thrivent **Mutual Funds**

Thrivent Limited Maturity Bond Fund

Q2 2024 Commentary

THLIX (Class S) • June 28, 2024

Management

Cortney Swensen, CFA
Senior Portfolio Manager

Industry: 2005
Firm: 2011
Fund: 2020

Jon-Paul (JP) Gagne
Senior Portfolio Manager

Industry: 2004
Firm: 2018
Fund: 2021

Executive Summary

• During the second quarter, Thrivent Limited Maturity Bond Fund outperformed the Bloomberg US Government/Credit 1-3 Year Bond Index by 0.26%. The quarter was marked by a relatively benign backdrop for risk assets as inflation ticked downward and the market continued to price in substantial potential of the Federal Reserve (Fed) achieving its goal of a soft economic landing.
• The duration of the Fed's restrictive monetary policy and what its impact will be on economic growth remain a primary focus of investors. Although spreads modestly widened in the quarter, we do not believe that spread markets have priced in much downside risk to the economy. We continue to take advantage of higher carry, shorter-maturity assets, while leaving room for attractive investment opportunities that could arise with negative economic news or an unanticipated risk-off event.

Performance factors

Thrivent Limited Maturity Bond Fund outperformed the Bloomberg U.S. Government/Credit 1-3 Year Bond Index by 0.26% during the second quarter. This outperformance was largely attributable to a significant overweight to risk assets. While corporate spreads widened very modestly during the quarter, the Fund outperformed due to carry and security selection. An overweight position in securitized assets was a significantly positive contributor, particularly in collateralized loan obligations (CLOs) and mortgage securities. The 2-year Treasury rate began the quarter at 4.62% but climbed briefly above 5% in April after inflation readings surprised to the upside for the third consecutive month, which caused the market to price in fewer interest rate cuts by year-end 2024. Subsequently in May and June, however, inflation showed signs of cooling and thus the 2-year Treasury rate ended the quarter at 4.75%. During the quarter, duration effects were a slight negative contributor, as the Fund was modestly longer than the index.

Over the 12-month period, the Fund outperformed the Bloomberg U.S. Government/Credit 1-3 Year Bond Index by 1.65%. The most significant driver of the Fund's outperformance was again our overweight positioning to risk assets, which offer higher carry and rallied in aggregate over the period as market expectations of recession were continually pushed farther into the future. We also added finance paper aggressively following the banking stress of early 2023, and these securities continued to grind tighter as banks remained out of the headlines. Our 5% exposure to CLOs, a floating rate product, was strongly additive to performance on both a carry and duration basis. Our largest negative contributor during the last 12 months was our exposure to commercial mortgages, although these positions comprised a relatively small portion of the Fund at less than 1% and were sold during the fourth quarter.

The Bloomberg U.S. Government/Credit 1-3 Year Bond Index is comprised of 69% U.S. Treasuries, 7% government-related securities and 24% investment-grade corporates. The Fund tends to hold around 65% of its assets in corporate bonds, which on average have a ratings quality that is somewhat lower than the index. In addition, the Fund generally owns 25-30% in securitized assets. Over longer periods of time, overweightings to these asset classes may provide more yield, while the short-duration nature of the Fund's holdings offer attractive breakeven levels during spread widening scenarios.

Portfolio outlook

Risk markets remain focused on the duration of restrictive Fed policy that will be required to bring inflation back to the 2% target, and what potential impacts there will be on the economy. Although economic data and interest rates have fluctuated, rates have very likely peaked for this cycle. The Fed currently believes it is facing more two-sided risks to achieving its inflation and employment goals, as opposed to the more outsized concern it has held over the last couple of years about inflation. The market is currently forecasting that the Fed will cut rates by 50 bps by year-end, with more cuts to occur in 2025. The Fund is currently positioned to be relatively neutral duration, focusing on being nimble, although we will look to add duration as Fed rate cuts become more certain.

With corporate spreads near two-year tights, we believe that markets are pricing in a high probability of a soft economic landing. While we do not necessarily disagree with this view given the incoming economic data, we remain selective in our addition of risk due to the potential for a weakening economy as consumers feel stretched following years of high inflation, or unanticipated risk-off events that could cause spreads to widen. We continue to manage the Fund with the objective of maintaining sufficient carry while leaving room to add risk if markets were to weaken materially.

Performance

For the period ending June 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 Limited Maturity Bond Fund — S share	1.21	2.28	6.52	1.30	1.95	1.99	3.16
- Expense ratio: 0.43%; Incept. date 10/29/1999							
Bloomberg Govt/Credit 1-3 Yr Bd Index	0.95	1.38	4.87	0.55	1.25	1.35	
Morningstar Short-Term Bond Avg	1.06	1.95	5.96	0.67	1.59	1.64	

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Top 10 Holdings (excluding derivatives and cash) 11.00% of Fund, as of May 31 2024: U.S. Treasury Notes: 5.01%, FNMA 30-Yr Pass-Thru: 0.94%, U.S. Treasury Notes: 0.84%, Avant Credit Card Master Trust: 0.81%, Genesis Sales Fin Master Trust: 0.77%, Ares XL CLO, Ltd.: 0.71%, Pagaya AI Tech in Housing Trust: 0.54%, PPM CLO 2, Ltd.: 0.50%, Wells Fargo & Co: 0.45%, AMSR Trust: 0.43%

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

Bloomberg Government/Credit 1-3 Year Bond Index measures the performance of U.S. government. bonds with maturities of 1-3 years.

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. 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: 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. In addition to typical risks associated with fixed income and asset-backed securities, collateralized debt obligations are subject to additional 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. The use of futures contracts involves additional risks such as a loss in value in the underlying instrument, which could decrease the Fund's value. 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. The Fund's value is influenced by the performance of the broader market and 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. 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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