

Global Equity Income Builder Strategy

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Thornburg Global Equity Income Builder Strategy

Building a Diversified Portfolio with a Focus on Dividends

- **Objectives:**
 - pay attractive yield today
 - grow the cash dividend to investors over time
 - capital appreciation

- **Process:**
 - dividend paying stocks
 - focus on *Ability* and *Willingness* to increase dividends
 - diversify by sector and geography

There is no guarantee that the Strategy will meet its investment objectives.

Dividends Rediscovered

“[The investor] will do better if he forgets about the stock market and pays attention to his dividend returns and to the operating results of his companies.” (Chapter 8)

Benjamin Graham

The Intelligent Investor, 1949

Key Investment Professionals



Brian McMahon

Position/Experience

Co-Portfolio Manager/Managing Director
CIO/CEO
31 years experience

Education

MBA, Dartmouth College
BA, University of Virginia



Cliff Remily, CFA

Co-Portfolio Manager/Managing Director
10 years experience

MBA, University of Southern California
BA, University of Washington

Equity Investment Team

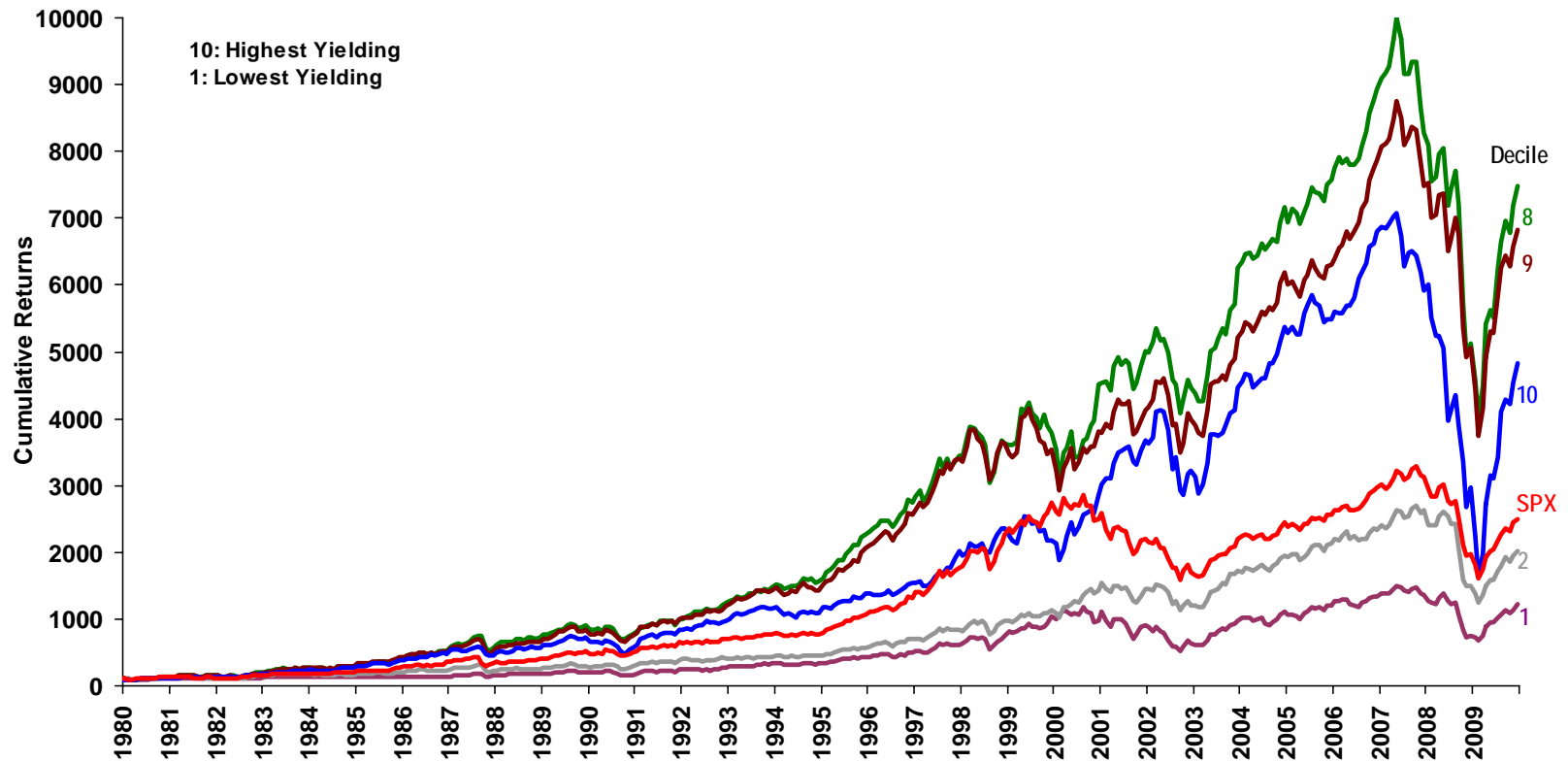
	<u>Position/Joined Firm</u>	<u>Education</u>
Brian McMahon	Co-Portfolio Manager/CIO and CEO 1984	MBA, Dartmouth College, Amos Tuck School BA, University of Virginia
Cliff Remily, CFA	Co-Portfolio Manager/Managing Director 2006	MBA, University of Southern California BS, University of Washington
William Fries, CFA	Managing Director 1995	MBA, Temple University BA, Pennsylvania State University
Wendy Trevisani	Managing Director 1999	MBA, Columbia University BA, Bucknell University
Lei Wang, CFA	Managing Director 2004	MBA, New York University, Stern BA/MA, East China Normal University
Ed Maran, CFA	Managing Director 2002	MBA, University of Chicago BA, U. S. Military Academy, West Point
Connor Browne, CFA	Managing Director 2001	BA, Princeton University
Vin Walden, CFA	Managing Director 2002	MBA, Columbia University BS, Boston University
Lewis Kaufman, CFA	Managing Director 2005	MBA, Duke University, Fuqua School of Business BA, Colgate University
Alex Motola, CFA	Managing Director 2000	MBA, University of California, Berkeley BA, University of California, Santa Barbara
Greg Dunn	Managing Director 2002	MBA, Duke University, Fuqua School of Business BS, Colorado State University
Tim Cunningham, CFA	Associate Portfolio Manager 2007	MBA, University of Colorado, Boulder BA, University of Nevada

