thrivent

Mutual Funds

Thrivent Multisector Bond Fund

Prior to Feb. 28, 2025, the fund was named Thrivent Opportunity Income Plus Fund.

Q4 2024 Commentary

IIINX (Class S) • December 31, 2024

Management

Kent White, CFA
VP, Fixed Income Mutual Funds
Industry: 1999
Firm: 1999
Fund: 2015

Stephen Lowe, CFA
Chief Investment Strategist
Industry: 1996
Firm: 1997
Fund: 2018

Theron Whitehorn, CFA
Senior Portfolio Manager
Industry: 2002
Firm: 2018
Fund: 2021

Executive Summary

- Thrivent Multisector Bond Fund had a net return of -1.12% in the fourth quarter, which underperformed Morningstar's Multisector Bond category average by -0.38%, primarily due to interest rate positioning.
- The Fund underperformed Morningstar's Multisector Bond category average over the past year with a net return of 5.14% as compared to 5.96% for the category.
- We continue favor high-quality bonds such as investment grade corporates and agency MBS along with a modestly long duration position relative to peers.

Performance factors

In the fourth quarter of 2024, the Fund underperformed Morningstar's Multisector Bond category average with a net return of -1.12% compared to -0.74% for the category. Fund absolute returns were negative primarily due to an increase in interest rates. The Federal Reserve (Fed) reduced its target rate twice during the quarter and signaled that a pause in the easing could be warranted. Treasury interest rates fell at the very short end in step with the cuts. However, rates rose significantly across the intermediate and long parts of the curve as markets anticipated more potential for future economic growth and inflation. At the same time, credit spreads ended the quarter roughly unchanged to slightly lower and remained tight versus long-term averages.

The Fund maintains a lower duration exposure as compared to broad fixed income indices, such as the Bloomberg US Aggregate Bond index, but was modestly long duration as compared to estimates for the Morningstar Multisector Bond category average. This interest rate positioning was the largest negative contributor to relative performance over the quarter.

The Fund generated positive return contribution with an underweight to Treasury securities and an overweight to emerging market debt. Other positives for the quarter include strong selection within securitized assets and emerging market debt. Detractors include a slight overweight to preferred securities and an underweight to high yield bonds.

For the trailing twelve months, the Fund underperformed Morningstar's Multisector Bond category average with a net return of 5.14% as compared to 5.96% for the category. Absolute returns were positive due to the coupon income from fixed-income holdings and tighter credit spreads across most sectors.

Key positive factors contributing to relative performance included an underweight to Treasuries and strong positive selection within securitized holdings including positions in collateralized loan obligations (CLOs), agency-backed securities (ABS), and agency mortgage-backed securities (MBS). Other significant contributors were an overweight allocation to emerging markets debt and positive bond selection within that asset class. Alternative holdings also helped, including preferred securities, convertible bonds, and positions in closed-end funds. Additionally, duration exposure was a detractor from performance as the Fund has been positioned modestly long duration for much of the period while intermediate and long term rates have moved higher. Other detractors to relative performance included an overweight position in cash and negative selection within high yield bonds.

Over the trailing twelve months the Fund decreased credit risk and added higher-quality fixed income by lowering emerging market debt and high yield bonds, while adding to agency mortgages, Treasuries and investment grade corporate bonds. The moves were made to better position the Fund for a period of rate uncertainty and to partially dampen potential credit spread volatility while still maintaining exposure to parts of the market that offer attractive yields.

Portfolio outlook

Inflation measures have shown significant progress toward Federal Reserve targets and expectations of further economic growth have increased recently, which has led to steepening in the Treasury rate curve. We expect short interest rate volatility to remain elevated as the Fed appears ready to pause or slow the current easing path while it waits for new data. Intermediate and long-term rates will likely remain range-bound with the potential for further upward pressures if inflation data comes in above expectations. We plan to maintain a modestly long duration position with a steepening bias to provide exposure to any further steepening in rates. We continue to favor high-quality bonds such as investment grade corporates and investment grade securitized assets, as current pricing levels in lower-quality sectors don't look as attractive when compared to historical averages.

Performance

For the period ending December 31, 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 Multisector Bond Fund — S share	-1.12	5.14	5.14	0.86	1.65	2.73	4.18
- Expense ratio: 0.67%; Incept. date 12/29/1997							
Bloomberg MBS Index	-3.16	1.20	1.20	-2.13	-0.74	0.91	
Bloomberg U.S. Hi Yld Ba/B 2% Issuer Capped Index	-0.15	6.77	6.77	2.43	3.90	4.97	
Morningstar Multisector Bond Avg	-0.74	5.96	5.96	1.15	2.24	3.11	

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) 18.19% of Fund, as of Nov 29 2024: Thrivent Core EMD Fd: 8.83%, U.S. Treasury Notes: 2.86%, Vanguard Intrmdt-Tm Corp Bd ETF: 1.36%, Dryden 109 CLO, Ltd.: 1.07%, FNMA 30-Yr Pass-Thru: 0.88%, iShares iBoxx $ Inv Grd Corp Bd ETF: 0.76%, U.S. Treasury Notes: 0.67%, U.S. Treasury Notes: 0.63%, FNMA 30-Yr Pass-Thru: 0.57%, iShares Broad USD High Yld Corp Bd ETF: 0.56%

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

Bloomberg Mortgage-Backed Securities Index represents the performance of securities backed by pools of mortgages.

Bloomberg US High Yield Ba/B 2% Issuer Capped Index represents the performance of Ba or B-rated corporate bond market. Issuers are constrained to a maximum 2% weighting.

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: 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. Sovereign debt and mortgage-related and other asset-backed securities are subject to additional risks. The Fund's value is influenced by a number of factors, including the performance of the broader market, the effectiveness of the Adviser's allocation strategy, and risks specific to the Fund's issuers. The Adviser is also subject to actual or potential conflicts of interest. The use of derivatives (such as futures) involves additional risks. Foreign investments involve additional risks, such as currency fluctuations and political, economic and market instability, which may be magnified for investments in emerging markets. 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 invests in other funds; therefore, the Fund is dependent upon the performance of the other funds and is subject to the risks, additional fees and expenses of the other funds. When interest rates fall, certain obligations are paid off more quickly and proceeds may have to be invested in lower-yielding securities with lower yields. 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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