

Thrivent Church Loan and Income Fund

Q3 2021 Commentary

XCLIX (Class S) • September 30, 2021

Management



Fred Johnson, CPA (inactive)
Senior Portfolio Manager
Church Loans
Industry since: 1987
Thrivent since: 1987
Fund since: 2018



Meg Spangler
Associate Portfolio Manager
Church Loans
Industry since: 1996
Thrivent since: 1999
Fund since: 2018



Gregory R. Anderson, CFA
Senior Portfolio Manager
Securitized Assets
Industry since: 1993
Thrivent since: 1997
Fund since: 2018

Executive summary

- Churches continue to be resilient through the pandemic as they deliver hope and help in their communities and beyond during this time of need.
- The Fund's direct investment in four new churches during the quarter brings the outstanding church loan market value to \$30.7 million. There are no delinquent church loans in the Fund.
- Fund performance, for 3rd quarter 2021 and the past 1 year, was favorable as compared to the Bloomberg Barclays U.S. Aggregate Bond Index. 30-day SEC yield averaged 2.31% for the quarter and 2.36% over the past year*.

Performance

Thrivent Church Loan and Income Fund is managed to produce income for investors that are seeking to make an impact within the Christian community and thus is not managed specifically to a benchmark. However, the Bloomberg Barclays U.S. Aggregate Bond Index is used as a proxy for comparative purposes of Fund return. The 30-day SEC yield averaged 2.31% for the quarter and 2.36% over the past year.* Four new loans were added to the Fund during the third quarter, totaling \$2.3 million. During the quarter, agency MBS (Mortgage-Backed Securities) added value to the Fund while detracting only modestly over the last 12 months.

The Fund now has a position in 74 church loans with \$30.7 million market value. Each additional loan continues to enhance portfolio diversification across geography, maturity, and denomination (e.g. Lutheran, Baptist, Non-Denominational, etc.), with church loans across 28 states and 13 denominations. Overall, church loan quality continues to be strong with zero delinquencies at quarter-end. The Fund has an overall duration of 4.46, which is comprised of a duration of 4.53 for the aggregate church loan holdings in combination with the MBS asset duration of 4.25. Duration is a measure of a portfolio's sensitivity to changes in interest rates; the longer the portfolio's duration, the more sensitive it is.



9,500
Total worshippers impacted



1.42%
Average interest rate reduction



30,000 sq.ft.
Worship space added



103
Churches impacted since inception

Impacting Churches, Impacting Lives

Thrivent Church Loan and Income Fund seeks to produce income by investing in church loans and other debt securities. Since September 2018, the Fund's inception, 103 churches and their respective communities have benefited from a mortgage loan relationship, including many multi-site church communities. Churches borrow to fund growth in their congregations and their ministries, and Thrivent has been funding church loans for over 100 years, making a meaningful impact in the communities the churches serve. For example, one of the church loan borrowers added to the Fund this quarter has housed a not-for-profit since 1993 that provides food and clothing for those in need, and no fee is ever charged for the assistance offered. Another serves their communities via a monthly food pantry, jail ministry, and a weekly outreach to provide necessities for families with infants and young children. Another church partners with a local food shelf, Habitat for Humanity, and a local housing collaborative to support the homeless.

At the left are some of the aggregate impact metrics for the Fund over the past 12 months.

*The 30-day SEC yield for the period ending September 30, 2021 is 2.31% and 0.86% before fee waivers were applied to this Fund.

Portfolio Outlook

The outlook for adding new loans to the portfolio remains favorable as churches are responding to community needs and changes in interest rates.

Most churches have transitioned back to in-person services while continuing to benefit from online streaming worship and small group connections. It is in times like these that churches are especially making a difference in their communities, helping those most impacted by the pandemic. Church members are bringing their time, talents and treasures to help their neighbors and spread the Gospel message to those looking for help and hope.

