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Mutual Funds

Thrivent Limited Maturity Bond Fund

Q1 2021 Commentary

THLIX (Class S) • March 31, 2021

Executive summary

- Thrivent Limited Maturity Bond Fund's results for the first quarter were slightly behind the Bloomberg Barclays 1-3 Year Government/Credit Index after expenses but ahead of its Morningstar Short-Term Bond category average by 0.03%. The Fund's results over the one-year period were favorable relative to the index and peer group.
- We expect short-term rates to remain near zero, which is consistent with rhetoric from the Federal Reserve (the Fed). We have maintained the portfolio's duration positioning below its market benchmark and category peer group. The portfolio is positioned to perform well as rate volatility returns to normal levels due to the portfolio's higher yield relative to the benchmark.

Management

Michael G. Landreville, CFA
Senior Portfolio Manager
Industry since: 1983
Thrivent since: 1983
Fund since: 1999

Gregory R. Anderson, CFA
Senior Portfolio Manager
Industry since: 1993
Thrivent since: 1997
Fund since: 2005

Cortney L. Swensen, CFA
Senior Portfolio Manager
Industry since: 2004
Thrivent since: 2011
Fund since: 2020

Jon-Paul (J.P.) Gagne
Senior Portfolio Manager
Industry since: 2004
Thrivent since: 2018
Fund since: 2021

Performance factors

Thrivent Limited Maturity Bond Fund had a return of -0.10% for the quarter which underperformed the Bloomberg Barclays 1-3 Year Government/Credit Index return of -0.04% and outperformed the Morningstar Short-Term Bond category average return of -0.13%. Our positioning in high quality corporate bonds and securitized assets was a drag on performance due to the sharp rise in interest rates and steepening in the yield curve. However, the portfolio's duration stance was positioned for rising rates and a steeper yield curve which offset most of the performance drag from security selection in corporate bonds and securitized assets. Duration is a measure of a portfolio's sensitivity to changes in interest rates; the longer the portfolio's duration, the more sensitive it is. Duration positioning added 41bps of performance to the fund, while securitized assets and corporates underperformed by -0.11% and -0.28% respectively. Within securitized assets, we have been overweight agency MBS which benefited performance last year, but has underperformed this year, as spreads have widened as interest rates moved sharply higher. Most of this underperformance was offset by the portfolio's duration positioning.

The allocation to corporate bonds increased by 2 percentage points during the quarter, primarily in industries impacted by the pandemic. Due to the improving economic condition, we preferred adding to corporate risk at the expense of our treasury allocation. Since the Covid pandemic began, the securitized market has seen a large refinance wave due to lower rates, which limited the upside in many of the opportunistic trades made in Q2 2020. Those proceeds have been reinvested into higher-quality floating rate bonds. We lowered our agency MBS exposure by 5 percentage points over the quarter in response to the higher volatility and duration into the rates sell-off.

The Fund's 12-month return of 6.74% outperformed the Bloomberg Barclays 1-3 Year Government/Credit Index return of 1.57% and the Morningstar Short-Term Bond category average return of 5.87%. The difference is primarily attributable to our security selection in securitized assets and corporate bonds. The Fed began buying agency MBS in March 2020, driving prices higher to the benefit of the Fund which has carried an overweight in MBS.

Portfolio outlook

The Fund remains overweight corporate

bonds and securitized assets, and we plan to maintain this positioning versus Treasury securities given the attractive yield advantage, strong support of the Fed, and the fundamental backdrop in which economic activity is improving. The Fund has about a 0.40% higher yield than the Index.

We have made a modest allocation to high-yield corporates as well as a higher allocation to floating-rate securities, mostly in high-quality asset-backed securities and collateralized loan obligations. This positioning along with a lower allocation to agency MBS should limit extension and interest rate volatility risks.

We expect Treasury yields in the 5-year and shorter maturities to remain in a narrow range but continue to steepen as the Fed is expected to keep rates on hold. The Fund's duration is positioned short to the Index.

Thrivent Limited Maturity Bond Fund performance

Class S shares | For the period ending March 31, 2021

Average annualized returns (%) Periods less than one year are not annualized.	3 months	YTD	1 year	3 years	5 years	10 years
Thrivent Limited Maturity Bond Fund Class S Share; expense ratio 0.43%	-0.10	-0.10	6.74	3.24	2.74	2.17
Bloomberg Barclays Govt/Credit 1-3 Yr Bond Index[1]	-0.04	-0.04	1.57	3.04	2.00	1.57
Morningstar Short-Term Bond Average[2]	-0.13	-0.13	5.87	3.14	2.35	1.89

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

[1]Bloomberg Barclays U.S. Treasury 1-3 Month Index measures the performance of public obligations of the U.S. Treasury with maturities of 1-3 months.

[2]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 impacting the overall market, in particular debt securities and specific issuers. The value of U.S. government securities may be affected by changes in the credit rating of the U.S. government and may not be fully guaranteed by the U.S. government. 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 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. When bond inventories are low in relation to the market size, there is the potential for decreased liquidity and increased price volatility. The Adviser's assessment of investments may prove incorrect, resulting in losses or poor performance. The Fund may engage in active and frequent trading of portfolio securities in implementing its principal investment strategies, 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 the Fund(s) may own. This information should not be considered investment advice or a recommendation of any particular security, strategy or product. A complete listing of the holdings for each of the Thrivent Mutual Funds is available on thriventfunds.com.

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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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