

Thrivent Income Fund

Q1 2025 Commentary

LBIX (Class S) • March 31, 2025

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 U.S. Corporate Bond Index by 0.06% during the fourth quarter. The Fund's outperformance was driven largely by a positive contribution from security selection in investment grade corporate bonds. The Fund also benefitted from an overweight position in US Treasuries.
- During the quarter the Fund began to position even more defensively in certain parts of the corporate bond market where we believe valuations had become rich and further increased our allocation to higher quality sectors of the bond market, including US Treasuries and high-quality securitized assets.
- While we do not currently find much value in credit spreads (the difference in yield between a corporate bond and a similar maturity US Treasury bond), we do believe absolute yield levels for investment grade corporate bonds remain attractive.

Performance factors

Thrivent Income Fund outperformed the Bloomberg U.S. Corporate Bond Index by 0.06% during the first quarter. The Fund's outperformance was driven largely by a positive contribution from security selection in investment grade corporate bonds. The Fund also benefitted from an overweight position in US Treasuries relative to the benchmark. The Fund's duration and curve positioning was a drag on performance as it held a shorter duration profile than its benchmark which detracted from performance as interest rates declined during the quarter. Signs the economy was potentially beginning to weaken and very high levels of policy uncertainty prompted a flight to quality and a significant decline in interest rates during the quarter. Investment grade and high yield credit spreads both widened from very tight levels during the quarter and the Fund benefitted from its defensive positioning in both asset classes.

The Fund outperformed the Bloomberg U.S. Corporate Bond Index by 0.81% over the 12-month period ended March 31, 2025. The most significant driver of the Fund's outperformance over this period was security selection in investment grade and high yield corporates. Duration positioning was also a significant contributor to the Fund's outperformance during this period.

During the quarter the Fund began to position even more defensively in certain parts of the corporate bond market where we believe valuations had become rich and further increased our allocation to higher quality sectors of the bond market, including US Treasuries and high-quality securitized assets. At this point we are maintaining the Fund's positioning for a steeper curve and are now long duration relative to its primary benchmark. We may continue to add duration if we become more concerned about the trajectory of the US economy.

Portfolio outlook

Investment grade corporate bonds underperformed similar maturity US Treasuries during the quarter and credit spreads in the US corporate bond market still do not fully incorporate the potential downside risks to the economy. While we do not currently find much value in credit spreads, we do believe absolute yield levels for investment grade corporate bonds are still attractive and high-quality fixed income remains a valuable part of a diversified portfolio in this environment. Offsetting concerns on the valuation side, corporate balance sheets are in good shape and provide a cushion to any weakness in earnings during 2025. We continue to maintain a defensive risk profile.

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 Income Fund — S share - Expense ratio: 0.47%; Incept. date 10/31/1997	2.37	2.37	5.71	1.50	2.12	2.78	4.67
Bloomberg U.S. Corp Bd Index	2.31	2.31	4.90	1.14	1.51	2.43	
Morningstar Corporate Bond Avg	2.28	2.28	5.33	1.42	1.85	2.41	

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) 8.64% of Fund, as of Feb 28 2025: U.S. Treasury Bds: 1.44%, U.S. Treasury Bds: 1.24%, U.S. Treasury Notes: 1.06%, U.S. Treasury Notes: 0.99%, FHLM Corp Multifamily Structured Pass-Thru Certs: 0.99%, U.S. Treasury Bds: 0.77%, iShares 5 -10 Yr Inv Grd Corp Bd ETF: 0.65%, FHLMC 30-Yr. Pass-Thru: 0.58%, Sprint Capital Corp: 0.50%, Cheniere Energy Partners LP: 0.42%

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. ©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: 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.

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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