



# THOMAS WHITE FUNDS

CAPTURING VALUE WORLDWIDE<sup>SM</sup>

THOMAS WHITE INTERNATIONAL FUND (Ticker – TWWDX)

December 31, 2009

## FOURTH QUARTER 2009 COMMENTARY

After the exceptional gains of the previous two quarters, international equity returns were more modest during the last quarter of 2009 and most global and regional benchmark indices recorded low-single digit gains. For the quarter ending December 31, 2009, the Thomas White International Fund returned +5.27%, outperforming the MSCI All Country World ex US index, which gained +3.74%. The Fund has returned -3.77%, +8.07%, and +4.30% for the trailing three-, five-, and ten-year periods, respectively as compared to the benchmark, which returned -3.49%, +5.83%, and +2.71% during the same periods. Since inception, the Thomas White International Fund has returned +8.41% annualized versus +5.57% for the benchmark.

In stark contrast to the gloomy end to 2008, last year marked a period of remarkable stabilization and recovery in the equity markets, which led to the subsequent global economic revival. After aggressive policy interventions cut short the worst downturn since the Great Depression, the global economy has stabilized quicker than expected. Economic indicators in most countries have gained strength and even the economies and sectors worst hit by the financial crisis and the global recession are now beginning to recover. Unemployment, still the biggest concern in much of the developed world, appears less threatening as the pace of job losses has declined appreciably. The improvement in labor market conditions is reflected in recent gains recorded by consumer confidence surveys.

During the review period, the upside for international equity markets was restricted by apprehensions that the pace of the global economic recovery may lessen when the fiscal and monetary measures were wound down in key economies. The Dubai debt crisis heightened concerns about the possibility of debt defaults by sovereigns and large companies and attracted renewed attention to balance sheet risks in the banking sector. Widening fiscal deficits and rising public debts also weighed on stock prices across the globe during the fourth quarter of 2009. Emerging markets once again outperformed during the review period on stronger growth momentum when compared to the developed world.

### Portfolio Review

The Thomas White International Fund continues to outperform the benchmark index over the medium and long term. However, the Fund lagged the benchmark in 2009 as the portfolio did not fully participate in the early stages of the equity market recovery. As we have emphasized previously, the Fund's portfolio had a deliberate underexposure to companies with lower quality balance sheets. We considered this a more prudent strategy for that period, since the downside risks were disproportionately high. However, stocks and markets that saw the maximum value decline at the peak of the financial crisis in 2008 and the market bottom early in 2009, returned the biggest price gains during the early months of the recovery. Therefore, the Fund could not keep pace with the market benchmark during that period.

It is also pertinent to point out that, despite the substantially high percentage gains in equity prices since the start of the recovery, most stocks have not yet regained their pre-crisis levels. Several of the Fund's holdings with triple digit gains since last spring are still valued less than they were in earlier periods. As the risk of further disruptions to the global financial system subsided and the global economic outlook improved, the Fund was rebalanced accordingly. Our disciplined research process continues to emphasize well-run companies with stable balance sheets. We believe these firms are better equipped to survive economic downturns and can use their competitive strengths and greater access to low-cost capital to increase market share when the business cycle is weak.

Buoyed by the turnaround in commodities demand and higher prices, the portfolio's materials holdings such as Indonesian coal producer **Indo Tambangraya Megah Tbk** (+34.8%), along with global mining firms **Anglo American Plc** (+27.6%) and **Rio Tinto Plc** (+26.5%), were among the foremost performers during the review period.

Chinese automaker **Dongfeng Motor Group Co. Ltd.** (+35.6%) and Japanese carmaker **Nissan Motor Co** (+28.7%) gained on the recovery in the automobiles sector, helped by liberal financial incentives to buyers in several major markets. Indonesian specialty tobacco manufacturer **Gudang Garam Tbk Pt** (+48.6%) and Brazilian brewer **Companhia de Bebidas das Americas**, also known as **AmBev** (+21.2%), gained on the improved outlook for consumer demand in select segments, especially in emerging economies. Japanese specialty glass manufacturer **Nippon Electric Glass** (+49.6%) and Japanese retailer **Fast Retailing Co Ltd** (+48.3%) also outperformed during the quarter.

