

Thrivent Ultra Short Bond ETF

Q1 2025 Commentary

TUSB • March 31, 2025

Management



Cortney Swensen, CFA
Senior Portfolio Manager

Industry: 2005
Firm: 2011
Fund: 2025



Andrew Leeser, CFA
Senior Portfolio Manager

Industry: 2008
Firm: 2012
Fund: 2025

Executive Summary

- Since its launch date of 2/19/25 through the end of the first quarter, Thrivent Ultra Short Bond ETF outperformed the Bloomberg Short-Term Government/Corporate Index by 0.14% during a period of declining rates and widening spreads as markets priced in policy uncertainty and potential for weaker growth. The Fund outperformed due to its longer duration at launch, which has since been worked down as rates rallied.
- Despite weakness in risk assets, valuation of corporate bonds remains rich relative to historical levels, so we remain cautious and selective, leaving room to add risk at more attractive levels. In the meantime, the portfolio offers a higher carry and diversification through its securitized debt exposure, which remain attractive relative to short, investment grade corporates.

Performance factors

Thrivent Ultra Short Bond ETF outperformed the Bloomberg Short-Term Government/Corporate Index by 0.14% since its February 19th, 2025 launch date. This outperformance was largely attributable to the Fund's longer duration during that time period and higher yield. Short-term rates rallied during the time period with the 6 month T-Bill rate 4bps lower and the 1 year T-Bill 19bps lower. We launched the Fund with a longer duration relative to the benchmark, while also benefitting from the flattening of the short-end of the curve. As rates fell throughout the quarter, we worked down our duration, specifically focused on reducing our exposure to longer rates within our investment horizon. Spreads, as measured by the Bloomberg US 1-3yr Corporate Index, widened 12bps in the time period as uncertainty surrounding tariff plans and its consequences to the global economy cheapened risk assets. The Fund had overweight positions in corporate and securitized bonds, creating a drag on performance, however, this was partially offset by the Fund's yield advantage versus the benchmark.

The Bloomberg Short-Term Government/Corporate Index is comprised of 74% U.S. Treasuries, 3% government-related securities and 23% investment-grade corporates. The Fund currently holds 59% of its assets in corporate bonds and 30% in securitized debt. Over longer periods of time, overweights to these asset classes provide more yield, while the short-duration nature of the Fund's holdings offer attractive breakeven levels during spread-widening scenarios.

Portfolio outlook

The Federal Reserve (Fed) funds rate was kept unchanged in the 4.25-4.5% range during the first quarter. At the March Federal Open Market Committee (FOMC) meeting, the Fed's forecast for inflation ticked upward to 2.8% from 2.5% while growth expectations were revised downward to 1.7% from 2.1%, due to increased economic uncertainty introduced by tariffs. The Fed's dual mandate of price stability and maximum employment has the potential to be tested by the policies put forth by the current administration, as stagflationary forces could develop. However, at this time, the Fed's base case is that tariff-induced inflation will largely remain transitory. Its median projection is for two 25 basis point cuts in 2025, while the market is currently pricing in closer to three. As rates rallied, we managed duration down to be roughly in-line with the benchmark and expect to maintain that positioning in the near-term.

Despite some widening in the quarter, corporate spreads remain at relatively tight levels. With elevated risks of a weakening economy and the impact of tariffs to consumers and corporations, we are being selective in adding corporates at this time, seeking out new issue concessions and strong fundamentals. Spreads on AAA-rated securitized debt remain attractive compared to short-term investment-grade corporates, offering modest yield pickup and diversification.

Performance

For the period ending March 31, 2025 • 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 Ultra Short Bond ETF (NAV)	N/A	N/A	N/A	N/A	N/A	N/A	0.69
- Expense ratio: 0.20%; Incept. date 2/19/2025							
TUSB Market Price	N/A	N/A	N/A	N/A	N/A	N/A	0.88
Bloomberg Short-Term Govt/Corp Index	1.12	1.12	5.24	4.18	2.56	2.02	
Morningstar Ultrashort Bond Avg	1.17	1.17	5.49	4.49	3.20	2.16	

Top 10 Holdings (excluding derivatives and cash) 23.19% of Fund, as of Feb 28 2025: U.S. Treasury Notes: 9.80%, Bank Of America Corp : 2.35%, CitiGrp Inc: 1.88%, Ford Motor Credit Co Llc: 1.43%, Cooperatieve Rabobank Ua (NY Branch): 1.41%, JPMorgan Chase & Co: 1.41%, UBS Grp AG: 1.37%, Carval Clo Ltd: 1.18%, Flatiron Clo 21 Ltd: 1.18%, Societe Generale Sa: 1.18%

Learn more: thriventETFs.com • Advisors: 800-521-5308 | sales@thriventfunds.com • Investors: 800-847-4836 | contact your advisor

The ETF is newly formed and does not have any operating history. Debt securities may decline in price when interest rates rise and/or issuers are no longer able or willing pay their debt. Mortgage-backed and asset-backed securities are influenced by the housing market and assets underlying such securities. U.S. government securities may not be fully backed by the U.S government and issuers may not meet their payment obligations. U.S. government securities' value may be affected by credit ratings. Investing in collateralized debt obligations carries significant risks, including the quality of collateral, potential defaults, market liquidity, and management performance. Performance is influenced by the performance of the broader market and financial sector and risks associated with derivatives and specific issuers. These and other risks are described in the prospectus.

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

Bloomberg Short-Term Govt/Corp Index represents short-term U.S. government bonds and corporate bonds with maturities of less than one year.

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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 thriventETFs.com or by calling 800-847-5836.

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