

Thrivent Dynamic Allocation Fund

Prior to Feb. 28, 2025, the fund was named Thrivent Balanced Income Plus Fund.

Q1 2025 Commentary

IBBFX (Class S) • March 31, 2025

Management



Stephen Lowe, CFA

Chief Investment Strategist

Industry: 1996
Firm: 1997
Fund: 2013



David Spangler, CFA

Head of Mixed Assets & Market Strategies

Industry: 1989
Firm: 2002
Fund: 2019



Theron Whitehorn, CFA

Senior Portfolio Manager

Industry: 2002
Firm: 2018
Fund: 2021

Executive Summary

- The Fund modestly underperformed its peer group for the trailing 1-year. Structural underweight to equity added to performance.
- The Fund remains structurally underweight total equity, but within equity overweight domestic over international.
- The Fund has a structural overweight to credit risk as part of the long-term strategy.

Performance factors

The Fund underperformed its category average in the latest quarter. The approximate 1% underweight equity added to performance as equity markets underperformed fixed income by about 5%. The Fund is underweight both domestic and international equity, but with somewhat more of the underweight in developed international. Taken together, this positioning detracted from performance as international markets outperformed domestic by about 13%. Underweight to small-mid (SMID) caps added to performance as small caps strongly underperformed. Managers in aggregate underperformed their respective benchmarks.

The Fund underperformed its category in the latest 1-year. The approximate 1% underweight to equity detracted from performance with equity outperforming fixed income by about 3%. The Fund is underweight both domestic and international equity, but with somewhat more of the underweight in developed international. Taken together, this positioning somewhat added to performance with domestic modestly outperforming international. Underweight to SMID Caps added to performance with SMID and especially small caps lagging large caps. The Fund reduced equity in early March by 0.50%.

In the first quarter long to intermediate interest rates fell across the Treasury curve, while very short-term rates inside of two years were anchored by the Federal Funds rate. The widely followed 2-year to 10-year Treasury curve was essentially unchanged with both the 2-year rate and 10-year rate falling. Corporate credit spreads widened in the quarter amid broader market volatility and down equity markets. High-yield and investment grade corporate credit spreads, however, remained relatively tight versus long-term averages. Emerging markets spreads were little changed while mortgage spreads tightened.

Fixed income within the Dynamic Allocation Fund had a return of 2.27% as it was overweight high yield corporates and underweight U.S. Treasuries. High yield corporates lagged higher-quality fixed income. Selection was negative within high yield and investment grade corporates. Interest rate and Treasury curve positioning detracted from relative performance. In the quarter credit risk in the Fund was reduced moderately as spread levels were rich.

Portfolio outlook

The year began with great optimism for pro-growth policies such as tax cuts, deregulation and reducing the size of the Federal deficit. However, trade wars have cast a pall on the market that was already weakening since mid-February. While economic growth, jobs and retail sales remain firm, the market is forward looking and concerned with the magnitude of tariffs and tariff retaliation causing a material slowing of global growth. We have capacity to add risk, likely in equity, and will look for entry points as we see a bottom forming.

We maintain our long-term strategic underweight to international, primarily in Europe and emerging markets. European growth, especially France and Germany, remains significantly challenged and China's stimulus has only modestly supported growth. Trade wars, while challenging for the US, are more challenging for Europe, China, etc. who are materially more dependent on exports. Our positioning of modestly underweight small caps is supported by their materially higher debt levels than large caps and negative earnings growth.

Within fixed income we expect continued volatility with high levels of economic and trade policy uncertainty along with shifting policy stances, particularly in relation to tariffs. The economy was solid heading into the second quarter, but the odds of a recession have increased materially. Rising productivity, capital investments related to artificial intelligence and deregulation remain tailwinds. We expect inflation to remain sticky with pressure from tariffs and supply disruptions. As a result, we expect the Fed to move slowly and remain on hold in the near term with the initial rate cuts likely in the second half of the year. Rate hikes are unlikely, but still possible if higher inflation expectations become ingrained.

We expect continued interest rate volatility. Short-term Treasury rates should gradually follow the Fed Funds rate lower, while long-term rates face conflicting forces with slowing growth pushing rates lower as investors seek safety while any inflation uptick will pressure rates higher along with ongoing large deficits. We lean toward high-quality fixed income such as investment-grade corporates. We are watching for opportunities to add credit risk should spreads widen materially.

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 Dynamic Allocation Fund — S share | 0.44 | 0.44 | 5.13 | 3.35 | 9.21 | 5.20 | 5.87 |
| - Expense ratio: net 0.75%, gross 0.77%; Incept. date 12/29/1997 | | | | | | | |
| Bloomberg MBS Index | 3.06 | 3.06 | 5.39 | 0.55 | -0.69 | 1.11 | |
| Bloomberg U.S. Hi Yld Ba/B 2% Issuer Capped Index | 1.18 | 1.18 | 6.69 | 4.58 | 6.70 | 4.82 | |
| MSCI World Index - USD NR | -1.79 | -1.79 | 7.04 | 7.58 | 16.13 | 9.50 | |
| Morningstar Moderately Conservative Allocation Avg | 0.73 | 0.73 | 5.15 | 3.01 | 6.66 | 4.36 | |

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

Top 10 Holdings (excluding derivatives and cash) 19.46% of Fund, as of Feb 28 2025: Thrivent Core Int'l Eq Fd: 6.61%, Thrivent Core EMD Fd: 4.96%, Microsoft Corp: 1.16%, NVIDIA Corp: 1.15%, Apple, Inc.: 1.14%, U.S. Treasury Bds: 0.92%, FNMA 30-Yr Pass-Thru: 0.90%, Amazon.com, Inc.: 0.89%, Meta Platforms, Inc.: 0.89%, U.S. Treasury Notes: 0.84%

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 Mortgage-Backed Securities Index represents the performance of securities backed by pools of mortgages.

Bloomberg US High Yield Ba/B 2% Issuer Capped Index represents the performance of Ba or B-rated corporate bond market. Issuers are constrained to a maximum 2% weighting.

MSCI World Index - USD Net Returns represents large- and mid-cap stocks in 23 developed-market countries.

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. ©2025 Morningstar, Inc. All rights reserved. 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: The Fund's value is influenced by a number of factors, including the performance of the broader market, the effectiveness of the Adviser's allocation strategy, and risks specific to the Fund's asset classes, market cap groups, investment styles, and issuers. 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 Adviser is also subject to actual or potential conflicts of interest. The use of derivatives (such as futures) involves additional risks and transaction costs. Foreign investments involve additional risks, such as currency fluctuations and political, economic and market instability, which may be magnified for investments in emerging markets. 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. Sovereign debt and mortgage-related and other asset-backed securities are subject to additional risks. When bond inventories are low in relation to the market size, there is the potential for decreased liquidity and increased price volatility. The Fund invests in other funds; therefore, the Fund is dependent upon the performance of the other funds and is subject to the risks, additional fees and expenses of the other funds. When interest rates fall, certain obligations are paid off more quickly and proceeds may have to be invested in securities with lower yields. The use of quantitative investing techniques also involves risk. 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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