Several of the Fund's Japanese holdings, especially firms with significant exposure to the domestic market, continued to underperform due to the relatively weak growth outlook for the Japanese economy. Those companies that lost value included chemicals and cement manufacturer **Tokuyama Corporation** (-24.2%), gaming machine manufacturer and amusement facility operator **Sankyo Co. Ltd.** (-20.4%), financial services holding firm **Sumitomo Mitsui Financial Group** (-18.5%), communications services provider **NTT Communications** (-15.4%), fast-food maker **Toyo Suisan Kaisha Ltd** (-15.3%) and electric utility **Hokuriku Electric Power Co** (-14.6%). Some of the banking stocks in the Fund's portfolio, including Portuguese bank **Banco Commercial Portugues** (-18.2%) and French lender **Credit Agricole S.A.** (-15.3%) corrected after the sector's impressive gains during previous quarters. German carbon and graphite products manufacturer **SGL Carbon SE** (-27.0%) also gave up some of its gains from earlier periods.

### International Outlook

As the global economic recovery gains pace, policymakers are looking to unwind the fiscal and monetary stimulus measures that aided the recovery. Economies where the recovery has been more robust have already hiked interest rates and some of the large emerging economies are soon expected to follow. Though several of these economies are committed to keeping interest rates low for an extended period, central banks in several developed economies are scaling back the quantitative easing measures and are considering new measures to soak up the excess liquidity. However, we believe the policy tightening is likely to be measured, allowing the global economy to benefit from low interest rates and fiscal incentives for a few more quarters.

In our opinion, the large interest rate differential between developed and emerging countries is driving increased carry trade flows, which fuel excessive asset price gains. When interest rates in developed markets eventually rise, these capital flows may unwind and trigger volatility in asset markets. Also, exceptionally low interest rates in the developed world are forcing faster growing economies to delay interest rate hikes, despite rising inflationary pressures.

We believe that concerns linger regarding the quality of the global recovery as demand in key economies is still dependent on government stimulus measures and very low interest rates. Several of these measures are set to expire this year and most governments will likely find it difficult to extend the programs, even on a lower scale, because of budget constraints. Hence, unless there is an appreciable improvement in consumer demand, the recovery may lose some momentum later this year. The heightened volatility since the fall of 2008 once again underscored the futility of trying to time the market and weighing the benefits between equities and cash. We at Thomas White remain convinced that equities will deliver superior returns over the long term relative to other asset classes. It should also be noted that, despite the robust price recovery, equity dividend yields remain attractive when compared to short term fixed income returns.

We thank you for your support of Thomas White International during this exceptionally challenging period and we look forward to continuing to help you realize your long term investment goals.



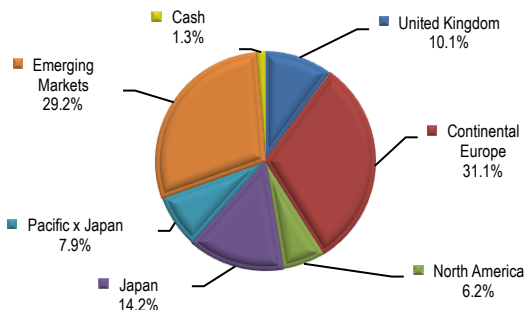
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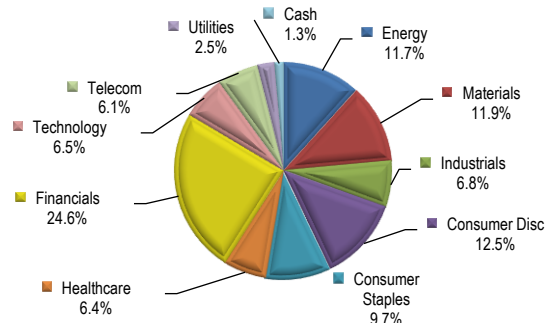
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December 31, 2009

