thrivent®

**Mutual Funds**

# Thrivent High Income Municipal Bond Fund

**Ticker:** THMBX (Class S)
**Inception:** Feb. 28, 2018
**Objective:** The Fund seeks a high level of current income exempt from federal income taxes.

## Fund key points

Thrivent High Income Municipal Bond Fund follows a broadly diversified strategy focused on generating high levels of federally tax-exempt income.

### Exposure to higher yielding municipal bonds

The Fund aims to generate higher levels of income than traditional municipal bond funds by allocating at least 50% or more of its assets to larger allocations of higher risk, BBB-rated and below investment-grade bonds. Municipal bonds have historically had fewer defaults than similarly-rated corporate bonds, but have usually provided more yield for investors in higher tax brackets after adjusting for taxes.

### Credit-focused with macroeconomic guidance

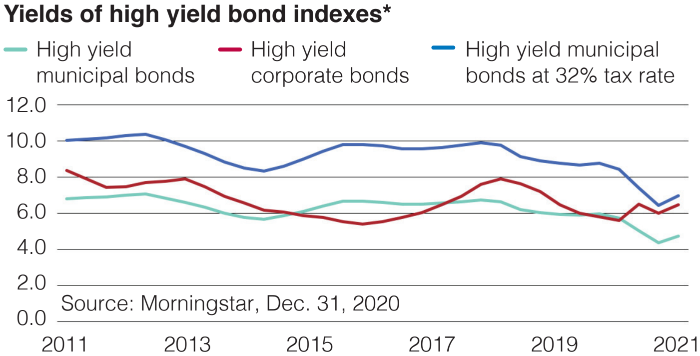
The portfolio managers rely heavily on internal credit research when selecting bonds. The team's experience is valuable since each sector has unique characteristics and can often require political and demographic analysis in addition to credit research. Macro analysis also shapes portfolio construction, influencing credit exposure, duration and yield curve positioning.

### Minimize shareholder taxes

In addition to investing in federally tax-exempt bonds, the portfolio managers also emphasize avoiding capital gains. The Fund has a long-term investment horizon and typically avoids trading on price fluctuations. Utilizing capital loss carry forwards, when available, will also help offset realized gains. The team is incentivized on after-tax return, which better aligns with their investors' goals.

## Default rate & yields of municipal and corporate bonds

**Yields of high yield bond indexes***




**Default rates of bonds within 10 years of issuance***

| S&P Credit Rating | Corporate (1981-2019) | Municipal (1986-2019) | |
|---|---|---|---|
| AAA | 0.7 | 0 | |
| AA | 0.72 | 0.04 | |
| A | 1.24 | 0.09 | |
| BBB | 3.32 | 0.78 | |
| BB | 11.78 | 4.53 | Source: |
| B | 23.74 | 11.14 | S&P Global |
| CCC/C | 50.38 | 38.91 | Credit Ratings |

Default rates have typically been lower for municipal bonds than similarly rated corporate bonds. Yields for the Bloomberg Barclays High Yield Municipal Index and the Bloomberg Barclays U.S. High Yield Corporate Index, shown on the chart to the left, have frequently been very similar to each other. However, when you calculate the tax-equivalent yield, high yield municipal bonds have usually ended up yielding more than high yield corporate bonds for investors in higher tax brackets, despite the lower default rate.

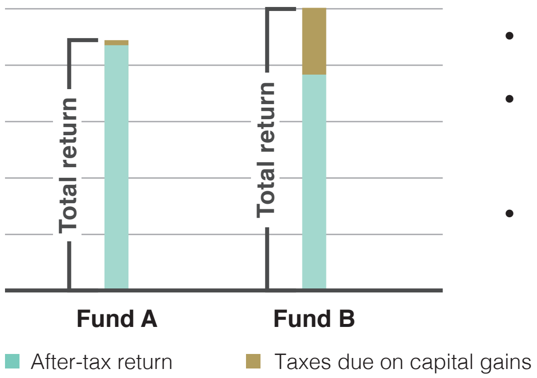
Tax-equivalent yield converts municipal bond yields to what a taxable bond would need to yield in order to match a tax-exempt municipal bond given a particular tax rate. The chart to the left assumes a 32% marginal tax rate.

This helps to demonstrate the effectiveness of investing in the high yield municipal bond market for investors in higher tax brackets.

*Thrivent High Income Municipal Bond Fund will hold a mix of investment-grade and high yield municipal bonds.

## Benefits of minimizing capital gains

### Hypothetical funds and their returns




- Paying taxes on capital gains reduces your after-tax returns.
- Fund A, with lower total returns, may actually have higher after-tax returns than Fund B by not requiring shareholders to pay as much in capital gains taxes.
- Capital gains may be reduced by holding bonds to maturity or offsetting realized gains with losses from other holdings.

**Who should consider investing?**
The Fund may be suitable for investors who seek potentially higher levels of income that is generally exempt from federal income taxes; have a medium- to long-term investment time horizon and a moderate risk tolerance; and are able to withstand a moderate level of risk and volatility in pursuit of commensurate long-term returns.

**Benchmark: Bloomberg Barclays High Yield Municipal Bond Index** is a market value-weighted index composed of noninvestment-grade or unrated bonds.

**Minimum investment**

| | |
|---|---|
| Initial (non-retirement): | $2,000 |
| Initial (IRA, tax-deferred): | $1,000 |
| Subsequent: | $50 |

**Target credit quality allocations**

| | |
|---|---|
| A or above: | 30% |
| BBB & BB: | 55% |
| Not Rated & Below BB: | 15% |

*Target allocation is subject to change.*

**Target top 5 sector allocations**

| | |
|---|---|
| Health Care (non-hospital): | 16% |
| Hospital: | 15% |
| Education: | 12% |
| Higher Education: | 12% |
| Airport: | 9% |

**Target duration range**
6.5 – 8.5 years

**Expense ratio**[1]

| | |
|---|---|
| Gross: | 1.62% |
| Net: | 0.60% |

## Management

**Janet I. Grangaard, CFA**
Senior Portfolio Manager

Industry since: 1984
Thrivent since: 1988
Fund since: 2018

**Johan Akesson, CFA**
Senior Portfolio Manager

Industry since: 1993
Thrivent since: 1993
Fund since: 2018

"Being incentivized on after-tax performance instead of total returns aligns our goals with those of our shareholders."

[1]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. Refer to the Fees & Expenses table in the Fund's prospectus. If this waiver had not been in effect, performance would have been lower. Investments cannot be made directly into an index.

**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 not pay its debt. High yield securities are subject to increased credit risk as well as liquidity risk. 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 (AMT). Consult a tax advisor for more information about your specific situation, including state/local tax treatment. 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. The London Interbank Offered Rate (LIBOR) is being phased out, which brings uncertainty to instruments tied to it. 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 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. In unusual circumstances, the Fund could experience a loss when selling portfolio securities to meet redemption requests for a variety of reasons. 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

***Performance data cited represents past performance and should not be viewed as an indication of future results.***

***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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