thrivent

Mutual Funds

Thrivent Government Bond Fund

Q1 2022 Commentary

TBFIX (Class S) • March 31, 2022

Management

Michael Landreville, CFA
Senior Portfolio Manager

Industry since: 1983
Thrivent since: 1983
Fund since: 2010

Gregory Anderson, CFA
Senior Portfolio Manager

Industry since: 1993
Thrivent since: 1997
Fund since: 2017

Executive Summary

• For the quarter, Thrivent Government Bond Fund earned -4.34% (S shares, net of expenses). The Bloomberg US Treasury Index returned -5.58% over the same period.
• For the last 12 months, Thrivent Government Bond Fund earned -3.20% (S shares, net of expenses). The Bloomberg US Treasury Index returned -3.67% over the same period.
• The first quarter was marked by a move by the Fed into tightening mode due to high inflation and low unemployment. The Fund was well positioned for this Fed move.

Top 10 Holdings (excluding derivatives and cash) 46.00% of Fund, as of Feb 28 2022

FNMA 30-Yr Pass-Thru	8.41%
FNMA 30-Yr Pass-Thru	6.68%
FNMA 30-Yr Pass-Thru	5.47%
U.S. Treasury Bds	4.77%
U.S. Treasury Notes	4.48%
U.S. Treasury Bds	3.48%
FNMA 15-Yr Pass-Thru	3.32%
U.S. Treasury Notes	3.26%
FNMA 30-Yr Pass-Thru	3.10%
U.S. Treasury Notes	3.03%

Performance factors

The biggest driver of outperformance in Q1 was duration. The Fund's shorter duration benefited the Fund during this period of sharply rising interest rates. Part of the duration outperformance was due to the Treasury yield curve flattening. The Fund was well positioned for short-term Treasury rates to increase faster than long-term interest rates. Two-year Treasury rates increased by 160 basis points during the quarter and ten-year Treasury rates increased by 83 basis points. The combination of short duration and a curve-flattening bias contributed about 100 basis points to outperformance in Q1. Holding MBS securities modestly helped performance during the quarter. MBS comprised approximately one-third of the Fund's assets. These securities outperformed the Index by 34 basis points. On a 1-year basis, Thrivent Government Bond Fund outperformed the Bloomberg US Treasury Index by 47 basis points. It should be pointed out that this was after the Fund's annual expenses, whereas the Index incurs no expenses. During the last twelve months, 2-year Treasury rates increased 217 basis points and 10-year Treasury interest rates increased 60 basis points. The Fund was set up for this "bear flattening," during the period, but in a more muted fashion than it was in Q1. MBS—one-third of assets—was a slight detractor from 1-year performance, earning -3.96% compared to -3.67% for the Index.

Portfolio outlook

We believe there will continue to be a bias toward higher rates with the Fed in tightening mode. We expect multiple rate hikes of 50 bps in the second quarter. As such, we are keeping portfolio duration somewhat short. We believe the yield curve will continue to move toward inversion, which historically is considered a recession forecaster. However, the timing of such a forecast is highly uncertain. It can take as long as two years for a recession to occur, if it occurs at all. Because so much yield curve flattening has already occurred, we have reduced much of our sensitivity to this strategy. However, we still have a modest bias in that direction. That is, we are underweight duration in the front part of the curve relative to the back part of the curve. We also expect the Fed to reduce its balance sheet by stopping purchases of Treasury and Agency MBS securities and by allowing existing holdings to either run off or to be sold. We have increased the coupons of our MBS holdings to make them more defensive. Currently we don't have a strategy of changing our weighting to MBS. A large unknown risk is the Ukrainian war. So far it hasn't had as much of a market impact—such as flight to quality—as we would have expected. Nonetheless we don't want to assume there is no market risk from this, so we are not taking large positions against such an occurrence.

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 Government Bond Fund — S share	-4.34	-4.34	-3.20	1.38	1.60	1.59	2.31
- Expense ratio: net 0.55%, gross 0.65%; Incept. date 2/26/2010							
Bloomberg U.S. Treasury Index	-5.58	-5.58	-3.67	1.39	1.76	1.68	N/A
Bloomberg U.S. Agency Index	-4.20	-4.20	-3.94	1.22	1.62	1.56	N/A
Morningstar Intermediate Government Avg	-4.81	-4.81	-4.66	0.82	1.21	1.30	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 Treasury Index measures the performance of the public debt obligations of the U.S. Treasury with remaining maturities of one year or more.

Bloomberg US Agency Index measures the performance of the publicly issued debt of U.S. Government agencies (e.g. Fannie Mae, Freddie Mac) and the Federal Home Loan Bank System.

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. ©2022 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 impacting the overall market, in particular debt securities and the U.S. government. 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. 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. Inflation-linked debt securities, such as TIPS, are subject to the effects of changes in market interest rates caused by factors other than inflation (real interest rates). In unusual circumstances, the Fund could experience a loss when selling portfolio securities to meet redemption requests for a variety of reasons. The Fund may invest in sovereign debt securities issued by foreign governments, which are subject to additional risks, including the risk that the entity may delay or refuse to pay interest or principal. 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 Adviser's assessment of investments and ESG considerations may prove incorrect, resulting in losses or poor performance. The use of derivatives (such as futures) involves additional risks and transaction costs. When bond inventories are low in relation to the market size, there is the potential for decreased liquidity and increased price volatility. The Fund may engage in active and frequent trading of portfolio securities, which may result in higher transaction costs and higher taxes. 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 are available at thriventfunds.com or by calling 800-847-4836.

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