### REGIONAL ASSET ALLOCATION (As of 12/31/09)



### SECTOR ALLOCATION (As of 12/31/09)



### TOP TEN HOLDINGS (As of 12/31/09)

Company	Country	Industry	Weight
Samsung Electronics Co Ltd	Korea	Technology	2.09%
Banco Santander SA	Spain	Banking	2.09%
Dongfeng Motor Group Co	China	Consumer Durables	1.91%
BNP Paribas	France	Banking	1.87%
Infosys Technologies ADR	India	Technology	1.77%
Novartis AG	Switzerland	Health Care	1.66%
Deutsche Bank	Germany	Banking	1.64%
RWE AG	Germany	Utilities	1.64%
Asahi Breweries Ltd	Japan	Consumer Staple	1.48%
ENI Spa	Spain	Energy	1.45%

### PORTFOLIO CHARACTERISTICS (As of 12/31/09)

	TWWDX	MSCI All Country World ex US*
P/E (Excluding Neg. Earnings)	13.0x	17.7x
P/E IBES FY1	14.2x	14.5x
Price/Book	1.9x	1.7x
Dividend Yield	2.8%	2.9%
5yr Earning Growth	15.4%	13.0%
Wtd Avg Mkt Cap	\$48.56B	\$52.72B
Wtd Median Mkt Cap	\$29.96B	\$29.04B
Turnover (1 year)	45.5%	-

### Market Cap Exposure

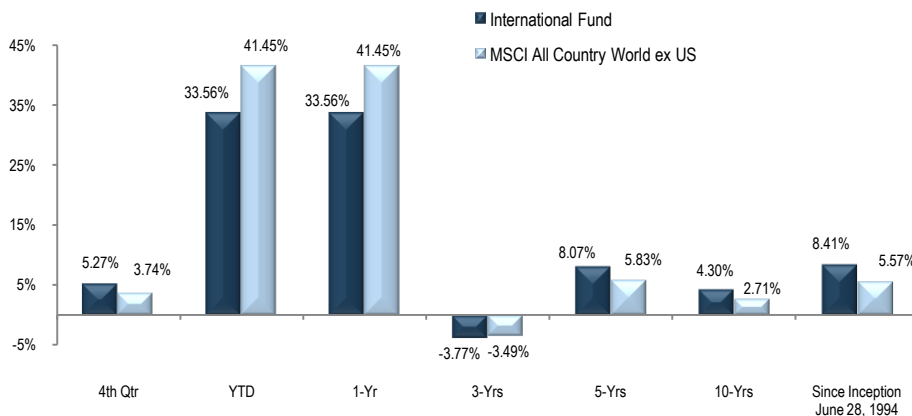
Large Cap (over \$15 billion)	63.41%
Mid Cap (\$1.75-\$15 billion)	35.26%
Small Cap (under \$1.75 billion)	1.33%

\*Source: Bank of New York Mellon Corp

Top 10 Holdings Weight: 17.60%  
Total Number of Holdings: 142

### AVERAGE ANNUAL RETURNS<sup>1,2</sup>

(As of 12/31/09)



### YEARLY TOTAL RETURNS<sup>1,2</sup>

Year	TWWDX	MSCI All Country World ex US
2009	33.56%	41.45%
2008	-43.43%	-45.53%
2007	17.94%	16.66%
2006	31.80%	26.65%
2005	25.54%	16.62%
2004	20.44%	20.91%
2003	36.26%	40.83%
2002	-11.35%	-14.95%
2001	-16.75%	-19.73%
2000	-14.65%	-15.31%
1999	26.31%	30.63%

Performance data is based upon past performance, which is no guarantee of future results. The investment return 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 may be higher or lower than the performance data quoted. Please call 1-800-811-0535 to obtain performance data as of the most recent month-end.

1. Total return includes reinvestment of dividends and capital gains and reflects fee waivers/reimbursements, in the absence of which total returns would have been lower. Investing in international markets may involve additional risks, such as social and political instability, market illiquidity, exchange-rate fluctuations, a high level of volatility and limited regulation. You should consider the investment objectives, risks, charges and expenses of the Fund before investing. For a prospectus containing this and other information, please call 1-800-811-0535 or visit the Fund's website at [www.thomaswhite.com](http://www.thomaswhite.com).

2. The MSCI All Country World ex US Index is a free float-adjusted market capitalization-weighted index of 47 countries, which includes developed and emerging markets. The index is unmanaged and returns assume the reinvestment of dividends. It is not possible to invest directly in an index.



