thrivent

Mutual Funds

Thrivent Opportunity Income Plus Fund

Q1 2022 Commentary

IIINX (Class S) • March 31, 2022

Management

Gregory Anderson, CFA	Conrad Smith, CFA	Kent White, CFA	Stephen Lowe, CFA	Theron Whitehorn, CFA
Senior Portfolio Manager	Senior Portfolio Manager	VP, Fixed Income Mutual Funds	Chief Investment Strategist	Senior Portfolio Manager
Industry since: 1993	Industry since: 1990	Industry since: 1999	Industry since: 1996	Industry since: 2002
Thrivent since: 1997	Thrivent since: 2004	Thrivent since: 1999	Thrivent since: 1997	Thrivent since: 2018
Fund since: 2005	Fund since: 2013	Fund since: 2015	Fund since: 2018	Fund since: 2021

Executive Summary

• Thrivent Opportunity Income Plus Fund outperformed the Morningstar Multisector Bond category 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 moderately overweight credit risk but would move to neutral or underweight on signs the economy was slowing meaningfully.

Performance factors

Thrivent Opportunity Income Plus Fund outperformed its Morningstar peer group in the first quarter, with a return of -4.04% versus -4.29% for the Morningstar Multisector Bond category. Returns were negative due to higher interest rates, wider credit spreads, and lower equity markets that drove down alternative returns more sensitive to stocks. Interest-rate and Treasury yield curve positioning were the largest factors in the outperformance. The Fund was positioned short duration (interest rate risk) and for a flatter yield curve. Other positives included an overweight in leveraged loans, which have floating rates, and selection within high-yield and investment-grade corporates. Overweight positions in non-agency mortgages and Collateralized Loan Obligations (CLOs) also helped. An overweight in emerging-markets debt detracted from relative performance. Positioning changed relatively little in the first quarter. The weighting of leveraged loans increased while holdings of high-yield, short-term corporate credit and loan ETFs used primarily for liquidity reasons fell. Other weightings varied somewhat largely due to changes driven by differing asset class returns over the quarter.

The Fund also outperformed on a trailing one-year basis, with a return of -1.67% versus -1.82% for the Morningstar Multisector Bond category peers. Key positive performance factors include interest-rate and Treasury yield curve positioning, strong corporate bond selection, an overweight to leveraged loans, and overweight positions in non-agency mortgages and CLOs. Positioning changed significantly on a one-year basis with reductions in leveraged loans and emerging-markets debt offset by a significant increase in high-yield bonds, and more moderate increases in preferred securities, investment-grade bonds, securitized assets, convertible securities, and other alternative asset classes. The changes were made to better position versus Morningstar peers.

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. Markets have on average performed well following the first Fed rate hike, including equities and fixed-income credit markets. We expect interest rates to continue to rise and the curve to flatten in the coming months, although markets already have priced in significant Fed rate increases into 2023. The key risk is that financial conditions tighten significantly over time, and the economy slows as the Fed raises rates to dampen inflation. Within the Fund, we remain positioned for higher rates and a flatter yield curve, but more moderately given market pricing. We would switch to a longer duration stance should it appear the Fed has overtightened and slowed the economy too much. We expect to maintain a moderate overweight to lower-quality credit including leveraged loans as corporate balance sheets and earnings remain strong, and higher-quality credit is more sensitive to higher rates. We also expect to remain overweight securitized assets given the attractive risk-adjusted relative valuations, especially within non-agency mortgages and CLOs. We will watch economic data closely for signs that the economy is slowing excessively, which would prompt us to move to neutral to underweight credit. We expect to remain tactical depending on valuation, using significant credit spread widening to add risk, and spreads tightening to levels well below average to reduce risk.

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 Opportunity Income Plus Fund — S share	-4.04	-4.04	-1.67	1.95	2.43	2.87	4.38
- Expense ratio: net 0.63% Incept. date 12/29/1997							
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 Multisector Bond Avg	-4.29	-4.29	-1.82	2.64	2.93	3.53	N/A

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Top 10 Holdings (excluding derivatives and cash) 25.69% of Fund, as of Feb 28 2022: Thrivent Core EMD Fd: 12.14%, FNMA 30-Yr Pass-Thru: 2.90%, FNMA 30-Yr Pass-Thru: 2.39%, FNMA 15-Yr Pass-Thru: 2.15%, FNMA 30-Yr Pass-Thru: 2.02%, FNMA 30-Yr Pass-Thru: 1.75%, FNMA 15-Yr Pass-Thru: 0.83%, Global Med Response Inc TL: 0.59%, FNMA 30-Yr Pass-Thru: 0.50%, Advantage Loyalty IP Ltd Term Loan: 0.42

Effective August 16, 2013, Thrivent Opportunity Income Plus Fund changed 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.

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: 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, 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 lower-yielding securities with lower yields. High yield securities are subject to increased credit risk as well as liquidity risk. 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, investment styles, and issuers. Foreign investments involve additional risks, such as currency fluctuations and political, economic and market instability, which may be magnified for investments in emerging markets. Markets may also be impacted by domestic or global events, including public health threats, terrorism, natural disasters or similar events. The Fund invests in a combination of other funds managed by the Adviser and in 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. 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. When bond inventories are low in relation to the market size, there is the potential for decreased liquidity and increased price volatility. The use of derivatives such as futures involves additional risks. The Fund may engage in active and frequent trading of securities, which may result in higher transaction costs and taxes. 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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