

THRIVENT ASSET ALLOCATION FUNDS

A quarterly update from the portfolio management team

2ND QUARTER
COMMENTARY

JUNE 30, 2017
CLASS S

Management



Mark L. Simenstad, CFA
Chief Investment Strategist
Industry start: 1983
Fund start: 2005



Stephen D. Lowe, CFA
Head of Fixed Income
Industry start: 1996
Fund start: 2016



David C. Francis, CFA
Head of Equities
Industry start: 1978
Fund start: 2005



Darren M. Bagwell, CFA
Senior Portfolio Manager
Industry start: 1991
Fund start: 2016

This update is commentary from the funds' portfolio management team and summarizes the performance of the Thrivent Asset Allocation Funds. Here the managers explain how the funds have been impacted by economic factors, give an outlook, and outline the fund's positioning for the future.

Performance Factors

All Thrivent Asset Allocation Funds moved up in the second quarter of 2017, reflecting gains in U.S. and international stocks and the bond market. Each fund outperformed its Lipper mixed-asset category¹, due in part to our strategic decision to add to our international and large-cap stock allocation. Additionally, our mid and small cap funds performed well versus their respective peers.

The fixed-income portion of all funds outperformed the Bloomberg Barclay's U.S. Aggregate Bond Index², as it has throughout 2017. Short-term interest rates rose and longer-term rates fell modestly. This flattening of the Treasury curve helped performance, except for Treasury Inflation Protected Securities (TIPS), which underperformed most other fixed-income classes. Our decision to emphasize corporate bonds and hold back a bit on Treasuries was helpful.

Outlook

We feel that the share prices of most stocks, measured against their per-share earnings, are relatively high right

now. We expect continued modest economic growth to continue, which should help sustain current stock prices, but uncertainty surrounding U.S. tax and trade policies could create risk. International equity markets appear to offer the potential for greater upside, raising our interest in those markets. We expect U.S. inflation to rise somewhat as the labor market tightens. If inflation does pick up, we would expect some upward pressure on interest rates.

Portfolio Positioning

Given our general outlook, we are carefully managing exposure to pricier market segments. Broadly, we are modestly cutting back on the equity portion in all our funds, while emphasizing non-U.S. stocks.

In cutting back slightly on stocks, we have added to our bond allocations, though potentially higher rates and uncertain economic policies have us leaning away from higher-risk sectors (such as high yield) and toward higher-quality non-Treasury sectors (such as securitized debt).

- Thrivent Aggressive Allocation Fund is slightly under our target allocation of 95% for equities. Almost 28% of our stock holdings are in non-U.S. stocks, which performed very well in the second quarter.
- Thrivent Moderately Aggressive Allocation Fund allocated 74.5% to stocks at the end of the second quarter, below our 77% equity target. Around two thirds of the fund's equity holdings is divided between

international stocks, U.S. large-cap growth stocks, and U.S. large-cap value stocks.

- Thrivent Moderate Allocation Fund currently holds equities at just over half of the fund. Investment-grade bonds are 15% of fund holdings, and securitized debt 11%.

- Thrivent Moderately Conservative Allocation Fund holds roughly 35% of its investment in stocks. About 37% is divided between investment-grade credit and securitized debt, with the rest given over to bonds and a small cash allocation.

Performance

Annualized Total Returns for the period ending June 30, 2017

THRIVENT ASSET ALLOCATION FUNDS (CLASS S SHARES)						
	1-YEAR	3-YEAR	5-YEAR	10-YEAR	EXPENSE RATIO ³	
					NET	GROSS
Aggressive Allocation	20.63%	6.80%	11.81%	5.54%	0.88%	1.15%
Moderately Aggressive Allocation	16.57%	5.85%	10.27%	5.34%	0.81%	1.09%
Moderate Allocation	12.04%	4.89%	8.32%	5.11%	0.75%	0.96%
Moderately Conservative Allocation	7.98%	3.92%	6.24%	4.58%	0.73%	0.88%

¹ The Thrivent Asset Allocation Funds are in the following Lipper categories: Thrivent Aggressive Allocation Fund is in the Lipper Mixed-Asset Target Allocation Aggressive Growth category, Thrivent Moderately Aggressive Allocation Fund is in the Lipper Mixed-Asset Target Allocation Growth category, Thrivent Moderate Allocation Fund is in the Lipper Mixed-Asset Target Allocation Moderate category, and the Thrivent Moderately Conservative Allocation Fund is in the Lipper Mixed-Asset Target Allocation Conservative category.

² Bloomberg Barclays U.S. Aggregate Bond Index is an index that measures the performance of U.S. investment grade bonds. Indexes are unmanaged and do not reflect the fees and expenses associated with active management. Investments cannot be made directly into an index.

³ The Adviser has contractually agreed, for as long as the current fee structure is in place, to waive certain investment advisory fees associated with the Fund. Refer to the expense table in the Fund's prospectus.

Risks: The Funds invest in other Thrivent Mutual Funds and in directly-held equity and debt instruments. The Funds are subject to its own fees and expenses and the expenses of the other funds in which it invests, and is subject to all of the risks of the other funds in which it invests. The value of the Funds is influenced by factors impacting the overall market, certain asset classes, certain investment styles, and specific issuers. The Funds may incur losses due to incorrect assessments of investments by its investment adviser. Foreign investments involve additional risks, including currency fluctuations, liquidity, political, economic and market instability, and different legal and accounting standards. Bond prices generally fall as interest rates rise. Credit risk is the risk that an issuer of a debt security may not pay its debt, and high yield securities are subject to increased credit risk as well as liquidity risk. The use of derivatives (such as futures and swaps) involves additional risks and transaction costs, which could leave the Funds in a worse position than if it had not used these instruments. The Funds may engage in active and frequent trading of portfolio securities in implementing its principal investment strategies.

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 in a mutual fund involves risks, including the possible loss of principal. The prospectus contains more complete information on the investment objectives, risks, charges and expenses of the fund, which investors should read and consider carefully before investing. Prospectuses are available at ThriventFunds.com or by calling 800-847-4836.

The principal underwriter for the Thrivent Mutual Funds is Thrivent Distributors, LLC. Thrivent Distributors, LLC is a registered broker/dealer and member of FINRA with its principal place of business at 625 Fourth Avenue South, Minneapolis, MN 55415. Asset management services provided by Thrivent Asset Management, LLC, a wholly owned subsidiary of Thrivent Financial for Lutherans, Appleton, WI.



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