal Fund
A shares THIMX (incept: 7/22/91); C shares THMCX (incept: 9/11/94); I shares THMIX (incept: 7/5/96)
- Thornburg California Limited Term Municipal Fund
A shares LTCAX (incept: 2/19/87); C shares LTCCX (incept: 9/11/94); I shares LTCIX (incept: 4/11/97)
- Thornburg New Mexico Intermediate Municipal Fund
A shares THNMX (incept: 6/18/91); D shares THNDX (incept: 6/11/99); I shares THNIX (incept: 2/11/07)
- Thornburg New York Intermediate Municipal Fund
A shares THNYX (incept: 9/5/97); I shares TNYIX (incept: 2/11/10)

Co-managed by **Jason Brady**, CFA, and **Lon Erickson**, CFA

- Thornburg Limited Term Income Fund
A shares THIFX (incept: 10/11/92); C shares THICX (incept: 9/11/94); I shares THIX (incept: 7/5/96); R3 shares THIRX (incept: 7/11/03)

Managed by **Jason Brady**, CFA

- Thornburg Limited Term U.S. Government Fund
A shares LTUSX (incept: 11/16/87); C shares LTUCX (incept: 9/11/94); I shares LTUIX (incept: 7/5/96); R3 shares LTURX (incept: 7/11/03)

STRATEGIC INCOME

Co-managed by **George Strickland**, **Josh Gonze**, and **Chris Ryon**, CFA

- Thornburg Strategic Municipal Income Fund
A shares TSSAX (incept: 4/11/09); C shares TSSCX (incept: 4/11/09); I shares TSSIX (incept: 4/11/09)

Co-managed by **George Strickland** and **Jason Brady**, CFA

- Thornburg Strategic Income Fund
A shares TSIAX (incept: 12/19/07); C shares TSICX (incept: 12/19/07); I shares TSIX (incept: 12/19/07)

DIVIDEND INCOME

Co-managed by **Brian McMahon**, **Jason Brady**, CFA, and **Cliff Remily**, CFA

- Thornburg Investment Income Builder Fund
A shares TIBAX (incept: 12/24/02); C shares TIBCX (incept: 12/24/02); I shares TIBIX (incept: 11/11/03); R3 shares TIBRX (incept: 2/11/05); R4 shares TIBGX (incept: 2/11/08); R5 shares TIBMX (incept: 2/11/07)

Investments in the Funds carry risks, including possible loss of principal. Investing outside the United States, especially in emerging markets, entails special risks, such as 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. This effect is more pronounced for longer-term bonds. Unlike bonds, bond funds have ongoing fees and expenses. Funds invested in mortgage backed securities may bear additional risk. Investments in lower rated and unrated bonds may be more sensitive to default, downgrades, and market volatility; these investments may also be less liquid than higher rated bonds. Investments in derivatives are subject to the risks associated with the securities or other assets underlying the pool of securities, including illiquidity and difficulty in valuation. Investments in the Funds are not FDIC insured, nor are they deposits of or guaranteed by a bank or any other entity. The laddering strategy does not assure or guarantee better performance than a non-laddered portfolio and cannot eliminate the risk of investment losses.

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.

Headquartered in Santa Fe, New Mexico, Thornburg Investment Management advises nine bond funds, seven equity funds, and separate portfolios for institutions and high net worth individuals.

We focus on preserving and increasing the real wealth of our shareholders after accounting for inflation, taxes, and investment expenses. Thornburg offers strategies for building real wealth emanating from our disciplined investment style focused on risk management and investors' long-term goals.

Asset Backed Security – An asset-backed security is a security whose value and income payments are derived from and collateralized (or “backed”) by a specified pool of underlying assets. The pool of assets is typically a group of small and illiquid assets that are unable to be sold individually. Pooling the assets into financial instruments allows them to be sold to general investors, a process called securitization, and allows the risk of investing in the underlying assets to be diversified because each security will represent a fraction of the total value of the diverse pool of underlying assets.

Bond Credit Quality Ratings – A bond credit rating assesses the financial ability of a debt issuer to make timely payments of principal and interest. Ratings of AAA (the highest), AA, A, and BBB are investment-grade quality. Ratings of BB, B, CCC, CC, C and D (the lowest) are considered below investment grade, speculative grade, or junk bonds.

Credit Risk – The risk of loss due to a debtor's non-payment of a loan or other line of credit (either the principal or interest (coupon) or both).

Duration – A bond's sensitivity to interest rates.

Earnings per Share (EPS) – The total earnings divided by the number of shares outstanding.

High-Yielding Bond – A bond that is rated below investment grade at the time of purchase. These bonds have a higher risk of default or other adverse credit events, but typically pay higher yields than better quality bonds in order to make them attractive to investors.

Net Asset Value (NAV) – The market value of all securities owned by a mutual fund, minus its total liabilities, divided by the number of shares issued.