Equity Investment Team (continued)

	<u>Position/Joined Firm</u>	<u>Education</u>
Connor Wilson	Equity Research Analyst 2007	BA, Harvard University
Robert MacDonald, CFA	Equity Research Analyst 2007	MBA, University of Chicago BA, Amherst College
Rolf Kelly, CFA	Equity Research Analyst 2007	MBA, Duke University BA, Colorado School of Mines
Ben Kirby	Equity Research Analyst 2008	MBA, Duke University BA, Fort Lewis College
Tamara Manoukian, CFA	Equity Research Analyst 2010	BA, Boston University

Longer-Term, Higher Yield Stocks Have Significantly Outperformed

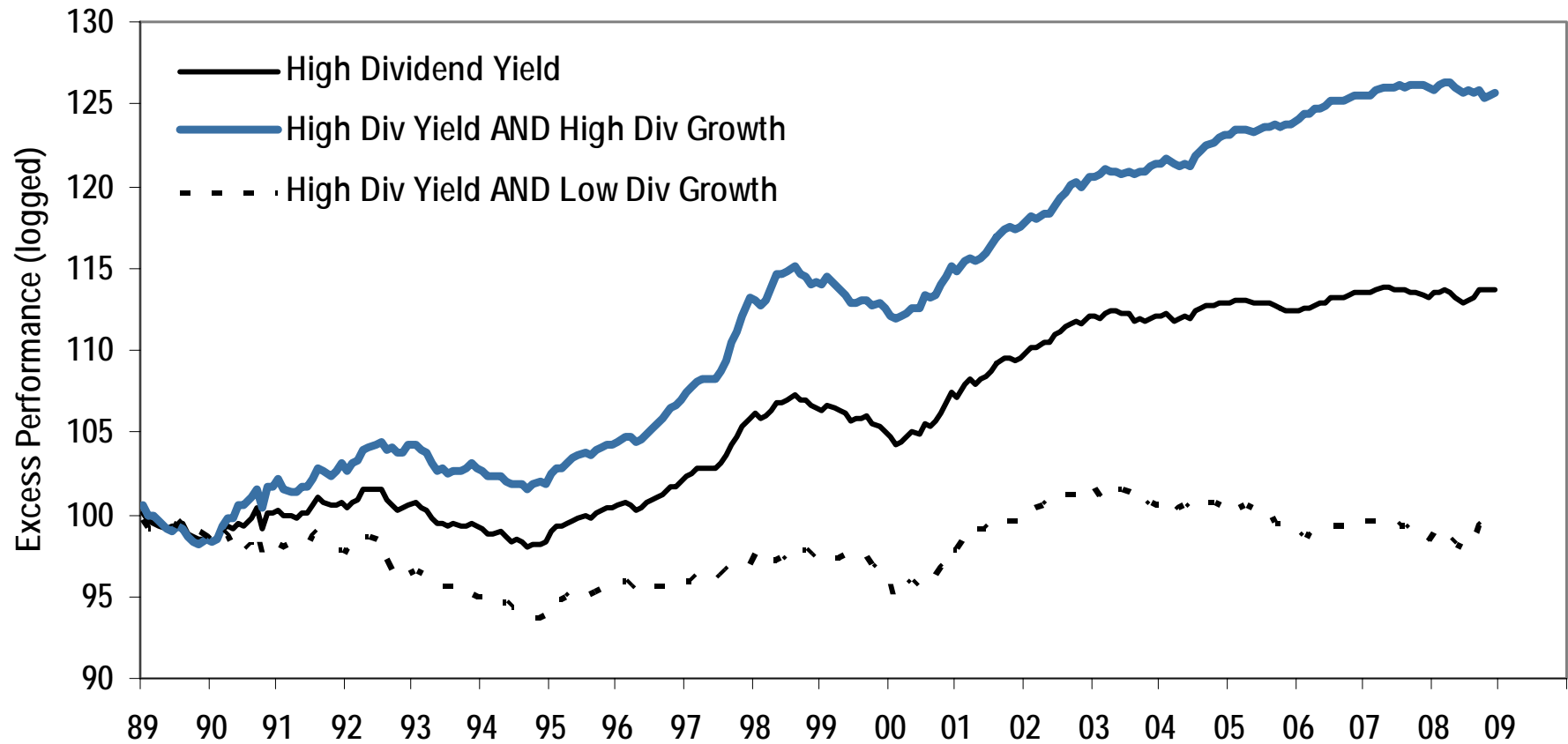
Equal-weighted decile performance from December 1979 to December 2009
Returns from a hypothetical \$100 invested on 12/31/79 (universe: S&P 500 Index)



Past performance does not guarantee future results.

The graph illustrates a hypothetical \$100 investment using the S&P 500 Index and how it compares to the performance of the equal-weighted decile performance for the stated time period. Index returns reflect the reinvestment of income dividends and capital gains, but do not reflect fees, brokerage commissions or other expenses of investing. Investors may not make direct investments into any index. Source: Credit Suisse Quantitative Equity Research, December 31, 2009

High Dividend Yield Combined with High Dividend Growth Outperforms



Source: Merrill Lynch Global Quant Strategy Index = S&P 500. Data as of December 31, 2008. This is the most recent data available. Inclusion of subsequent periods could change the results.

