

BOND FUND - DECEMBER 31, 2011

Investment Objective

The Bond Fund seeks a high level of current income while preserving capital.

Investment Strategy

The Bond Fund normally invests at least 80% of its net assets plus any borrowing for investment purposes in a diversified portfolio of bonds, including corporate bonds of domestic and foreign issuers payable in U.S. dollars, short-term debt instruments, mortgage-related securities, and U.S. Treasury securities and other debt securities issued or guaranteed by the U.S. Government (including its agencies and instrumentalities). Although the Bond Fund invests primarily in investment-grade debt securities (i.e., those rated in the four highest rating categories by S&P or Moody's), it may invest up to 10% of its net assets in bonds rated below investment grade. In the aggregate, these below investment-grade bonds, along with the other bonds in the Fund's portfolio, will comprise at least 80% of the Fund's net assets plus any borrowing for investment purposes. The Bond Fund may invest up to 20% of its net assets in other non-debt securities which include convertible bonds, common stocks and variable-rate demand notes.

Fund Facts

Fund Inception: February 10, 1992
Fund Assets: \$679 million
Net Asset Value: \$11.24
Dividend Frequency: Quarterly
Fund Ticker Symbol: THOPX

Portfolio Characteristics

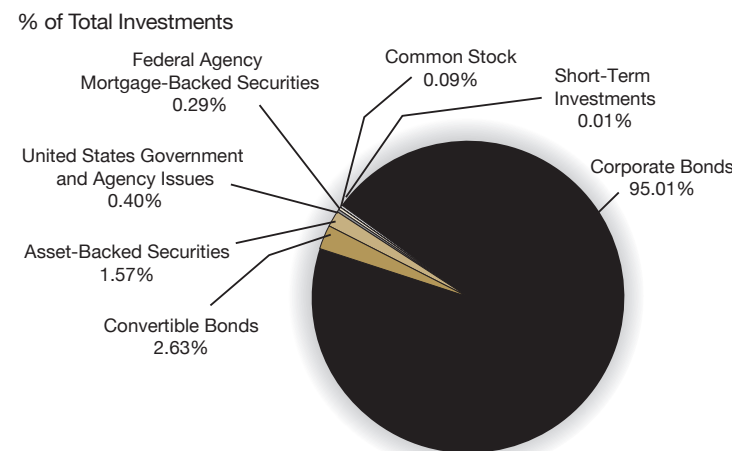
Includes cash and cash equivalents.
Yield to Maturity.....4.56%
Average Years to Maturity..... 3.23 yrs.
Duration 2.82 yrs.
Number of Holdings 502

Portfolio Concentration

% of Total Investments	
U.S. Government & Government Related.....	0.69%
AAA	0.46%
AA.....	2.43%
A	14.17%
BBB.....	77.42%
BB and Below.....	4.73%
Not Rated.....	0.00%
Common Stocks	0.09%
Cash & Cash Equivalents.....	0.01%
	<u>100.00%</u>

The Fund's portfolio concentration is calculated using ratings from Standard & Poor's. If Standard & Poor's does not rate a holding then Moody's or Fitch is used. All ratings are as of 12/31/11.

Asset Allocation



Average Annual Total Returns 12/31/11				
	1 Year	3 Year	5 Year	10 Year
Thompson Plumb Bond Fund	3.04%	11.34%	7.38%	6.06%
Barclays Capital U.S. Gov't/Credit 1-5 Year Index	3.14%	3.94%	4.84%	4.30%

Expense Ratios	
Gross of fee waivers or reimbursements	0.87%
Net Expense Ratio - Effective 4/01/11	0.80%*

Additional Portfolio Characteristics - As of 12/31/11	
30-Day SEC Yield	3.92%
30-Day SEC Yield (Without Reimbursement)	3.91%

Performance data quoted represents past performance: past performance does not guarantee future results. The investment returns and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the Fund may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by calling 800-999-0887 or visiting www.thompsonplumb.com.

*The Advisor has contractually agreed to waive management fees and/or reimburse expenses incurred by the Bond Fund through March 31, 2012 so that the annual operating expenses of that Fund do not exceed 0.80% of its average daily net assets. Investment performance reflects fee waivers in effect. In the absence of such waivers, the returns would be reduced.

The performance information reflected in the table above does not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares.

The Barclays Capital U.S. Government/Credit 1-5 Year Index is a market-value-weighted index of all investment-grade bonds with maturities of more than one year and less than 5 years. You cannot directly invest in an index.

SEC Yield is a standardized yield computed by dividing the net investment income per share earned during the 30-day period prior to quarter-end and was created to allow for fairer comparisons among bond funds.

Must be preceded or accompanied by a prospectus.

Mutual fund investing involves risk, principal loss is possible. Investments in debt securities typically decrease in value when interest rates rise. The risk is usually greater for longer-term debt securities. Investments in bonds of foreign issuers involve greater volatility, political and economic risks, and differences in accounting methods. Investment by the Fund in lower-rated and non-rated securities presents a greater risk of loss to principal and interest than higher-rated securities. Results include the reinvestment of all dividends and capital gains distributions.

Quasar Distributors, LLC distributor.

Largest Bond Holdings

ISSUER	% OF FUND'S NET ASSETS
Morgan Stanley	3.19%
Bank of America	3.18%
Citigroup	3.17%
Telecom Italia	2.17%
SLM Corp.	2.16%
Masco Corp.	2.16%
Computer Sciences	2.16%
Owens Corning	2.15%
Zions Bancorporation	2.14%
SL Green Realty	2.13%

Portfolio holdings and sector allocation are subject to change and are not a recommendation to buy or sell any security.

