Thrivent Limited Maturity Bond Fund

Q1 2024 Commentary

THLIX (Class S) • March 28, 2024

Management

Cortney Swensen, CFA
Senior Portfolio Manager

Industry: 2005
Firm: 2011
Fund: 2020

Jon-Paul (JP) Gagne
Senior Portfolio Manager

Industry: 2004
Firm: 2018
Fund: 2021

Executive Summary

• During the first quarter, Thrivent Limited Maturity Bond Fund outperformed the Bloomberg US Government/Credit 1-3 Year Bond Index by 0.63%. The quarter was marked by a continued positive backdrop for risk assets as inflation moderated and the market priced in greater potential of the Federal Reserve (Fed) achieving its goal of a soft economic landing.
• For the trailing twelve months, Thrivent Limited Maturity Bond Fund outperformed the Bloomberg US Government/Credit 1-3 Year Bond Index by 2.30%.
• The duration of the Federal Reserve's (Fed) restrictive monetary policy and what its impact will be on economic growth remain a primary focus of investors. Given the spread rally over the past two quarters, we do not believe that credit markets have priced in much downside risk to the economy. We continue to take advantage of higher carry, and shorter-maturity assets while leaving room for attractive investment opportunities that could arise with negative economic news or an unanticipated risk-off event.

Performance factors

Thrivent Limited Maturity Bond Fund outperformed the Bloomberg US Government/Credit 1-3 Year Bond Index by 0.63% during the first quarter. This outperformance was largely attributable to a significant overweight to risk assets and security selection. An overweight position in banks and finance companies was a positive contributor for the fourth consecutive quarter as bank liquidity concerns further abated. Furthermore, front-end corporate spreads tightened by 10 basis points during the quarter. Additionally, our allocation to securitized bonds has continued to show strong performance and helped drive further outperformance. Duration effects were a slight negative contributor, as we lengthened the Fund modestly during the quarter while interest rates rose as the market continued to grapple with the timing of the Federal Reserve's (Fed) first rate cut.

Over the 12 months, the Fund outperformed the Bloomberg US Government/Credit 1-3 Year Bond Index by 2.30%. The most significant driver of the Fund's outperformance was again our overweighted positioning to risk assets, which offer higher carry and rallied in aggregate over the period as market expectations of a recession continued to be pushed farther into the future. We also added finance paper aggressively following the banking stress of March/April 2023, to take advantage of price dislocations in institutions that we felt comfortable would weather the storm. Our 6% exposure to floating rate securitized bonds was strongly additive to performance on both a carry and duration basis. The majority of the floating rate allocation is in CLOs (Collateralized Loan Obligations) which showed the strongest performance, however, we did have a small floating rate allocation (less than 0.45%) to commercial mortgages, which was a negative contributor. Those positions were sold in the fourth quarter of 2023.

The Index is comprised of 66% U.S. Treasuries, 9% government-related securities and 25% investment-grade corporates. The Fund tends to hold 60-65% of its assets in corporate bonds which on average have a ratings quality that is somewhat lower than the index. In addition, the Fund generally owns 25-30% of securitized assets. Over longer periods, overweighted holdings to these asset classes provide more yield while the short-duration nature of the Fund's holdings offers attractive breakeven levels during spread widening scenarios.

Portfolio outlook

Risk markets remain focused on the duration of restrictive Fed policy that will be required to bring inflation back to the 2% target, and what potential impacts there will be on the economy. Although economic data and interest rates have fluctuated, it still appears as though interest rates have peaked. We believe the Fed has ended their hiking cycle and rate cuts are now on the table for 2024. We expect the yield curve will continue steepening once the Fed begins cutting, with 2-year Treasury rates continuing to rally into 2024. However, we will continue to see periods of interest rate volatility due to uncertainty around when the Fed will ultimately begin cutting rates. The Fund is currently positioned to be relatively neutral duration, focusing on being nimble, although we will look to add duration as Fed rate cuts become more certain.

With the significant rally in spreads since the fall of 2023, we believe that markets are pricing in a high probability of a soft economic landing, thus we started the year with a defensive bias. We continue to manage the Fund to maintain sufficient carry while reducing price risk. If markets were to weaken materially, we may begin to increase our risk exposure to corporate and securitized assets we find attractive.

Performance

For the period ending March 28, 2024 • Periods less than one year are not annualized.

Average annualized returns (%)	3 months	YTD	1 year	3 years	5 years	10 years	Since Inception
Thrivent Limited Maturity Bond Fund — S share	1.05	1.05	5.79	1.07	1.99	1.95	3.14
- Expense ratio: 0.43%; Incept. date 10/29/1999							
Bloomberg Govt/Credit 1-3 Yr Bd Index	0.42	0.42	3.49	0.25	1.36	1.29	
Morningstar Short-Term Bond Avg	0.88	0.88	4.90	0.48	1.68	1.60	

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Top 10 Holdings (excluding derivatives and cash) 10.62% of Fund, as of Feb 29 2024: U.S. Treasury Notes: 5.23%, U.S. Treasury Notes: 0.96%, Avant Credit Card Master Trust: 0.80%, Genesis Sales Fin Master Trust: 0.76%, Ares XL CLO, Ltd.: 0.71%, Palmer Sqr Loan Fd Ltd: 0.45%, Wells Fargo & Co: 0.44%, AMSR Trust: 0.43%, Tesla Auto Lease Trust: 0.42%, Tricon Residential Trust: 0.42%

Any indexes shown are unmanaged and do not reflect the typical costs of investing. Investors cannot invest directly in an index.

Bloomberg Government/Credit 1-3 Year Bond Index measures the performance of U.S. government. bonds with maturities of 1-3 years.

The Morningstar average represents the average total return annualized when greater than one year for all reported funds in the category. Morningstar averages do not include sales charges/fees. If included, returns would have been lower. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (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.

Risks: U.S. government securities may not be fully guaranteed by the U.S government and issues may not have the funds to meet their payment obligations. The value of U.S. government securities may be affected by changes in credit ratings, which may be negatively impacted by rising national debt. The value of mortgage-related and other asset-backed securities will be influenced by the factors affecting the housing market and the assets underlying such securities. In addition to typical risks associated with fixed income and asset-backed securities, collateralized debt obligations are subject to additional risks. Debt securities are subject to risks such as declining prices during periods of rising interest rates and credit risk, or the risk that an issuer may not pay its debt. The use of futures contracts involves additional risks such as a loss in value in the underlying instrument, which could decrease the Fund's value. High yield securities are subject to increased credit risk as well as liquidity risk. The Adviser's assessment of investments may prove incorrect, resulting in losses or poor performance. The Fund's value is influenced by the performance of the broader market and by factors specific to an issuer within the Fund. When bond inventories are low in relation to the market size, there is the potential for decreased liquidity and increased price volatility. In unusual circumstances, the Fund could experience a loss when selling portfolio securities to meet redemption requests for a variety of reasons. These and other risks are described in the prospectus.

This commentary may refer to specific securities which Thrivent Mutual Funds may own. A complete listing of the holdings for each of the Thrivent Mutual Funds is available on thriventfunds.com.

All data represents past performance. Past performance does not guarantee future results. The investment return and principal value of the investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than the original cost. Current performance may be lower or higher than the performance data quoted. Call 800-847-4836 or visit thriventfunds.com for performance results current to the most recent month-end.

Investing involves risks, including the possible loss of principal. The prospectus and summary prospectus contain more complete information on the investment objectives, risks, charges and expenses of the fund, and other information, which investors should read and consider carefully before investing. Prospectuses and summary prospectuses are available at thriventfunds.com or by calling 800-847-4836.

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