thrivent

Mutual Funds

Thrivent Dynamic Allocation Fund

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

Q4 2024 Commentary

IBBFX (Class S) • December 31, 2024

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

• Thrivent Dynamic Allocation Fund outperformed its category average in the fourth quarter. Structural underweight to equity detracted and equity managers modestly detracted from performance.
• The Fund strongly outperformed the category average for the trailing 1-year. Structural underweight to equity detracted and equity managers performed approximately at median.

Performance factors

The Fund outperformed its peer group in the latest quarter. 1%-2% underweight equity detracted from performance as equity market performance was about 4% over fixed income. Underweight in developed international added to performance as international underperformed domestic by about 10%. Managers in aggregate modestly underperformed their respective benchmarks. Underperforming managers included Large Cap Growth, Small Cap Stock and Mid Cap Stock. Outperforming managers included the quantitative multi-cap core strategy, International and Large Cap Value managers. Overweight growth strongly added to performance with growth outperforming value by more than 8%. Reduced equity in late October to a target 1%underweight.

In the fourth quarter fixed-income returns in the Fund outperformed the estimated Morningstar peer group fixed-income holdings. Interest rates in the quarter rose significantly from the one-year point out to the 30-year bond. Short interest rates, however, fell as the Federal Reserve (Fed) continued to lower its target interest rate. As a result, the Treasury curve steepened. Credit spreads rallied to start the quarter but widened into the end of the year, ending the quarter moderately lower. Fixed income was positioned overweight credit risk and slightly long interest rate exposure in the fourth quarter. The largest contributor to outperformance was strong selection within securitized assets from an overweight to non-agency mortgages. An underweight to Treasury bonds also helped. Other positives included overweight positions in convertible securities and collateralized loan obligations (CLOs), and an overweight to emerging markets debt along with positive selection within emerging market (EM) debt. High yield corporate credit selection and an overweight in agency mortgage-backed securities (MBS) detracted from relative performance slightly. Interest-rate positioning was negative.

The Fund outperformed the peer group in the latest 1-year. 1%-2% underweight to equity detracted from performance as equity market performance was about 19% over fixed income. Underweight in developed international added to performance as international underperformed domestic by about 20%. Underweight to small and mid (SMID) caps added to performance. Managers in aggregate were median to their respective benchmarks. Underperforming managers included Mid Cap Stock and Large Cap Value. Outperforming managers included the quantitative multi-cap core strategy, Large Cap Growth, International and Small Cap Stock managers.

For the trailing twelve months, positive contributors to relative performance were very strong selection within securitized assets, including agency and non-agency MBS and CLOs. Other positives included overweight positions in convertible and preferred securities, closed-end funds and emerging markets debt, and strong selection within EM debt. A large underweight to U.S. Treasuries also aided relative performance. Negatives included underweight positions in leveraged loans and investment grade corporates, and an overweight position in securitized assets. Interest rate positioning and Treasury curve positioning detracted from relative performance for the full year. Over the last twelve months, we decreased risk as credit spreads tightened to very rich levels. We lowered positions in high yield and credit ETFs and increased investment grade corporates along with securitized assets, including non-agency MBS. Additionally, we lowered duration.

Portfolio outlook

We expect increased volatility in 2025 with fixed income credit spreads at rich levels and upward pressures on interest rates. We expect continued solid growth in 2025, supported by resilient consumer spending, continued capital investments to build out artificial intelligence, and deregulation.

There are risks to growth, however. Continuing jobless claims are rising. Also, tariffs and an expected push to limit illegal immigration both could slow growth and create inflationary pressures. We expect inflation to remain sticky but to soften over time toward the Fed's 2% target. As a result, we expect the Fed to gradually lower the Fed Funds rate with the pace dependent on incoming economic data. Short-term Treasury rates should follow Fed Funds lower, while long-term rate face upward pressures from large deficits, solid economic growth and sticky inflation. Higher rates are a key risk to fixed income and equity markets. We lean toward high-quality fixed income such as investment grade corporates. Equity markets face greater challenges this year compared to the past two. Momentum-driven trading has led to increased market fragility and historic concentration, particularly in mega-cap tech stocks. Growing federal deficits approaching record highs as a percentage of gross domestic product (GDP), combined with fewer expected Fed rate cuts, make markets susceptible to higher bond yields. This environment may limit equity returns and trigger periodic selloffs.

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. We maintain our longer-term strategic underweight to small caps, however, we have given consideration to raising to neutral. The potential benefits of the Trump administration's proposed agenda, which includes tax cuts and deregulation, if implemented, could stimulate market enthusiasm and broaden economic participation. However, possible resulting higher interest rates may pressure small cap company earnings, which typically have higher debt levels and lower financial stability.

Performance

For the period ending December 31, 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 Dynamic Allocation Fund — S share	-1.52	8.37	8.37	1.64	5.11	5.46	5.90
- Expense ratio: 0.78%; Incept. date 12/29/1997							
MSCI World Index - USD NR	-0.16	18.67	18.67	6.34	11.17	9.95	
Bloomberg MBS Index	-3.16	1.20	1.20	-2.13	-0.74	0.91	
Bloomberg U.S. Hi Yld Ba/B 2% Issuer Capped Index	-0.15	6.77	6.77	2.43	3.90	4.97	
Morningstar Moderately Conservative Allocation Avg	-1.76	7.88	7.88	1.10	4.05	4.44	

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) 19.55% of Fund, as of Nov 29 2024: Thrivent Core Int'l Eq Fd: 6.26%, Thrivent Core EMD Fd: 4.85%, NVIDIA Corp: 1.36%, Apple, Inc.: 1.28%, Microsoft Corp: 1.27%, FNMA 30-Yr Pass-Thru: 1.11%, U.S. Treasury Bds: 0.91%, Amazon.com, Inc.: 0.87%, U.S. Treasury Notes: 0.82%, Meta Platforms, Inc.: 0.82%

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

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

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.

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.

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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