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Asset Management

Quarterly Commentary | Mutual Funds

Thrivent Asset Allocation Funds

TAAIX, TMAFX, TMAIX, TCAIX, THYFX (Class S) **December 31, 2025**

Management

Stephen Lowe, CFA
Chief Investment Strategist
Industry start: 1996

Fund start: 2015
THYFX
Funds start: 2016
TAAIX, TMAFX, TMAIX, TCAIX

David Spangler, CFA
Head of Mixed Assets & Market Strategies
Industry start: 1989
Funds start: 2019
TAAIX, TMAFX, TMAIX, TCAIX
Fund start: 2022
THYFX

David Royal
Chief Investment Officer, Chief Financial Officer
Industry start: 1997
Funds start 2018
TAAIX, TMAFX, TMAIX, TCAIX

Theron Whitehorn, CFA
Senior Portfolio Manager
Industry start: 2002
Fund start: 2021
THYFX

Executive Summary

- 1-year performance was positive across the Allocation Fund suite with relative performance ranging from 0.40% to 1.51%. The overweight to equity and large cap growth/Magnificent 7 names positively contributed.
- The Funds remain overweight equity and underweight international.
- Fixed income in most Thrivent Asset Allocation Funds performed roughly inline in the fourth quarter and outperformed for the full year. In the Thrivent Conservative Allocation Fund, however, fixed income strongly outperformed in the quarter and the full year due to a structural overweight to credit risk as part of that fund's long-term strategy.

Performance factors

For the trailing 1-year, Thrivent Asset Allocation Funds delivered relative performance that exceeded benchmarks ranging from 0.40% to 1.51%. Strong positive contributions included the overweight to equities—especially large cap growth exposures, driven by strong performance from large tech/Magnificent 7 names. The underweight to Eurozone equities and the broader developed markets detracted due to strong local market performance in addition to dollar depreciation. Overweight to mid caps detracted from performance with mid caps underperforming large by about 7%. Manager performance over the period was positive overall. Large Cap Value provided very strong positive contribution, followed by Quantitative multi-cap and Large Cap Growth managers. Large underperformance came from Small Cap Stock, Mid Cap Stock, Small Cap Growth and Mid Cap Growth managers.

In the last quarter, we reduced public equity three times back to target overweight levels of about 2%.

For the quarter, fixed income within the Thrivent Asset Allocation Funds excluding the Thrivent Conservative Allocation Fund performed in line with the estimated Morningstar peer group holdings in the quarter with a return of 1.29%. Positives included an overweight to emerging markets debt as well as positive selection within emerging markets debt, investment-grade corporates and securitized assets. Interest-rate duration and Treasury curve positioning for a steeper yield curve were neutral. The main detractors from relative performance were an underweight to high yield and selection with Treasury securities.

Year-to-date fixed income within the Fund outperformed estimated peer group holdings. Key positive factors included interest rate and Treasury curve positioning.

Fixed income within Thrivent Conservative Allocation Fund strongly outperformed estimated Morningstar peer group

holdings with a return of 1.63%. Fixed income outperformed through a mix of allocation across fixed income asset classes and security selection within asset classes. For the full year fixed income within Thrivent Conservative Allocation Fund returned 8.99%, strongly outperforming estimated peer group holdings. Key positive factors included overweight positions in securitized assets, emerging markets debt, and high yield corporate bonds.

Portfolio outlook

In the U.S., large cap stocks outperformed mid- and small-cap indices by roughly 5–7%. International equities were even stronger, as the developed and emerging markets outpaced the US large caps by 14% and 16%, respectively. Nevertheless, market concentration has reached its levels not seen since the dot-com era, and valuations are elevated across most sectors. These dynamics leave equities more exposed to potential earnings disappointments, slower monetization of AI initiatives, or renewed trade and tariff pressures. While the largest U.S. companies remain highly profitable, their immense scale may limit incremental growth.

We maintain an underweight position in developed international equities, reflecting structural headwinds such as slower growth, aging demographics, heavy regulation, and weaker innovation relative to the U.S. and Asia. Conversely, we are modestly overweight emerging markets, which benefit from greater technology exposure, stronger trade momentum led by China, and increased support for AI investment.

