



# THOMPSON PLUMB FUNDS

## BOND FUND - MARCH 31, 2010

800-999-0887

www.thompsonplumb.com

### 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. The dollar weighted average portfolio maturity of the Bond Fund will normally not exceed 10 years. The Bond Fund does not purchase securities with a view to rapid turnover.

### Fund Facts

Fund Inception: February 10, 1992  
Fund Assets: \$243 million  
Net Asset Value: \$11.20  
Dividend Frequency: Quarterly  
Fund Ticker Symbol: THOPX

### Portfolio Characteristics

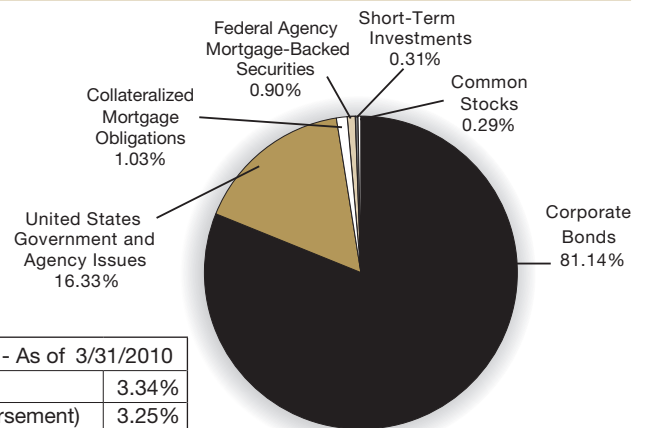
Includes cash and cash equivalents.  
Yield to Maturity .....4.05%  
Average Years to Maturity ..... 3.47 yrs.  
Duration ..... 2.95 yrs.  
Number of Holdings ..... 511

### Portfolio Concentration

|  |                |
|--|----------------|
| U.S. Government & Government Related ..... | 17.28%         |
| AAA.....                                   | 0.03%          |
| AA.....                                    | 6.84%          |
| A.....                                     | 19.14%         |
| BBB .....                                  | 50.60%         |
| BB and Below.....                          | 4.70%          |
| Not Rated .....                            | 0.85%          |
| Common Stocks.....                         | 0.29%          |
| Cash and Cash Equivalents .....            | 0.27%          |
|  | <u>100.00%</u> |

The Fund's portfolio concentration is calculated using ratings from Standard & Poor's as of 3/31/10.

### Asset Allocation



| Average Annual Total Returns<br>3/31/10                         |        |        |        |         |
|---|--------|--------|--------|---------|
|   | 1 Year | 3 Year | 5 Year | 10 Year |
| Thompson Plumb Bond Fund  | 28.63% | 9.41%  | 7.23%  | 7.02%   |
| Barclays Capital Intermediate U.S. Gov't/Credit 1-10 Year Index | 6.92%  | 5.88%  | 5.16%  | 5.93%   |
| Barclays Capital U.S. Gov't/Credit 1-5 Year Index               | 5.31%  | 5.54%  | 4.90%  | 5.35%   |

| Expense Ratios                         |        | Additional Portfolio Characteristics - As of 3/31/2010 |       |
|--|--------|--|-------|
| Gross of fee waivers or reimbursements | 1.20%  | 30-Day SEC Yield                                       | 3.34% |
| Net Expense Ratio - Effective 4/01/10  | 0.80%* | 30-Day SEC Yield (Without Reimbursement)               | 3.25% |

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, 2011 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 Intermediate U.S. Government/Credit 1-10 Year Index is a market-value-weighted index of all investment grade bonds with maturities of more than one year and less than 10 years. 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 Asset Backed and Mortgage Backed Securities include additional risks that investors should be aware of such as credit risk, prepayment risk, possible illiquidity and default, as well as increased susceptibility to adverse economic developments. Results include the reinvestment of all dividends and capital gains distributions.

Quasar Distributors, LLC distributor.