Interest rates moved higher just prior to quarter-end. The initial impact of higher rates is increased activity as churches seek to lock-in rates prior to any potential further increases. We expect to especially see continued strong refinance activity across the church lending market. As a result, the Fund church loan portfolio stands to benefit as the majority of the loans added to the portfolio are refinances of existing debt with other lenders.

The Fund will continue to hold liquid securities as part of the overall portfolio strategy. Going forward, the risk/reward for Agency MBS favors a neutral weight due to Federal Reserve support offset by spread widening on the horizon. We recommend MBS versus Treasuries until the Fed begins to taper MBS purchases, most likely a late 2021 or early 2022 event.

Thrivent Church Loan and Income Fund performance Class S shares | For the period ending September 30, 2021

Average annualized returns (%) <small>Periods less than one year are not annualized.</small>	3 months	YTD	1 year	3 year	Since inception Sept. 30, 2018
Thrivent Church Loan and Income Fund Class S share; Expense ratio: 1.00% net, ¹ 5.40% gross	0.23	-0.68	0.19	5.43	5.43
Bloomberg Barclays U.S. Aggregate Bond Index²	0.05	-1.55	-0.90	5.36	—

Portfolio concentration

Church loan market value	30,664,260	76%
MBS and other liquid assets market value	9,731,906	24%
Total net assets	40,396,166	100%

¹The 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.

Financial professionals: Contact us at sales@thriventfunds.com or call 800-521-5308

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

²Bloomberg Barclays US Aggregate Bond Index measures the performance of U.S. investment grade bonds.

The Fund is a closed-end "interval fund." Limited liquidity is provided to shareholders only through the Fund's quarterly offers to repurchase between 5% to 25% of its outstanding shares at net asset value (subject to applicable laws and approval of the Board of Trustees). There is no secondary market for the Fund's shares and none is expected to develop. Investors should consider shares of the Fund to be an illiquid investment.

Risks: The Fund invests primarily in church loans and mortgage-backed securities. The value of the Fund is influenced by factors impacting the overall market, debt securities and specific issuers. The Adviser's assessment of investments may prove incorrect, resulting in losses or poor performance. The Fund is a non-diversified closed-end interval fund with a quarterly repurchase option. An investment in the Fund's shares should be considered a long-term investment with risks, including concentration risk, limited liquidity and the risk of a loss of some or all of the amount invested.

The church loans in which the Fund invests are mortgage loans to U.S. non-profit organizations with a stated Christian mission. The church loans are typically not listed on any national securities exchange and no active trading market exists for them. These church loans are primarily backed by real estate and are vulnerable to factors that affect the real estate market. Certain factors specific to churches may impact a borrower's finances and its ability to make payments. Churches rely on voluntary contributions from their congregations for their primary source of income, which may be used to repay church loans. The membership of a church, the attendance of its members, or the per capita

contributions of its members may not remain constant or may decrease, which could have a negative impact on the ability of a church to repay a loan. Loans are subject to a number of risks including credit risk, default risk, refinance risk and modification risk. Credit risk is the risk that an issuer of a debt security may not pay its debt. Default risk is the risk that a borrower will not be able to make principal and interest payments in which case the value of the Fund may be negatively affected. The value of mortgage-backed securities will be influenced by the factors affecting the housing market. Bond prices may decline during periods of rising interest rates. Markets may also be impacted by domestic or global events, including public health threats, terrorism, natural disasters or similar events. The London Interbank Offered Rate (LIBOR) is being phased out, which brings uncertainty to instruments tied to it. The Fund has received an exemptive order allowing co-investment with other Thrivent accounts, which may give rise to actual or perceived conflicts of interest and subject the Fund to the risk of regulatory changes and actions. These and other risks are described in the Fund's prospectus.

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 contains 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 thriventinterval funds.com or by calling 800-847-4836.

The distributor for the Thrivent Church Loan and Income Fund is Thrivent Distributors, LLC, a registered broker-dealer, member FINRA/SIPC. Thrivent Asset Management, LLC, an SEC-registered investment adviser, serves as the investment adviser. Both entities are subsidiaries of Thrivent, the marketing name for Thrivent Financial for Lutherans.

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