

Thrivent Church Loan and Income Fund

Q1 2022 Commentary

XCLIX (Class S) • March 31, 2022

Management



Fred Johnson, CPA (inactive)
Senior Portfolio Manager

Industry since: 1987
Thrivent since: 1987
Fund since: 2018



Meg Spangler
Portfolio Manager

Industry since: 1996
Thrivent since: 1999
Fund since: 2018



Gregory Anderson, CFA
Senior Portfolio Manager

Industry since: 1993
Thrivent since: 1997
Fund since: 2018

Executive Summary

- The 105 churches that are represented in the portfolio continue to make significant community impact, especially during the pandemic, distributing food, clothing, counseling services, and the Gospel message to those in need.
- For the recent 12 months, the church loans made by the Fund have impacted over 14,000 worshippers as churches saved an average of 1.69% on the mortgages that were refinanced, allowing for ministry expansion. An additional 60,160 square feet of additional worship space was also added since 3/31/2021.
- Strong loan application flow along with an increasing interest rate environment creates an opportunity for the Fund to add quality church loans with higher yields.
- 30-day SEC yield averaged 2.94% for the quarter and 2.58% over the past year. Fund total return for Q1 2022 was slightly below the Bloomberg US Aggregate Bond Index.

Performance factors

Thrivent Church Loan and Income Fund is managed to produce income for investors that are seeking to make an impact within the Christian community and thus is not managed specifically to a benchmark. However, the Bloomberg US Aggregate Bond Index is used as a proxy for comparative purposes of Fund return. Fund returns totaled -6.11% for the quarter, which was slightly below the index.

The 30-day SEC yield averaged 2.94% for the quarter and 2.58% over the past year. (The 30-day SEC yield for the period ending March 31, 2022, is 2.98% and .66% before fee waivers were applied to this Fund)

The Fund has an overall duration of 5.23, which is comprised of a duration of 5.18 for the aggregate church loan holdings in combination with the MBS asset duration of 5.51. During the quarter, agency MBS added value to the Fund while detracting over the last 12 months. In addition, here are some of the aggregate impact metrics for the Fund over the past 12 months: 14,015 total worshippers impacted; 1.69% average interest rate reduction; 60,160 sq. ft. worship space added; 105 churches impacted since inception.

Portfolio concentration details are as follows: The market value of the church loans is \$29,792,611, which is 79% of the Fund; mortgage-backed securities and other liquid assets has a market value of \$8,033,794, which is 21% of the Fund; and the total market value of the Fund is \$37,826,405.

Portfolio outlook

Churches have transitioned back to in-person worship services while continuing to benefit from online streaming worship and small group connections. Further impact on churches from Covid will likely be muted as churches have successfully adapted to the pandemic. Many churches have invested in technology to expand online offerings, live stream services, and automate online giving for church members. In addition, church expansion plans that were put on hold at the beginning of the pandemic are once again being implemented. It is in times like these that churches are especially making a difference in their communities, helping those most impacted by the pandemic. Church members are bringing their time, talents, and treasures to help their neighbors and spread the Gospel message to those looking for help and hope.

Persistent inflationary pressures have caused the Federal Reserve to pivot to a more hawkish stance on monetary policy. The Fed raised the Fed Funds rate in March and is projected to implement several increases over the next two years. In addition, the Fed ended its purchase program of US Treasury securities and MBS in March and is expected to begin shrinking its balance sheet in Q2. The initial impact of higher rates is increased loan activity as churches seek to lock-in rates prior to any potential further increases. Loan applications in Q1 2022 have been robust, and we expect higher loan applications to continue as the flatter yield curve creates a stronger value proposition for certain longer-term products we offer. In addition, an increasing interest rate environment creates an opportunity to add higher yielding quality loans to the Fund.

The Fund will continue to hold liquid securities as part of the overall portfolio strategy. Going forward, the risk/reward for Agency MBS favors a neutral weight with waning Fed support but stabilizing spreads. We continue to favor MBS versus Treasuries until the Fed stops MBS purchases, most likely mid-2022.