Management Commentary

After significant gyrations in both Treasury rates and corporate bond spreads during the first three quarters of the year, the fourth quarter was remarkably calm. The 5 year Treasury rate declined a modest 11 basis points, while corporate spreads at the BBB rated tier narrowed by 14 basis points. As a result, neither factor had a dominant impact on the relative performance of the Fund during the quarter. Instead, the out performance of the Fund was largely attributable to its allocation in corporate bonds, which simply yielded more than the Treasury and Agency debt that makes up a majority of the benchmark's allocation. We have long argued that if the Fund avoided defaults, and the interest rate environment was relatively unchanged, the Fund was positioned to most likely outperform because of this yield advantage. It is rewarding to see this happen during the fourth quarter.

As portfolio managers we strive to constantly monitor the various risks the Fund is taking to minimize their potential impact to shareholders. The most obvious risk is a corporate default. Because the team that manages the Fund is also responsible for our equity portfolios, we believe we have an edge versus competitors that focus on fixed income alone. The other major risk in the Fund is from widening corporate spreads. This can happen when Treasury rates decline, corporate rates rise, or a combination of the two. When a change comes from declining Treasury rates, the Fund's relative performance is hurt because the benchmark enjoys price appreciation while the Fund does not. Conversely, when corporate rates increase the Fund experiences a larger capital loss than the benchmark because of its higher corporate allocation, hurting both relative and absolute performance. When constructing the portfolio of bonds within the Fund our task is to maximize return while keeping the probability and magnitude of absolute or relative losses low.

Given this mandate, 2011 was a good test of our strategy. During the full year corporate spreads widened 106 basis points to 2.42%. This is above the long term 1-2% range of a "normal" environment, although far less than the spreads seen at the height of the 2008 fiscal crisis. The majority of this change was from declining Treasury rates, but certain sub segments of the corporate market such as Financials saw their rates rise

as well. Thus we are very pleased that even in a "difficult" year the Fund still managed to gain 3.04% and nearly kept pace with its benchmark, the Barclays Capital U.S. Government/Credit 1-5 Year Index, despite the significant headwind. The Fund did even better against its peer group, the Morningstar Short-Term Bond category, which returned 1.66% for the year and mostly trailed the Treasury dominated benchmark too. With a 30-day SEC yield of 3.92% as of 12/31/2011, and an even higher yield to maturity of 4.56% as of 12/31/2011, we feel there should be plenty of cushion to absorb a similar headwind in future years. And if rates are instead relatively calm as they were during the fourth quarter, or decline back towards "normal", we think that our portfolio should be well positioned to enjoy even better performance both relatively and absolutely.

Opinions expressed are subject to change, are not guaranteed and should not be considered investment advice.

The federal government guarantees interest payments from government securities while corporate bond interest payments carry no such guarantee. Government securities, if held to maturity, guarantee the timely payment of principal and interest.

As of December 31, 2011 the Morningstar Category Average Return for Short-Term Bond Funds is as follows: 1-Year 1.66%, 5-Year 3.48% and 10-Year 3.38%. Each Morningstar average represents a universe of funds with similar investment objectives. You cannot invest directly in an index.

© [2012] Morningstar, Inc. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.

Basis Points: A unit that is equal to 1/100th of 1%, and is used to denote the change in a financial instrument. The basis point is commonly used for calculating changes in interest rates, equity indexes and the yield of a fixed-income security.

Past performance is not a guarantee of future results.



THOMPSON PLUMB FUNDS, INC.
SMART INVESTING STARTS HERE

BOND FUND - DECEMBER 31, 2011

Portfolio Managers

James T. Evans is a co-manager for the Bond Fund and has been actively involved in the management of the Fund since February 2009. Mr. Evans is CIO and a Portfolio Manager at Thompson Investment Management, Inc. ("TIM") and has been with the firm since 2005. Prior to joining TIM, he was a Managing Director for Nakoma Capital Management in Madison, Wisconsin, which he joined in July 2000. Mr. Evans graduated summa cum laude from Macalester College with a B.A. degree in Economics and Computer Science. He also earned an M.B.A. in Finance and Accounting and an M.S. in Finance from the University of Wisconsin-Madison. Mr. Evans completed the Applied Security Analysis Program at the University of Wisconsin-Madison Business School. He is a CFA charterholder.

Jason L. Stephens is a co-manager for the Bond Fund and has been actively involved in the management of the Fund since February 2009. Mr. Stephens is the COO and a Portfolio Manager at TIM. Previously, he worked in various capacities for TIM and Thompson, Plumb & Associates, Inc. since 2002. Mr. Stephens received a B.S. in English and Communication Arts, an M.A. in Arts Administration and an M.S. in Finance, each from the University of Wisconsin-Madison. He is a CFA charterholder.

John W. Thompson has been a portfolio manager of the Thompson Plumb Bond Fund since its 1992 inception. Mr. Thompson is the Founder and President of TIM. Until January 2004, Mr. Thompson was Founder, President and Treasurer of Thompson, Plumb & Associates, Inc. since the firm's 1984 inception. Prior to that, he served as the Senior Trust and Investment Officer at Firststar Bank in Madison, Wisconsin. He earned a B.S. degree in Mechanical Engineering from the University of Wisconsin-Madison and an M.B.A. from the Wharton School at the University of Pennsylvania. He is a CFA charterholder.