

# Thrivent Income Fund

## Q1 2024 Commentary

LBIIX (Class S) • March 28, 2024

### Management



**Kent White, CFA**

VP, Fixed Income Mutual Funds

Industry: 1999  
Firm: 1999  
Fund: 2017



**Cortney Swensen, CFA**

Senior Portfolio Manager

Industry: 2005  
Firm: 2011  
Fund: 2023

### Executive Summary

- Thrivent Income Fund outperformed the Bloomberg Corporate Bond Index during the first quarter. The Fund's performance was driven by a significantly positive contribution from security selection in investment-grade corporate bonds. A modest overweight to high-yield corporates and the Fund's duration positioning also had a positive impact on performance.
- During the quarter the Fund began to add duration to position for what we view as likely and eventual rate cuts by the Federal Reserve (Fed) as they begin to reduce their restrictive policy stance. The Fund also continued to trim its exposure to lower quality investment grade corporates and increased its holdings in U.S. Treasuries.
- Investment-grade corporate bonds performed well during the quarter and credit spreads in the U.S. corporate bond market are now trading at levels that we consider very fully valued. Corporate earnings and balance sheets should remain resilient in 2024, however, current levels incorporate few if any, potential downside risks to the economy. While we do not currently find much value in credit spreads (the difference in yield between a corporate bond and a similar maturity U.S. Treasury bond), we do believe absolute yield levels for investment-grade corporate bonds are attractive.

### Performance factors

Thrivent Income Fund outperformed the Bloomberg Corporate Bond Index during the first quarter. The Fund's performance was driven by a significantly positive contribution from security selection in investment-grade corporate bonds. The Fund also benefitted from a modest overweight to high-yield corporates. The Fund remained positioned for higher interest rates during the first quarter and this had a positive impact on performance as rates have increased steadily since the beginning of the year. A stronger labor market, higher-than-expected inflation reports, and an economy that remains resilient drove the increase in rates and a delay in the market's expectations for the timing of policy rate cuts by the Fed. An overweight position in U.S. Treasuries negatively impacted performance.

The Fund also outperformed the Bloomberg Corporate Bond Index over the 12 months ended March 31, 2024. The most significant driver of the Fund's outperformance over this period was security selection in investment-grade corporates. Duration positioning was also a positive contributor to performance.

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### Portfolio outlook

Investment-grade corporate bonds performed well during the quarter and credit spreads in the U.S. corporate bond market are now trading at levels that we consider very fully valued. Corporate earnings and balance sheets should remain resilient in 2024, however, current levels incorporate few if any, potential downside risks to the economy. While we do not currently find much value in credit spreads (the difference in yield between a corporate bond and a similar maturity U.S. Treasury bond), we do believe absolute yield levels for investment-grade corporate bonds are attractive. We are maintaining a somewhat defensive risk profile and are waiting for a better opportunity to add risk.

## Performance

For the period ending March 28, 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 Income Fund — S share - Expense ratio: 0.47%; Incept. date 10/31/1997	-0.07	-0.07	5.05	-1.69	1.94	2.82	4.63
Bloomberg U.S. Corp Bd Index	-0.40	-0.40	4.43	-1.87	1.52	2.61	
Morningstar Corporate Bond Avg	-0.01	-0.01	4.69	-1.75	1.58	2.43	

**Learn more:** [thriventfunds.com](http://thriventfunds.com) • Advisors: 800-521-5308 | [sales@thriventfunds.com](mailto:sales@thriventfunds.com) • Investors: 800-847-4836 | contact your advisor

**Top 10 Holdings** (excluding derivatives and cash) 9.02% of Fund, as of Feb 29 2024: FHLMC 30-Yr. Pass-Thru: 1.64%, U.S. Treasury Notes: 1.22%, U.S. Treasury Bds: 0.90%, U.S. Treasury Bds: 0.86%, U.S. Treasury Notes: 0.86%, U.S. Treasury Notes: 0.84%, U.S. Treasury Bds: 0.72%, U.S. Treasury Notes: 0.69%, UBS Grp AG: 0.68%, Sprint Capital Corp: 0.61%

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

**Bloomberg US Corporate Bond Index** measures the investment grade, fixed rate, US taxable corporate bond market.

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. ©2024 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:** 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. High yield securities are subject to increased credit risk as well as liquidity risk. 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. To the extent that the financials sector continues to represent a significant portion of the Fund, the Fund will be sensitive to changes in, and its performance may depend to a greater extent on, factors impacting this sector. 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 Adviser's assessment of investments may prove incorrect, resulting in losses or poor performance. The Fund's value may be affected by factors specific to an issuer within the Fund. When bond inventories are low in relation to the market size, there is the potential for decreased liquidity and increased price volatility. The Fund's value is influenced by the performance of the broader market. 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. In unusual circumstances, the Fund could experience a loss when selling portfolio securities to meet redemption requests for a variety of reasons. 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](http://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](http://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](http://thriventfunds.com) or by calling 800-847-4836.**

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