Thrivent Short-Term Bond Fund

Prior to Feb. 28, 2025, the fund was named Thrivent Limited Maturity Bond Fund.

Q4 2024 Commentary

THLIX (Class S) • December 31, 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 fourth quarter, Thrivent Short-Term Bond Fund outperformed the Bloomberg US Government/Credit 1-3 Year Bond Index by 0.22%. The quarter was marked by the third Federal Reserve (Fed) rate cut of the cycle and a significant rise in the 2-year Treasury yield as markets priced in a slower Fed cutting cycle due to re-emergent inflation concerns.
- With credit spreads near 3-year tights following the election on optimism over a “goldilocks” outlook, risk markets have not 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 Short-Term Bond Fund outperformed the Bloomberg US Government/Credit 1-3 Year Bond Index by 0.22% during the fourth quarter. This outperformance was largely attributable to a significant overweight to risk assets. During the quarter, 1-3 year corporate spreads reached the tightest levels seen in almost three years on economic optimism following the November election. We opportunistically reduced our corporate allocation to the lowest level of the year in order to make room for the heavy corporate issuance expected in early 2025. On the securitized side, we also moved up in quality by continuing to increase our allocation to higher-rated Asset-Backed Securities (ABS). Following five months of interest rate declines, we allowed duration in the portfolio to shorten during the quarter, which contributed to performance as it became clearer to the market that the Fed is unlikely to cut rates as quickly as the market anticipated. During the fourth quarter, the 2-year Treasury rate rose 60 basis points to end 2025 at 4.24%.

Over the 12-month period, the Fund outperformed the Bloomberg US Government/Credit 1-3 Year Bond Index by 1.27%. The most significant driver of the Fund’s outperformance was our overweight positioning to risk assets, which rallied significantly in aggregate over the time period as it became clearer that a recession would not occur in the near-term. Our large overweight to BBB-rated corporates contributed to outperformance due to higher carry and as spreads compressed to A-rated corporates. In addition, our 2% allocation to hybrid and perpetual securities contributed meaningfully to performance due to the combination of lower rates and tighter bank spreads. Our 5% exposure to collateralized loan obligations (CLOs) was strongly additive to performance, as were non-agency residential mortgages. Our largest negative contributor during the last 12 months was U.S. Treasuries, as risk-free assets lagged.

The Bloomberg US Government/Credit 1-3 Year Bond Index is comprised of 70% U.S. Treasuries, 6% government-related securities and 24% investment grade corporates. The Fund currently holds around 63% of its assets in corporate bonds, and on average have a ratings quality that is somewhat lower than the index, with 61% of the Fund’s corporate exposure in the BBB rating category. In addition, the Fund owns 28% in securitized debt. Over longer periods of time, overweights to these asset classes provide more yield, while the short-duration nature of the Fund’s holdings offer attractive breakeven levels during spread widening scenarios.

Portfolio outlook

Following the Fed’s three rate cuts totaling 100 basis points since September, the future path of monetary policy has become less clear. At the December Federal Open Market Committee (FOMC) meeting, inflation had again become a concern for policymakers, with their median inflation forecast rising to 2.5% for 2025 and not falling to the target rate of 2% until 2027. An extended pause has become more likely, with Fed Funds remaining in the 4.25-4.5% range, above what most economists consider the neutral rate (that which neither stimulates nor weighs on the economy) well into 2025. We anticipate remaining short to neutral duration while monitoring incoming data.

Corporate spreads are near three-year tights, at levels last seen when the 2-year Treasury rate was below 1% in early 2022 and the market landscape was dominated by a search for yield. We don't believe that the "goldilocks" economic scenario currently being priced into corporate spreads offers enough compensation for the risk to the credit markets, and will remain selective given the potential for a weaker economy and policy risks such a tariffs. On the securitized side, the consumer and housing remain strong, and we will continue to take advantage of the additional spread for higher ratings provided by the sectors. We continue to manage the Fund with the objective of maintaining sufficient carry while leaving room to add risk when markets offer better entry points.

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 Short-Term Bond Fund — S share	0.20	5.63	5.63	2.47	2.33	2.30	3.23
- Expense ratio: 0.43%; Incept. date 10/29/1999							
Bloomberg Govt/Credit 1-3 Yr Bd Index	-0.02	4.36	4.36	1.69	1.58	1.63	
Morningstar Short-Term Bond Avg	-0.09	5.07	5.07	1.81	1.91	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) 11.42% of Fund, as of Nov 29 2024: U.S. Treasury Notes: 4.07%, U.S. Treasury Notes: 2.83%, U.S. Treasury Notes: 1.35%, Avis Budget Rental Car Funding AESOP LLC: 0.53%, FNMA 30-Yr Pass-Thru: 0.52%, PPM CLO 2, Ltd.: 0.46%, AMSR Trust: 0.42%, OneMain Fin Issuance Trust: 0.42%, Madison Park Funding XXXIX Ltd: 0.41%, Palmer Sqr Loan Fd Ltd: 0.41%

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. ©2025 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: 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.