thrivent

Mutual Funds

Thrivent Municipal Bond Fund

Q1 2022 Commentary

TMBIX (Class S) • March 31, 2022

Management

Janet Grangaard, CFA
Senior Portfolio Manager

Industry since: 1984
Thrivent since: 1988
Fund since: 2002

Key personnel

Johan Åkesson, CFA
Senior Portfolio Manager

Industry since: 1993
Thrivent since: 1993
Fund since: 2002

Executive Summary

Thrivent Municipal Bond Fund typically has a longer duration, more revenue bonds (versus tax supported bonds), and somewhat lower quality than the Bloomberg Municipal Bond Index, making the Fund more sensitive to interest rate changes while producing higher dividend income. The most recent quarter and 12-month period exemplify the benefits and risks to this positioning.

Top 10 States (excluding derivatives and cash) 58.87% of Fund, as of Feb 28 2022

New York	9.69%
Texas	9.38%
California	9.20%
Illinois	6.58%
Ohio	4.81%
Colorado	4.59%
Massachusetts	4.45%
Florida	4.32%
Michigan	3.12%
Virginia	2.73%

Performance factors

The three quarters of 2021 included in the trailing 12-month performance were characterized by large tax-exempt fund inflows, muted concern about inflation, a Federal Reserve in policy-easing mode, the COVID pandemic and its economic effects, and worry about legislation that would usher in higher marginal income tax rates in the U.S. The only item on that list that persisted into 2022 was the concern about COVID, and even that ultimately began to dissipate. At the end of 1st quarter 2022, inflation was high and widespread, the Fed had begun to tighten monetary policy, and legislation proposing higher marginal tax rates looked dead. The U.S. began to move to policies and practices for endemic COVID, as did much of the world (with the very important exception of China) only for global conditions (and commodity prices) to be rocked by Russia's invasion of Ukraine. The U.S. municipal market experienced increased volatility as economic expectations changed and investors sought the safety of cash.

In this environment, Thrivent Municipal Bond Fund outperformed the Bloomberg Municipal Bond Index for the 12-month period, producing a total return of -3.91% vs. -4.47% for the Index. However, the Fund slightly underperformed in 2022's 1st quarter (-6.34% Fund vs. -6.23% Index.) Yields along the municipal yield curve rose for both time periods, especially in the shorter maturities most sensitive to Fed Funds Rate expectations. The Fund's longer duration was a negative, but sector allocation and specific security selection were positives, compared to the performance of the Index. The Fund's large underweight exposure to the tax-supported sector had the most beneficial variation compared to the Index for both time periods. Smaller underweights to the Housing, Utility and Industrial Development Revenue (IDR) sectors also aided the Fund's relative performance while overweights to the Education, Health Care and Transportation sectors hurt relative performance despite the superior security selection we experienced. Confident in our ability to choose good credits, we added to Transportation, Health Care and Education holdings as yields rose, using coupon income, cash, and sales in the Prerefunded/Escrowed to Maturity sector to do so.

Portfolio outlook

Over long investment horizons, bond returns are most defined by income generation, not capital gains and losses (although those are quite meaningful in shorter time frames.) For this reason, we intend to stay with our longer duration, revenue bond-focused, slightly lower credit quality strategy. We have a competitive advantage in our credit analyst team, and we will use it for the benefit of our shareholders. 2022 is likely to be a difficult year in financial markets but that doesn't mean it will lack opportunity. We will remain ever vigilant as the Fed raises rates, inflation slows, and the geopolitical situation evolves. Our trading activity this year will include bond swaps that will generate beneficial tax implications and higher book yields. This is a marathon, not a sprint.

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 Municipal Bond Fund — S share	-6.34	-6.34	-3.91	1.64	2.32	2.79	4.24
- Expense ratio: net 0.54% Incept. date 10/31/1997							
Bloomberg Muni Bd Index	-6.23	-6.23	-4.47	1.53	2.52	2.88	N/A
Morningstar Muni National Long Avg	-7.36	-7.36	-4.78	1.67	2.61	3.06	N/A

Financial Professionals: contact us at sales@thriventfunds.com or call 800-521-5308

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

Bloomberg Municipal Bond Index is a market value-weighted index of investment grade municipal bonds with maturities of one year or more.

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: Municipal bonds may be affected by political or economic conditions at the state, regional or federal level. 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. Changes in federal income tax laws or rates may affect both the net asset value of the Fund and the taxable equivalent interest generated from securities in the fund. Some issues may be subject to state and local taxes and/or the federal and state alternative minimum tax (AMT). Consult a tax advisor for more information about your specific situation, including state/local tax treatment. 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. The London Interbank Offered Rate (LIBOR) is being phased out, which brings uncertainty to instruments tied to it. Markets may also be impacted by domestic or global events, including public health threats, terrorism, natural disasters or similar events. When bond inventories are low in relation to the market size, there is the potential for decreased liquidity and increased price volatility. High yield securities are subject to increased credit risk as well as liquidity risk. The Adviser's assessment of investments and ESG considerations may prove incorrect, resulting in losses or poor performance. 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 are available at thriventfunds.com or by calling 800-847-4836.

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