Performance

For the period ending March 31, 2022 • 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 Church Loan and Income Fund — S share	-6.11	-6.11	-5.22	1.57	N/A	N/A	2.63
- Expense ratio: net 1.00%, gross 3.39%; Incept. date 9/28/2018							
Bloomberg U.S. Agg Bd Index	-5.93	-5.93	-4.15	1.69	2.14	2.24	N/A

Financial Professionals: contact us at sales@thriventfunds.com or call 800-521-5308

The Adviser has contractually agreed, for a period of one year from the date of the most recent prospectus, to waive certain fees and/or reimburse certain expenses associated with the Fund. If not waived, returns would have been lower. Refer to the Fees & Expenses table 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 US Aggregate Bond Index measures the performance of U.S. investment grade bonds.

Risks: The Fund invests primarily in church loans and mortgage-backed securities. The value of the Fund is influenced by factors impacting the overall market, debt securities and specific issuers. The Adviser's assessment of investments may prove incorrect, resulting in losses or poor performance. The Fund is a non-diversified closed-end interval fund with a quarterly repurchase option. An investment in the Fund's shares should be considered a long-term investment with risks, including concentration risk, limited liquidity and the risk of a loss of some or all of the amount invested.

The church loans in which the Fund invests are mortgage loans to U.S. non-profit organizations with a stated Christian mission. The church loans are typically not listed on any national securities exchange and no active trading market exists for them. These church loans are primarily backed by real estate and are vulnerable to factors that affect the real estate market. Certain factors specific to churches may impact a borrower's finances and its ability to make payments. Churches rely on voluntary contributions from their congregations for their primary source of income, which may be used to repay church loans. The membership of a church, the attendance of its members, or the per capita contributions of its members may not remain constant or may decrease, which could have a negative impact on the ability of a church to repay a loan. Loans are subject to a number of risks including credit risk, default risk, refinance risk and modification risk. Credit risk is the risk that an issuer of a debt security may not pay its debt. Default risk is the risk that a borrower will not be able to make principal and interest payments in which case the value of the Fund may be negatively affected. The value of mortgage-backed securities will be influenced by the factors affecting the housing market. Bond prices may decline during periods of rising interest rates. Markets may also be impacted by domestic or global events, including public health threats, terrorism, natural disasters or similar events. The London Interbank Offered Rate (LIBOR) is being phased out, which brings uncertainty to instruments tied to it. The Fund has received an exemptive order allowing co-investment with other Thrivent accounts, which may give rise to actual or perceived conflicts of interest and subject the Fund to the risk of regulatory changes and actions. These and other risks are described in the Fund's prospectus.

The Fund is a closed-end "interval fund." Limited liquidity is provided to shareholders only through the Fund's quarterly offers to repurchase between 5% to 25% of its outstanding shares at net asset value (subject to applicable law and approval of the Board of Trustees). It is possible that a repurchase offer may be oversubscribed, with the result that shareholders may only be able to have a portion of their shares repurchased. There is no assurance that you will be able to redeem your shares when or in the amount that you desire. There is no secondary market for the Fund's shares and none is expected to develop. Investors should consider shares of the Fund to be an illiquid investment.

This commentary may refer to specific securities which Thrivent Church Loan and Income Fund may own. A complete listing of the holdings for each of the Thrivent Church Loan and Income Fund is available on thriventinterval funds.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. Visit thriventinterval funds.com or call 800-847-4836 for performance results current to the most recent month-end.

Investing involves risks, including the possible loss of principal. The prospectus contains 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 are available at thriventinterval funds.com or by calling 800-847-4836.

The distributor for the Thrivent Church Loan and Income Fund is Thrivent Distributors, LLC, a registered broker-dealer and member FINRA/SIPC. Thrivent Asset Management, LLC, an SEC-registered investment adviser, serves as the investment adviser for the Thrivent Church Loan and Income Fund. Both entities are subsidiaries of Thrivent, the marketing name for Thrivent Financial for Lutherans.

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