Surprise! Higher Payout Ratios = Higher Earnings Growth

- Companies with *higher dividend payout ratios* have generated *higher earnings growth rates* over subsequent ten-year periods.
- Companies with *lower payout ratios* (in the *bottom quartile*) actually generated *negative real earnings growth* over the next ten years.
- The data was robust and consistent for all ten-year periods dating from 1871 to 2001.

Source: Robert D. Arnott and Clifford S. Asness, Financial Analysts Journal January / February 2003.

This is the most recent data available. Inclusion of subsequent periods could change the results.

Surprise! Higher Payout Ratios = Higher Earnings Growth

<u>Starting Payout Quartile</u>	<u>Avg. Subsequent 10-Yr EPS Growth</u>		
	<u>Worst</u>	<u>Average</u>	<u>Best</u>
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 January / February 2003. Data analyzed: 1946-2001.

This is the most recent data available. Inclusion of subsequent periods could change the results.

Do Higher Dividends Lead to Higher Earnings Growth?

Australian Stock Exchange (Jul '69-Sept '05)* Starting Payout Quartile	Avg. Subsequent 10-Yr EPS Growth		
	Worst	Average	Best
One (Lowest Payout)	(10.2%)	(3.0%)	(0.9%)
Two	(5.3%)	0.6%	6.2%
Three	(6.6%)	1.3%	6.7%
Four (Highest Payout)	(2.8%)	3.3%	12.7%

Similar results: Canada, Germany, France, Japan, UK, Netherlands, and Switzerland