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### FUND FACTS

Ticker Symbol:	<b>TWWDX</b>
CUSIP:	<b>543917108</b>
Benchmark:	<b>MSCI All Country World ex US Index</b>
Inception Date:	<b>6/28/94</b>
Minimum Initial Investment:	Non-Retirement Plan <b>\$2,500</b> Retirement Plan <b>\$1,000</b>
Redemption Fee:	<b>2% within first 60 calendar days</b>

### PORTFOLIO MANAGER

**THOMAS S. WHITE, JR.**  
The Funds' President and Portfolio Manager



Mr. White is the founder and Chairman of Thomas White International, Ltd., and the President and Portfolio Manager of the Thomas White Funds.

Mr. White has over 40 years of investment experience, commencing in 1966 when began his career at Goldman Sachs after graduating from Duke University. He was an officer of Lehman Brothers and later worked for Blyth Eastman Dillon. As Managing Director of Morgan Stanley, Mr. White was the CIO for the institutional value style portfolios and funds at Morgan Stanley Asset Management for 14 years.

Mr. White, as head of the firm's Global Investment Team, is responsible for the management of the firm's domestic, international and global portfolios. The Global Investment Team is supported by the firm's security analysts who produce investment research covering nearly 4,500 companies in over 45 countries around the world.

### DISTRIBUTED BY

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### FEES AND EXPENSES<sup>1</sup>

Gross Expenses	1.47%
Less reimbursement	<u>(0.00%)</u>
Net Expenses	1.47%

### THOMAS WHITE INTERNATIONAL FIRM OVERVIEW

Thomas White International employs a relative value methodology and analyzes companies based on a very broad set of fundamental criteria. Its disciplined investment approach has been successful in adding considerable value through security selection, independent of the value added from emerging markets exposure.

The firm was established to spread its investment research across multiple domestic and international equity classes. Thomas White International manages separate accounts in five primary equity styles, which share a common value investment philosophy and process. These equity styles include U.S. Large-Cap, U.S. Mid-Cap, U.S. Small-Cap, International, and Global Equities.

The firm's portfolios are typically built with 40 – 150 securities, depending on the equity style, and exhibit moderate tracking error. Despite the firm's emphasis on relative valuation, all portfolios are designed to maintain a style-neutral orientation.

#### Organization

Thomas White International, a Chicago-based asset management and equity research firm founded in 1992, had \$1.1 billion in assets under management as of December 31, 2009. The firm is employee-owned with significant concentration of ownership among the most senior investment professionals, and fosters a strong investment culture, while maintaining high standards of compliance and commitment.

All of the firm's employees are invested in its products. However, employees are restricted from investing in individual securities. Investment professionals may earn part of their total compensation through bonuses. Bonuses are based on each individual's overall contribution to the firm.

#### Investment Process

Thomas White International is well-known for having a research-driven culture, as its data intensive, fundamental research serves as the foundation of the firm's investment process.

The firm performs its global equity research on a stock universe of over 4,500 developed and emerging market companies based on industry/country specific sub-universe valuation groups. Through these sub-groups, the firm's analysts perform quantitative investment research on the most attractively valued securities, including an assessment of accounting and management.

Following the analysts' quantitative research and assessment, companies are then grouped into rankings based on their expected relative returns.

The most attractive companies are then subject to additional qualitative analysis, where the team focuses on the quality of accounting and management. Securities are purchased if the qualitative analysis verifies the portfolio manager's assessment that the stock will return to fair value.

Given the firm's bottom-up orientation, position weightings are primarily the result of research ranking strength. This may cause a portfolio to vary in terms of sector and country exposures when compared to its benchmark. Typically, this deviation is more pronounced for country weightings than for sector allocation.

For the International and Global Equity products, the portfolio manager maintains the latitude to invest in emerging market equities, which have proven to be a notable source of performance.

<sup>1</sup> Gross Expenses are based on the most recent prospectus. The Advisor has agreed to reimburse the International Fund to the extent that the Fund's total operating expenses exceed 1.50% of the Fund's average daily net assets during the current fiscal year.