Thrivent Balanced Income Plus Fund

Q1 2022 Commentary

IBBFX (Class S) • March 31, 2022

Management

Stephen Lowe, CFA
Chief Investment Strategist
Industry since: 1996
Thrivent since: 1997
Fund since: 2013

David Spangler, CFA
Head of Mixed Assets & Market Strategies
Industry since: 1989
Thrivent since: 2002
Fund since: 2019

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

Executive Summary

• Thrivent Balanced Income Plus Fund's fixed-income component outperformed the Morningstar Multisector Bond category average in the first quarter and for the trailing twelve months.
• Interest-rate positioning was the largest contributor to the first quarter relative performance.
• We remain overweight alternative assets and lower-quality credit but would move to neutral or underweight on signs the economy was slowing materially.
• The Fund’s equity weight is approximately neutral to our strategic target, with a modest overweight to domestic.

Performance factors

Fixed income within the Fund in the first quarter outperformed its Morningstar peer group average. Total returns were negative due to higher interest rates, wider credit spreads, and lower equity markets that drove down alternative fixed-income assets sensitive to equity returns. Interest rate and Treasury yield curve positioning was the largest factor in the outperformance. The Fund was positioned short duration (interest rate risk) and for a flatter yield curve. Other positives included an overweight in securitized assets which outperformed the index, including non-agency mortgages and collateralized loan obligations (CLOs).

Over the trailing 12 months, key positive performance factors include interest-rate and Treasury yield curve positioning, strong selection within securitized assets, including agency mortgages and overweight positions in non-agency mortgages and CLOs.

For the first quarter, the equity within the Fund outperformed approximately +0.24% relative to its peer group average benchmark. The Fund’s approximate 1% overweight to equity did not materially detract from performance as the Fund’s fixed income performed well. The Fund’s underweight to international equity aided performance but only modestly.

Portfolio outlook

We expect continued volatility into the second quarter as markets grapple with high geopolitical uncertainty driven by the war in Ukraine. We also expect Federal Reserve (Fed) rate hikes to spark episodic volatility. On the positive side the economy remains solid with a very strong jobs market, excess savings, low consumer debt levels and increased business investment. We expect interest rates to continue to rise and the yield curve to flatten in the coming months, although markets already have priced in significant Fed rate increases into 2023. The Fund is overweight lower-quality credit as corporate balance sheets and earnings remain strong, while it is underweight higher-quality credit, which is more sensitive to higher rates.

The Fund is currently neutral weight to benchmark equity, with a modest overweight to domestic. The U.S. economy remains relatively insulated with an inflation adjusted Real Gross Domestic Product (GDP) growth fastest since 1984, fueled by strong consumer spending post-Covid, supported by a strong labor market, wage gains and historically high returns in mid cycles. The Fed is now attempting to engineer a “soft landing” as it embarks on a tightening cycle designed to thread the needle of addressing four-decade high inflation while trying to avert economic recession. Historically, achieving a soft landing is very difficult. While it is not yet time to become substantially defensive (bearish), we expect a predominantly sideways trade, accompanied by higher levels of volatility, especially when contrasted with the post-shutdown rally. Additionally, within equity, we maintain an overweight to more defensive areas of the market including large-cap technology.

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 Balanced Income Plus Fund — S share	-4.46	-4.46	3.84	8.10	6.99	7.33	6.18
- Expense ratio: net 0.77% Incept. date 12/29/1997							
MSCI World Index - USD Net Rtrns	-5.15	-5.15	10.12	14.98	12.42	10.88	N/A
Bloomberg MBS Index	-4.97	-4.97	-4.92	0.56	1.36	1.70	N/A
Bloomberg U.S. Hi Yld Ba/B 2% Issuer Capped Index	-4.93	-4.93	-0.86	4.79	4.82	5.66	N/A
S&P/LSTA Leveraged Loan Index	-0.10	-0.10	3.25	4.22	4.01	4.30	N/A
Morningstar Allocation--30% to 50% Equity Avg	-4.69	-4.69	1.43	6.65	5.75	5.53	N/A

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

Top 10 Holdings (excluding derivatives and cash) 30.39% of Fund, as of Feb 28 2022: Thrivent Core Int'l Eq Fd: 7.35%, Thrivent Core EMD Fd: 5.68%, FNMA 30-Yr Pass-Thru: 3.61%, FNMA 30-Yr Pass-Thru: 3.10%, FNMA 15-Yr Pass-Thru: 2.75%, FNMA 30-Yr Pass-Thru: 2.17%, FNMA 30-Yr Pass-Thru: 2.05%, Microsoft Corp: 1.47%, Apple, Inc.: 1.15%, SPDR Blackstone Sr Loan ETF: 1.06

Effective August 16, 2013, Thrivent Balanced Income Plus Fund changed its investment strategy; 10-year peer group comparisons are less relevant than other time periods.

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

MSCI World Index - USD Net Returns represents large- and mid-cap stocks in 23 developed-market countries.

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.

S&P/LSTA US Leveraged Loan index reflects the performance of the largest facilities in the leveraged loan market.

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: 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 asset classes, market cap groups, investment styles, and issuers. 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. Leveraged loans, sovereign debt, and mortgage-related and other asset-backed securities are subject to additional risks. The London Interbank Offered Rate (LIBOR) is being phased out, which brings uncertainty to instruments tied to it. When interest rates fall, certain obligations will be paid off more quickly and proceeds may have to be invested in securities with lower yields. 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 use of quantitative investing techniques and derivatives such as futures also involve risks. Markets may also be impacted by domestic or global events, including public health threats, terrorism, natural disasters or similar events. The Adviser's assessment of investments and ESG considerations may prove incorrect, resulting in losses or poor performance. The Adviser is also subject to actual or potential conflicts of interest. The Fund invests in a combination of other funds managed by the Adviser and direct investments in equity and debt instruments; 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 bond inventories are low in relation to the market size, there is the potential for decreased liquidity and increased price volatility. The Fund may engage in active and frequent trading of portfolio securities, 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 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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