Past performance does not guarantee future results

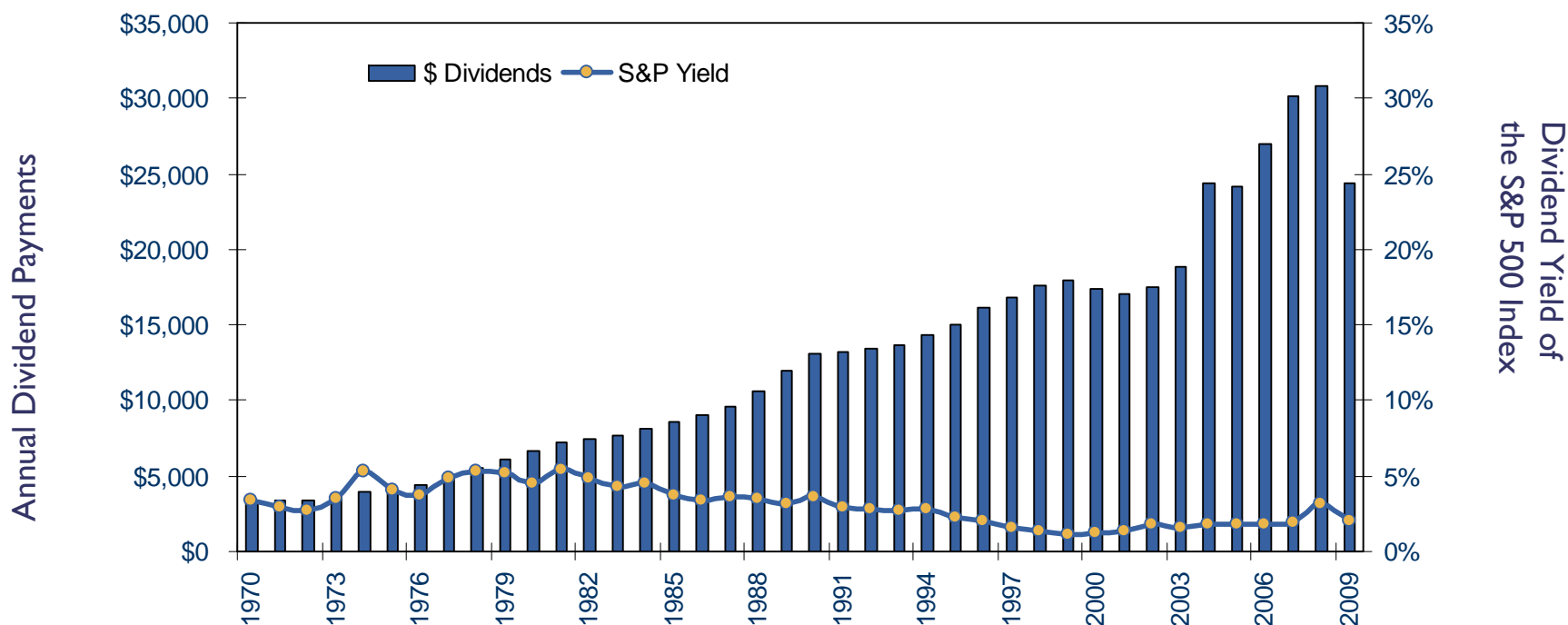
*Most recent available data.

Source: KC Parker – Do Higher Dividends Lead to higher Earnings Growth?

Source: International Evidence on the Payout Ratio, Earnings, Dividend, and Returns

