thrivent Asset Management

Mutual Funds

Thrivent Municipal Bond Fund

Q1 2025 Commentary

TMBIX (Class S) • March 31, 2025

Management

Johan Åkesson, CFA
Senior Portfolio Manager

Industry: 1993
Firm: 1993
Fund: 2022

Stephanie Woeppel
Senior Portfolio Manager

Industry: 2004
Firm: 2022
Fund: 2023

Executive Summary

- Thrivent Municipal Bond Fund underperformed the Bloomberg Municipal Bond Index by -.73% in the first quarter of 2025. For the trailing 12 months the Fund outperformed the Index by .18%.
- The municipal market underperformed in the longer maturity bonds vs the Treasury market due to political uncertainty emanating from Washington D.C. combined with large supply and lower demand from traditional buyers of long-dated municipal bonds.
- The Federal Reserve (Fed) moved to a wait and see approach as it became clear that it was getting harder to project the trajectory of the economy.
- The municipal market did not participate in the Treasury rally in the longer-term maturities, causing a significant cheapening of the municipal to Treasury ratios.

Performance factors

For the quarter the Fund underperformed the Bloomberg Municipal Index returning -.95% vs -.22%, for the Index. The portfolio outperformed the Bloomberg index for the trailing 12-month period ending March 31 by .18%.

The Fund's quarterly return was heavily affected by the steepening of the municipal yield curve, with long maturity municipal bonds underperforming the front and intermediate part of the yield curve. This hampered the Fund's performance for the quarter since the Fund tends to be invested more in longer maturities, taking advantage of the larger supply of bonds and additional yield offered by those maturities.

The Fed started the year in an easing stance but decided at the January meeting to change to a wait-and-see approach. The January Fed meeting statement noted that "The unemployment rate has stabilized at a low level in recent months, and labor market conditions remain solid. Inflation remains somewhat elevated." At the March meeting the Fed added that "Uncertainty around the economic outlook has increased. The Committee is attentive to the risks to both sides of its dual mandate." The Fed also declared that they would slow the pace of its quantitative tightening, clearly demonstrating worry about the economic uncertainty emanating from the wave of policy changes proposed out of Washington D.C.

The Treasury market responded to the Fed, over the quarter, with lower yields along the whole yield curve. The municipal yield curve did not follow the Treasury curve but responded to uncertainty more specific to the municipal market ending up with an increase in longer maturity yields and subsequent negative returns.

Reports of potential encroachment to the municipal tax exemption, as a means to help finance future tax cuts, put a damper on the market. Large municipal bond supply and less demand from traditional longer maturity buyers also cheapened the long end of the municipal yield curve. This led to municipal to Treasury ratios, especially on longer maturities, to cheapen significantly.

Credit selection for the Fund continued to be positive. Credit was less of a determining factor for performance in a quarter where duration and placement on the yield curve were the dominant factors.

The Fund benefited from its larger holdings of lower investment grade, A-s and BBB-s, which outperformed the higher quality bonds for the quarter and trailing 12-month time periods. High yield bonds outperformed investment grade debt for the quarter and to an even larger extent outperformed for the past 12-months.

Portfolio outlook

Taking advantage of the historically steep municipal yield curve, the portfolio continues to have a longer duration than the Index. We expect to see more volatility in the coming quarters as changes affecting the economy and specifically the municipal bond market are talked about and/or passed in Washington D.C. The amount and scope of changes have, in our opinion, increased the likelihood of an economic slowdown in the next few quarters. Overall, interest rates are more likely to trend lower although tempered a bit by the risk of higher inflation figures, fueled by a potential trade war. The municipal market is facing its own specific uncertainties, clarification around the tax exemption could provide a potential positive demand boost. There is increased credit risk for certain sectors, especially the healthcare sector, of being exposed to possible lowering of Medicare and Medicaid reimbursements. Charter schools and smaller private higher education credits continue to face financial pressures as well. The Fund continues to seek out bonds where the obligors have a robust financial profile and provide the investors with a strong security package. The Fund should be well positioned to take advantage of an outlook that currently points to an economic slowdown in 2025.

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 Municipal Bond Fund — S share	-0.95	-0.95	1.40	1.12	0.96	1.84	3.90
- Expense ratio: net 0.51%, gross 0.57%; Incept. date 10/31/1997							
Bloomberg Muni Bd Index	-0.22	-0.22	1.22	1.53	1.07	2.13	
Morningstar Muni National Long Avg	-0.64	-0.64	1.45	1.05	1.09	1.98	

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) 56.20% of Fund, as of Feb 28 2025: Texas: 12.53%, New York: 8.54%, California: 6.05%, Florida: 5.99%, Illinois: 4.41%, Colorado: 3.94%, Minnesota: 3.81%, Pennsylvania: 3.73%, Ohio: 3.65%, Michigan: 3.55%

The Adviser has contractually agreed, for a period of one year from the date of the most recent prospectus, to waive certain fees and/or reimburse certain expenses associated with the Fund. If not waived, returns would have been lower. Refer to the Fees & Expenses table in the prospectus.

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.

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. 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. 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. 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.

Thrivent Distributors, LLC, a registered broker-dealer and member FINRA, is the distributor for Thrivent Mutual Funds. Asset management services are provided by Thrivent Asset Management, LLC, an SEC-registered investment adviser. Thrivent Distributors, LLC, and Thrivent Asset Management, LLC are subsidiaries of Thrivent, the marketing name for Thrivent Financial for Lutherans.

thrivent Asset Management