Thornburg Companies

Thornburg Investment Management
Thornburg Securities - Member NASD
Thornburg Mortgage Advisory

February 28, 2007

Nancy M. Morris, Secretary
United States Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

Re: Request for Additional Comments on Investment Company Governance
File No. S7-03-04

Dear Ms. Morris:

I am the chairman of the Trustees of Thornburg Investment Trust, an investment company organized in 1987. I also am the chairman of the board of Thornburg Investment Management, Inc., the investment advisor to Thornburg Investment Trust.

We awaited with interest the two papers issued by the Commission's Office of Economic Analysis relating to the proposed rule requiring independent board chairmen for investment companies, but learned that the papers offered no new insights relating to the proposed rule.

In retrospect, I suppose, we should not have been surprised by this result. From the beginning, the rule's proponents have pursued the rule's adoption with fervor, but with little basis in experience to believe that imposing independent chairmen on boards would really benefit shareholders. To some extent this is understandable. We were shocked by the revelations several years ago of market timing, late trading and other harmful activities affecting mutual funds. Such revelations often result in immediate demands for "change" or for "reform." And, while there are times when changes are necessary or even critical, mature reflection over a longer period of time often reveals that such changes are in fact ill considered. Now is the time to admit to ourselves that the proposed rule is unnecessary, and probably counterproductive.

In these instances it is often helpful to return to first principles in order to regain perspective. Section 10(a) of the Investment Company Act of 1940 provides today, as it did at its adoption in 1940, that 40% of an investment company board must be independent. Although the original Senate bill that became the 1940 Act would have required that a majority of investment company directors be independent, that provision was changed in the House bill to today's 40% requirement. The concern of the Congress was that an independent majority would repudiate the recommendations of the advisor and deprive an investment company's shareholders of the benefits of the advisor's recommendations.

In practice, investment company boards having majority representation by independent members have proved more advantageous than the Congress anticipated. Nonetheless, the Congress clearly understood the reality that the dynamic element in the management of an investment company is the advisor.

Management personnel are involved in the business – including the details of investment management, operations, evolution of distribution channels and shareholder perceptions and desires – on a daily basis: this is what we do all the time, and it's how we earn a living.

A good example of this in my recent experience is the creation of a new fund series by our investment company. It was our portfolio managers who identified a set of investment opportunities they thought would be attractive to the public, and who configured the investment approach for the new fund we commenced offering to investors last month. Our board reviewed and considered the proposal in accordance with its supervisory and oversight role, but the identification of the opportunity, the design of the investment approach and implementation of the idea were wholly the product of our staff's initiative and efforts.

Like many others in a business which has provided a wide range of attractive investment opportunities for ordinary Americans, I believe strongly that the continuing efforts to marginalize management in the governance of investment companies, in pursuit of an objective no one can demonstrate after years of study, is an example of poor judgment and a potential danger to shareholders. Consequently, I suggest that the Commission close its consideration of the independent chairman rule, and devote its attentions to matters of greater interest and value to investment companies and their shareholders.

Other aspects of these points are addressed and amplified thoughtfully in a letter our independent Trustees directed to you on August 18 of last year. A copy of that letter is attached for your reference.

Respectfully,

Garrett Thornburg

Enclosure: *Copy of 08/18/2006 letter from Thornburg Investment Trust Independent Trustees.*

Independent Trustees of
Thornburg Investment Trust

119 East Marcy Street
Santa Fe, New Mexico 87501

August 18, 2006

Nancy M. Morris, Secretary
United States Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

Re: Request for Additional Comments on Investment Company Governance: File No. S7-03-04

Dear Ms. Morris:

I am writing on behalf of the independent Trustees of Thornburg Investment Trust, a registered investment company originally organized in 1987 and currently having 13 separate fund series. We are submitting this letter to you in response to the June 13, 2006 request by the Securities and Exchange Commission for comments respecting the proposed amendments to rules under the Investment Company Act of 1940 which would require certain investment companies to have independent board chairmen.

Although previous comments submitted to the Commission address many considerations relevant to the rule amendments' adoption, we are concerned that the comments to date do not clearly address the fact that the proposed independent chairman requirement misapprehends the fundamental nature of a mutual fund's organization, the role of the fund's board in supervising the fund's operation, and the expectations of shareholders. We are also concerned that implementation of the rule presents a risk of inefficiency and dysfunction to mutual funds, with negative consequences to funds and their shareholders.