S&P 500 Index Dividend Record

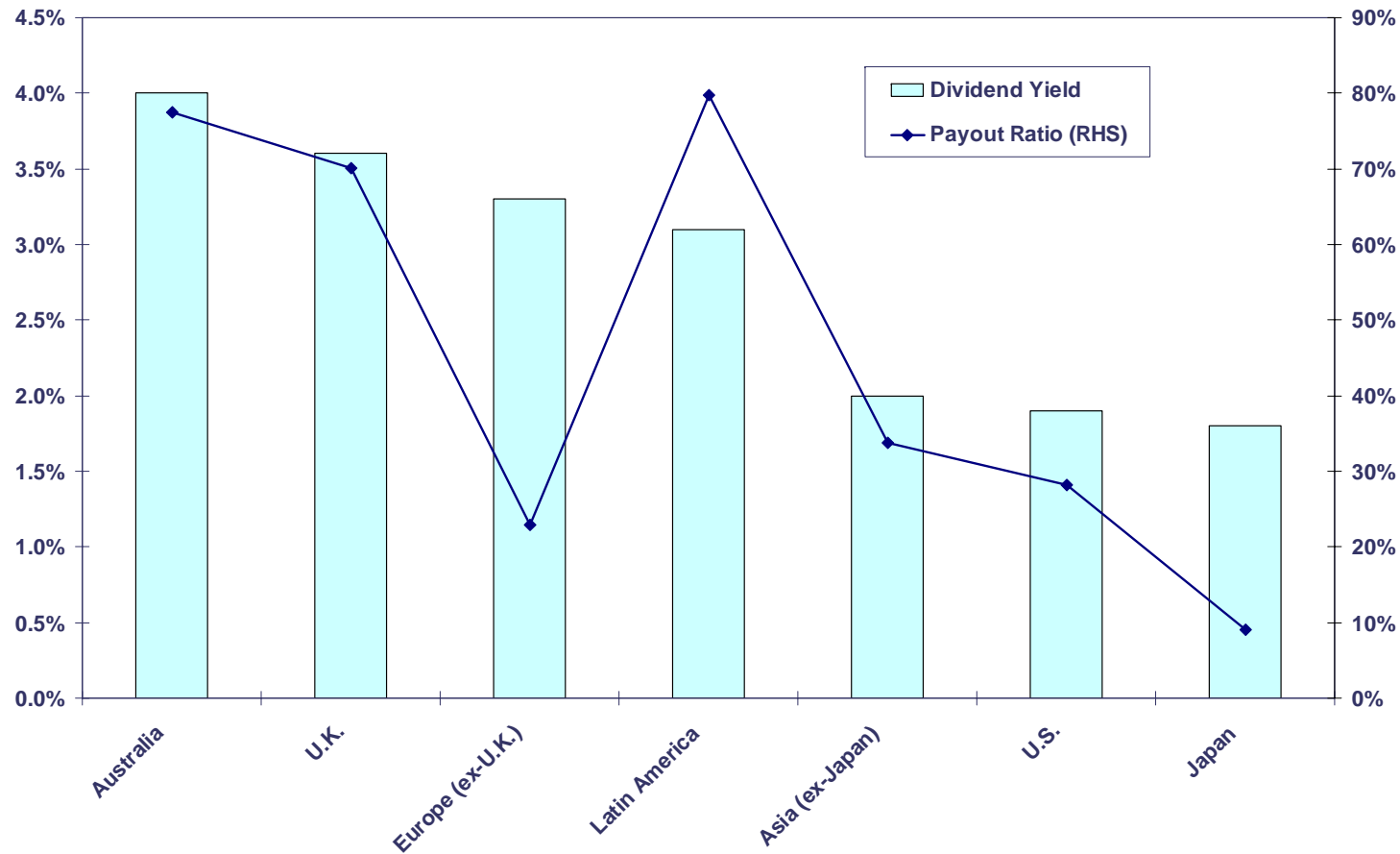
S&P 500 Index Avg. Yield vs. Annual Dividend Paid Hypothetical \$100,000 Investment in the S&P 500 Index (Dividends not Reinvested)



The S&P 500 Index is an unmanaged broad measure of the U.S. stock market. The performance of any index is not indicative of the performance of any particular investment. Unless 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.

Source: Bloomberg, Compustat, S&P, and FactSet. Data as of December 31, 2009.

Global Diversification Can Improve the Portfolio Yield



Source: FactSet as of December 31, 2009. Diversification does not guarantee a profit or protect against a loss.

Dividend payout ratio - The latest indicated annual dividend rate divided by the latest 12 months' EPS. Basically, this tells us how much of earnings are paid out in dividends.

Dividend yield is a ratio that shows how much a company pays out in dividends each year relative to its share price. Dividend yield is one component of performance and should not be the only consideration for investment.

International equity index dividend yield and payout ratios represent MSCI national and regional indices as of 12/31/2009. USA equity index dividend yield and payout ratios represents S&P 500 Index as of 12/31/2009.