Within fixed income in Thrivent Asset Allocation Funds excluding Thrivent Conservative Allocation Fund, we are positioned close to neutral duration with long positions in the short end of the curve and short positions in the very long end of the Treasury curve. We are moderately underweight redit risk given very tight credit spreads. We lean toward high-quality fixed income such as investment-grade corporates. We are watching for opportunities to add credit risk should spreads widen materially.

Thrivent Conservative Allocation Fund is overweight risk, which is the Fund's long-term strategy. The Fund is overweight credit significantly, including high yield bonds, securitized assets, emerging markets debt and investment-grade corporates. The Fund is moderately overweight duration and positioned for a steeper curve.

Into 2026 we expect moderate returns from fixed income with returns driven mostly by rate movements and carry from yield. Rich valuations and low volatility, however, make the market susceptible to credit spread widening given a material trigger, such as a sudden weakening in the labor market. We expect a favorable economic backdrop in 2026 supported by a resilient consumer, large capital investments to develop artificial intelligence, tax cuts, deregulation, rate cuts and an ongoing productivity boom. Two key risks are a softening labor market and sticky inflation, which could prevent the Fed from cutting. Also, equity valuations are rich, especially for large-cap technology leaders. A correction in equities is a risk should the market begin to question the ability of AI leaders to monetize their large capital investments enough to justify their valuations. Credit spreads likely would widen significantly in that scenario. Another risk to credit markets is an unexpected large increase in corporate debt issuance, particularly to fund AI projects. Increased issuance can pressure credit spreads wider. Our base case, however, is for solid but moderate returns.

We expect the Fed to proceed slowly in 2026, cutting its target rate two times in the second half of the year. However, there still are meaningful odds the Fed may cut less than expected should inflation continue to be more persistent than forecast. And should economic growth slow significantly and recession odds increase, we would expect the Fed to aggressively cut its target rate. We expect the curve to steepen as short-term Treasury rates decline, driven by Fed Funds rate cuts. Long-term rates should decline less due to continuing concerns over inflation, Fed independence and debt levels. We are positioned close to neutral duration with long positions in the short end of the curve and short positions in the very long end of the treasury curve. We are moderately underweight credit risk given very tight credit spreads, with an underweight in high yield and are overweight securitized credit and investment-grade corporates. We are watching for opportunities to add credit risk should spreads widen materially.

Performance

For the period ending December 31, 2025 | Periods less than one year are not annualized.

Average annualized returns (%)	3 months	YTD	1 year	3 years	5 years	10 years	Expense ratio	
							Gross	Net
Thrivent Aggressive Allocation Fund[1] (TAAIX)	2.61	15.35	15.35	16.70	9.31	10.95	1.19%	1.02%
Thrivent Moderately Aggressive Allocation Fund[1] (TMAFX)	2.56	15.37	15.37	15.53	8.07	9.47	1.14%	0.91%
Thrivent Moderate Allocation Fund[1] (TMAIX)	2.38	13.53	13.53	14.12	6.92	8.17	1.03%	0.83%
Thrivent Moderately Conservative Allocation Fund[1] (TCAIX)	2.05	11.87	11.87	10.66	4.30	5.89	0.96%	0.80%
Thrivent Conservative Allocation Fund[2] (THYFX)	1.91	9.88	9.88	8.97	3.81	5.19	0.70%	0.70%

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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.

[1]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. If not waived, returns would have been lower. Refer to the Fees & Expenses table in the prospectus.

[2]Prior to Feb. 28, 2025, Thrivent Conservative Allocation Fund was named Thrivent Diversified Income Plus Fund.

Risks: The value of the Funds 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 Funds' 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. The Funds invest in other funds; therefore, the Funds are dependent upon the performance of the other funds and are subject to the risks, additional fees and expenses of the other funds. Foreign investments involve additional risks, such as currency fluctuations and political, economic and market instability, which may be magnified for investments in emerging markets. The Adviser's assessment of investments may prove incorrect, resulting in losses or poor performance. The Adviser is also subject to actual or potential conflicts of interest. The use of quantitative investing techniques and derivatives (such as futures) also involve risks. High yield securities are subject to increased credit risk as well as liquidity risk. U.S. government securities and mortgage-related and other asset-backed securities are subject to additional risk. When interest rates fall, certain obligations are paid off more quickly and proceeds may have to be invested in securities with lower yields. 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.

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, whicl 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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