## Largest Bond Holdings

| ISSUER                  | % OF FUND'S<br>NET ASSETS |
|-------------------------|---------------------------|
| Federal Home Loan Banks | 6.29%                     |
| Fannie Mae              | 4.15%                     |
| Freddie Mac             | 3.42%                     |
| Morgan Stanley          | 3.01%                     |
| Bank of America Corp.   | 2.90%                     |
| Lincoln National Corp.  | 2.25%                     |
| General Electric        | 2.14%                     |
| HCP, Inc.               | 2.13%                     |
| Duquesne Light Holdings | 2.08%                     |
| Wyndham Worldwide Corp. | 2.07%                     |

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

Current and future portfolio holdings are subject to risk.

## Performance

The Bond Fund produced a total return of 2.83% for the quarter ended March 31, 2010, as compared to its benchmark, the Barclays Capital Intermediate U.S. Government/Credit 1-10 Year Index, which returned 1.54%, and as compared to the Barclays Capital U.S. Government/Credit 1-5 Year Index, which returned 1.20%.

## Management Commentary

The Bond Fund benefited in the first quarter from the triple impact of a flattening of the Treasury yield curve, the continued narrowing of corporate spreads, and the “ride” of longer duration bonds down the yield curve with the passage of time. We expect all three to continue over the next several quarters and are hopeful that the Fund’s relative and absolute performance would continue to benefit if these expectations are borne out.

The Treasury market saw yields on bonds with a 1-10 year maturity decrease between 5 and 13 basis points, with the largest change in the 2-5 year horizon. Lower yields caused the price of the bonds in this range to increase. At the same time yields on bonds with less than a year maturity or those of 30 year maturity increased by 10 basis points on average. Because of the “barbell” maturity structure of the holdings, a large portion of the Fund’s assets were in this sweet spot and benefited from this flattening of the curve. At the same time, the portion of the Fund invested in short maturity agencies has an average duration of less than 0.5, and as they mature we have been able to reinvest them in new short agencies at a higher rate. As the U.S. economic recovery gathers strength we expect the Federal Reserve to eventually begin raising short term interest rates, which we think will lead to a further flattening of the curve as long as inflation remains in check.

Also in the quarter, the spread on the universe of corporate bonds at the BBB quality tier narrowed by another 32 basis points to 1.31%. As indicated in prior commentaries, we believe spreads could narrow to the bottom of the normal 1-2% average range, or possibly beyond. This is based on the strong aggregate asset flows into fixed income, increasing demand for bonds at a time when the growth of supply in corporate bonds issuance has been less than average. If this narrowing of spreads

occurs, the Fund should be well positioned based on its sizeable overweight in corporate bonds. In fact, at the AA- and above quality range spreads are already quite narrow, in many cases offering returns only marginally above Treasuries. Needless to say we find these yields unattractive and have been recently purchasing a mix of A to BBB- bonds where we think spreads still justify owning corporate bonds. Coupled with an increase in purchases of AAA rated agencies we believe the mix shift may enhance the return of the fund but maintain the overall average credit risk of the fund at prior levels.

Finally, the Fund has continued to benefit from the passage of time and the shift of bonds down the maturity curve. As long as the yield curve remains upwardly sloping, even if it flattens somewhat, this effect should continue. Should the yield curve completely flatten or even invert we will re-evaluate this portion of our strategy.

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

*Basis point is a unit that is equal to 1/100th of 1%, and is used to denote the change in a financial instrument.*

*Duration is a commonly used measure of the potential volatility of the price of a debt security, or the aggregate market value of a portfolio of debt securities, prior to maturity. Securities with a longer duration generally have more volatile prices than securities of comparable quality with a shorter duration.*

*Ratings are provided by Standard & Poor's, who assign a rating based on their analysis of the issuer's credit worthiness. The highest rating given is AAA and the lowest is C.*

**Past performance is not a guarantee of future results.**



## Portfolio Managers

**John W. Thompson** has been the portfolio manager of the Thompson Plumb Bond Fund since its 1992 inception. Mr. Thompson is the Founder and President of Thompson Investment Management, Inc. 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 Firstar 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 also holds a Chartered Financial Analyst designation.

**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 currently Vice President and a Portfolio Manager at Thompson Investment Management, Inc. 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 and is also a member of the CFA Institute and the CFA Society of Madison.

**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 Thompson Investment Management, Inc. 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 and is also a member of the CFA Institute and the CFA Society of Madison.