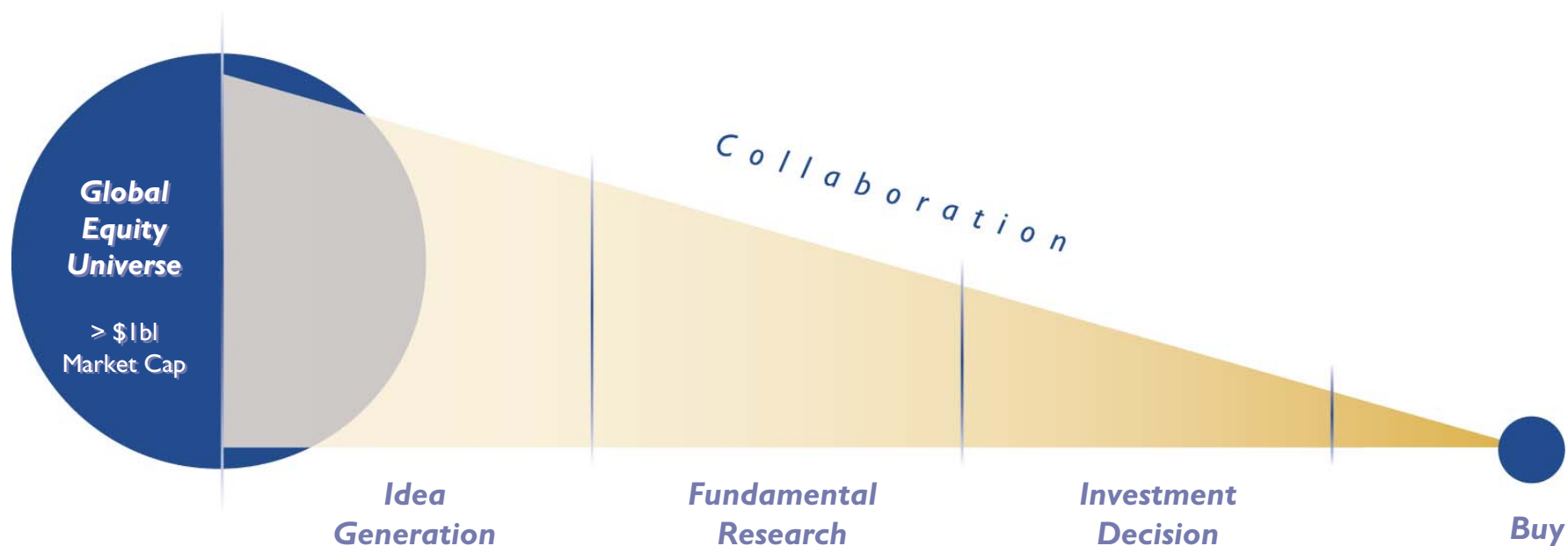
Investors may not invest directly in any index

Building a Diversified Portfolio: With the Focus on Increasing Dividends

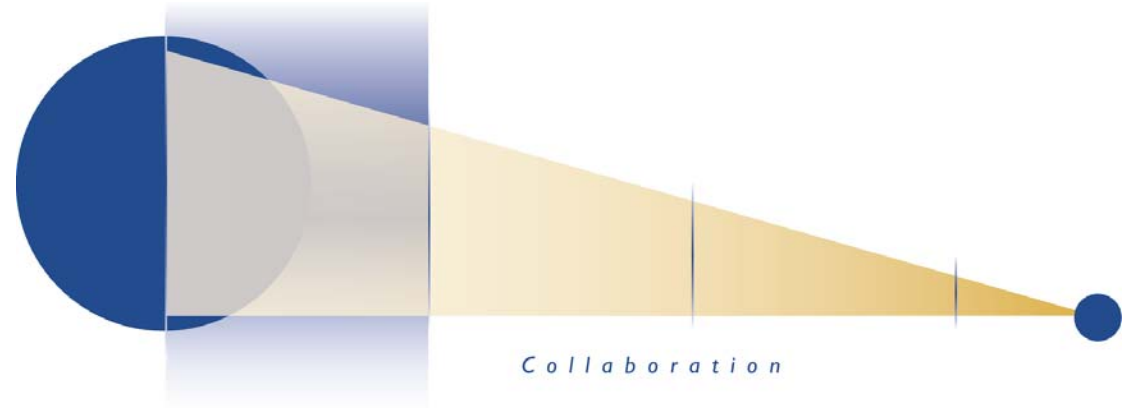
- Corporate Ability to Pay
- Corporate Willingness to Pay
- Geographic Diversity
- Sector Diversity

Diversification does not guarantee a profit or protect against a loss.

Investment Process: Overview



Investment Process



Step One: Idea Generation

- **Global Travel**
 - Attend conferences
 - Meet with management teams worldwide
 - Ideas from global sell side analysts
- **Customized Screens**
 - Fundamental improvement
 - Valuation
 - Yield
- **Preliminary Research**
 - Identify securities that warrant further research
 - Prioritize new ideas

Investment Process



Step Two: Fundamental Research

Primary Objective: Recognize a clear path to investment success

- **Quantitative Valuation**
 - Accounting based
 - Various approaches of valuation
 - Theoretical (DCF, SOTP, Multiples of Fundamentals, etc)

- **Qualitative Factors**
 - Understand business model
 - Market leadership
 - Corporate culture