Although today's mutual fund board is an important source of vision and direction for the fund, the investment manager is the primary source of the fund's expertise, initiative and strategic direction. The board chairman is typically associated with the manager, and proposes the agenda for board actions and leads the board in responding to initiatives from the manager and the board. The rule amendments appear premised, however, on the currently fashionable – but entirely fictional – notion that a mutual fund board is the primary source of the fund's management initiative and strategic direction, and that the board will be aided in this role by having a chairman who is independent of the manager. We believe that such an expansion of the purview of the mutual fund board beyond its traditional review and supervisory role by requiring an independent chairman would be inconsistent with the realities of the mutual fund industry and could frustrate the reasonable expectations of mutual fund shareholders. The Commission would be far better advised to expend its resources in ways designed to ensure that mutual fund boards effectively carry out the supervisory role that shareholders properly depend upon them to perform.

A mutual fund is created by a professional investment manager with the expectation that the fund will attract and retain investors, and that the manager will enjoy a profit on operating the fund. The manager incurs the costs of organizing and marketing the fund and typically subsidizes the fund's operations until it becomes self-sustaining. The manager provides the strategic planning and the specific expertise in selecting the fund's investments. The survival and success (or failure) of the fund is ultimately dependent upon the manager's skill in obtaining investment performance that appeals to investors. The day-to-day details of the fund's operation, its marketing, and virtually every aspect of its existence are the product of the manager's efforts. The fund itself is, in most respects, a corporate abstraction created to provide a legal vehicle to hold investment assets.

In view of these realities of mutual fund organization, we believe that a mutual fund board's primary task is to assess the nature and quality of the investment manager's services, and to confirm that the manager actively and competently pursues the fund's objectives, in accordance with the fund's prospectus. Further, the board should consider whether the fund's fees and costs are reasonable in relation to the services rendered and are generally consistent with amounts charged by other investment managers. Finally, the board should supervise the manager's conduct of its other functions, including shareholder disclosure and legal compliance. In the absence of extraordinary circumstances, however, a mutual fund board should not, in our view, involve itself in the details of investment management decisions or in day-to-day business operations or initiate strategic changes, because these are the functions and responsibilities of the investment manager.

From our perspective, shareholders choose a mutual fund on the basis of (1) the investment objectives and policies described in the prospectus, and (2) who manages it. We believe that shareholders understand and expect that their fund's board will exercise the supervisory role we describe above, and that in fact they would be concerned if a board sought to substitute its judgment on investment decisions or "micromanage" the fund's affairs, or otherwise interfere in the manager's conduct of the fund's business without a good reason for doing so. We further believe in this regard that requiring an independent board chairman increases the risk that a board will expand its function beyond its traditional supervisory role, and into the manager’s natural area of responsibility.

Mandating that each mutual fund board must have an independent chairman would also collide with the interests of its shareholders because of the potential for operational inefficiency and organizational dysfunction. An independent board chairman is not usually a professional investment manager, and is not involved in the fund's day-to-day investment business. Consequently, the chairman may not have administrative assistance available, and in some cases the chairman may believe that he or she must obtain the detailed business understanding possessed by the interested chairman they replaced, in order to adequately discharge the chairman's functions. Some chairmen may simply acquire administrative assistance and expertise directly from the investment manager, particularly in those fund organizations where the board members already have established lines of communications with the manager's personnel. Other chairmen may, however, conclude that they must establish separately staffed "offices" and hire staffs and experts to supply the perceived lack of expertise. The costs of “offices,” and the likely higher compensation of independent chairmen, would be borne by shareholders. Further, investment managers' efforts would become increasingly focused on dealing with chairmen's "offices," and less oriented to portfolio management, particularly in smaller mutual fund groups. Investment managers would have to consider whether the increased organizational costs, together with the potentially greater risk of contract termination, justified their investment in personnel, equipment and facilities. Some managers, including particularly independent managers, would leave the business, and the mutual fund choices available to smaller investors could shrink markedly.

Although we believe that independent members should constitute a majority on fund boards (as has been the case with the Thornburg funds from their inception), we believe that it is not in the best interest of shareholders for the Commission to implement rule amendments which are based on a flawed model of mutual fund organization, when the largely speculative benefit of the rule is outweighed by the significant potential for material monetary and functional costs to mutual funds and their shareholders.

Respectfully submitted,

Eliot R. Cutler, Chairman of the Independent Trustees of Thornburg Investment Trust,
by Charles W.N. Thompson, Jr., Attorney