Investment Process



Step Three: Investment Decision

- **Portfolio Construction**
 - Every stock counts (concentrated portfolios)
 - Diversification (across sectors, geographies, and risk factors)
 - Three categories of value
- **Portfolio Managers Make Final Decision**

Global Equity Income Builder: Sector & Geography Characteristics

Top 10 Country Weightings

12/31/09

<u>Country</u>	<u>% Weight</u>
United States	48%
Australia	10%
Italy	7%
Spain	5%
Switzerland	5%
France	5%
United Kingdom	4%
China	4%
Hong Kong	3%
Brazil	3%
Emerging Markets	11%

Top 10 Sector Weightings

12/31/09

<u>Economic Sector</u>	<u>% Weight</u>
Financials	21%
Telecommunication Services	13%
Consumer Staples	13%
Utilities	10%
Information Technology	9%
Energy	9%
Industrials	8%
Consumer Discretionary	6%
Health Care	5%
Materials	4%

Source: FactSet

Country and sector weights are percentages of the total portfolio.

The countries and sectors mentioned reflect the holdings in the strategy as of the date indicated. It does not represent all of the securities purchased, sold or recommended. Portfolio holdings are subject to change daily. Under no circumstances does the information contained within represent a recommendation to buy or sell the securities. It should not be assumed that the investments in the securities were or will be profitable.

Global Equity Income Builder: Portfolio Attributes

As of March 31, 2010

<u>Equity Component</u>	<u>Portfolio</u>	<u>MSCI World</u>	<u>S&P 500</u>
Price/Earnings 2009	15.0x	14.6x	19.1x
P/E Forward 2010E	13.6x	15.0x	15.3x
Avg. Dividend Yield	5.1%	2.8%	1.9%
Return On Equity (ROE)	32%	13%	12%
Dividend Payout Ratio	59%	42%	37%

Source: FactSet

“Our criticism is advanced against . . . the retention of 70% of the earnings, and not against the normal reinvestment of some 30% of the profits.” (p. 338)

Benjamin Graham & David Dodd
Security Analysis, 1934

Portfolio attributes, characteristics, and ratings can and do vary.

The Morgan Stanley Capital International 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 S&P 500 Index is an unmanaged broad measure of the U.S. stock market.

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.

Global Equity Income Builder Performance

Returns for Periods Ending March 31, 2010 (preliminary)
Annualized for Periods Greater than One Year

	QTD	1 Year	Since Inception (2/1/09)
Global Equity Income Builder Composite (Gross)	3.78%	57.05%	44.73%
Global Equity Income Builder Composite (Net)	3.78%	56.39%	44.05%
MSCI World Index(Gross)	3.24%	52.37%	39.40%

Performance data for the Global Income Builder Strategy is from the Global Income Builder Composite, inception date of February 1, 2009. Individual account performance will vary. Past performance is no indication of future results. The composite represents all assets under management in fully discretionary, fee based accounts. Returns are calculated using a time-weighted and asset weighted calculation including reinvestment of dividends and income and are net of fees which may include management, advisory and/or custodial fees. Returns are annualized for periods greater than one year. Thornburg Investment Management's fee schedule is detailed in Part II of its ADV. Performance results gross of fees do not reflect the deduction of management fees. Performance results of the Firm's clients will be reduced by the Firm's management fees. For example, an account with a compounded annual total return of 10% would have increased by 159% over ten years. Assuming an annual management fee of .75%, this increase would be 142%. Performance data is preliminary and subject to change.

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Thornburg Global Equity Income Builder Strategy

As 12/31/09

Foreign Equity		48.5%
Security	% Weight	
BP PLC (BP/ LN)	1.6%	
VODAFONE GROUP (VOD LN)	2.3%	
TAIWAN SEMICONDUCTOR SPONSORED ADR	1.1%	
NOVARTIS AG (NOVN VX)	2.1%	
BANQUE CANTONALE VAUDOIS-REG (BCVN SW)	0.6%	
LIECHTENSTEIN LANDESBANK-BR (LLB SW)	1.6%	
TELEFONICA SA (TEF SM)	3.9%	
BOLSAS Y MERCADOS	1.0%	
IMPALA PLATINUM HOLDINGS LTD (IMP SJ)	0.7%	
FRED OLSEN ENERGY ASA (FOE NO)	0.2%	
SOUTHERN COPPER CORP	0.5%	
BERJAYA SPORTS TOTO BHD (BST MK)	0.9%	
ENEL (ENEL IM)	3.2%	
ENI (ENI IM)	2.9%	
HONG KONG EXCHANGE (388 HK)	1.7%	
HOPEWELL HIGHWAY (737 HK)	1.4%	
E.ON AG (EOAN GR)	1.4%	
FRANCE TELECOM	1.8%	
TOTAL (FP FP)	2.4%	
CHINA MOBILE LTD (941 HK)	1.5%	
INDUSTRIAL & COMMERCIAL BANK OF CHINA - H (1398 HK)	2.1%	
CANADIAN OIL SANDS TR NEW UNIT	0.7%	
BANK OF MONTREAL	0.9%	
NATURA COSMETICOS SA (NATU3 BZ)	1.9%	
REDECARD SA (RDCD3 BZ)	1.0%	
TELSTRA CORP LTD (TLS AU)	2.9%	
NUFARM	1.0%	
MAP GROUP (MAP AU)	1.2%	
METCASH LIMITED	1.5%	
SEEK LTD (SEK AU)	2.8%	

Fixed Income		1.8%
Security	% Weight	
SOUTHERN CROSS AIR CORP 7.6017% 12/20/2016	1.1%	
SWISS RE CAP I LP	0.6%	

Domestic Equity		42.3%
Security	% Weight	
ALLIANCEBERNSTEIN HLDG UNIT LTD PARTN	2.3%	
APOLLO INVESTMENT CORP	3.4%	
BOEING CO COM	1.6%	
CHIMERA INVT CORP COM	1.3%	
DOMINION RES VA NEW COM	1.7%	
DU PONT E I DE NEMOURS COM	1.0%	
DIAMOND OFFSHORE DRILLING INC COM	0.8%	
ENTERGY CORP NEW COM	3.1%	
HUDSON CITY BANCORP COM	1.0%	
INTEL CORP COM	2.0%	
KKR FINANCIAL HLDGS LLC COM	0.3%	
COCA COLA CO COM	2.4%	
LILLY ELI & CO COM	2.7%	
MCDONALDS CORP COM	5.0%	
MERCURY GENERAL CORP	1.1%	
MICROSOFT CORP COM	2.2%	
ANNALY MTG MGMT INC COM	1.3%	
PAYCHEX INC COM	2.2%	
PHILIP MORRIS INTL INC COM	2.9%	
SYSCO CORP COM	1.8%	
UNIVERSAL CORP VA COM	1.7%	
FIFTH THIRD BANCORP CNV PFD DEP1/250 (FIT)	0.8%	

Cash 6.2%

Equity Capitalization Exposure	
Small <2.5 Billion	17.6%
Mid 2.5 - 12 Billion	16.9%
Large >12 Billion	65.5%

Country Weights	
United States	47.7%
Australia	10.3%
Italy	6.7%
Spain	5.3%
Switzerland	4.7%
France	4.5%
United Kingdom	4.2%
China	3.9%
Hong Kong	3.4%
Brazil	3.1%
Germany	1.6%
Taiwan	1.2%
Malaysia	1.0%
Canada	0.8%
South Africa	0.8%
Mexico	0.6%
Norway	0.2%
Emerging Markets	10.6%

Top 10 Industry Groups	
Telecommunication Services	13.5%
Utilities	10.3%
Diversified Financials	9.4%
Energy	9.3%
Banks	8.0%
Food Beverage & Tobacco	7.6%
Consumer Services	6.5%
Software & Services	5.9%
Pharmaceuticals Biotechnology & Life Sciences	5.2%
Food & Staples Retailing	3.6%

Securities mentioned represent what was held in the strategy as of the date indicated. Portfolio holdings are subject to change daily. Under no circumstances does the information contained within represent a recommendation to buy or sell securities. It should not be assumed that the investments in the securities were or will be profitable. The list provided does not represent all of the securities recommended for advisory clients. A complete list of all securities recommended for the strategy by Thornburg Investment Management in the preceding year can be obtained, free of charge, by contacting Dana Dean at ddean@thornburg.com or 505-467-7284.

Disclosures

This presentation is intended for financial advisor and institutional client use only and is not intended for distribution to the public.

Investing in the Strategy carries risks, including possible loss of principal. Carefully consider the Strategy's investment objectives, risks, and expenses before investing. There is no guarantee that the portfolio will meet its investment objectives.

Performance data quoted represents past performance and is no guarantee of future results. Returns will fluctuate and current performance may be either lower or higher than data shown.

Unless otherwise noted, source of all data, charts, tables and graphs is Thornburg Investment Management.