

Thrivent Government Bond Fund

Class S TBFIX

December 31, 2025

Management



Kent White, CFA

VP, Fixed Income Mutual
Funds
Industry: 1999
Fund: 2023



Jon-Paul (JP) Gagne

Senior Portfolio Manager
Industry: 2004
Fund: 2022

Executive Summary

- We maintained our mortgage-backed securities (MBS) overweight throughout the fourth quarter, which strongly contributed to our annual performance. For the quarter, Agency MBS spreads continued to tighten into the lower volatility environment and had 70 basis points (bps) of excess returns to US Treasuries. Thus, our strong performance was primarily driven by our allocation to MBS.
- On an annualized basis, Thrivent Government Bond Fund has outperformed the Bloomberg US Treasury Index by 99 bps due to an allocation to MBS and strong duration risk management.

Performance factors

During the quarter, the Fund outperformed the Bloomberg US Treasury Index by 16 bps. Our allocation to mortgage-backed securities (MBS), which saw spreads tighten during the quarter, outperformed US Treasuries. Furthermore, our allocation to Agency commercial mortgage-backed securities (CMBS) and Agency collateralized mortgage obligations (CMO) were strong contributors to the performance of the Fund. During the quarter, the Federal Reserve (Fed) continued to cut rates. Generically, MBS spreads outperform as rate volatility comes down, thus with more certainty around future path of rates, MBS saw strong performance.

Rates primarily steepened during the quarter, with the 10-year rate closing up 1 bp, but the 2-year rate was down 13 bps. Therefore, the 2-year versus 10-year US Treasuries curve movement was steeper by 14 bps, ending the quarter with a positive 69 bps basis. We have been positioned for this curve move, which contributed to quarterly performance, and we expect rates to continue to steepen over time and will continue to bias the portfolio in that manner.

Over the last twelve months, the Fund outperformed the Bloomberg US Treasury Index by 98 bps. Consistent performance basically throughout 2025 led to a strong year, with our allocation to MBS and timing of our duration positioning driving the outperformance. The portfolio was positioned with neutral duration versus the index coming into the year, and we picked our spots to add duration and to our steepening bias. It appears that the Fed is nearing the end of their cutting cycle, thus we will remain neutral on duration but nimble to respond to changes in data surrounding employment and inflation.

Like our duration positioning, we added to our MBS overweight upon April's tariff announcements, and took gains on those trades towards the end of the second quarter and into the strength we saw in the third and fourth quarters. We entered the fourth quarter with a slight overweight to MBS and a neutral yet steepening bias in our overall duration positioning, which is consistent with the portfolio positioning as we head into 2026. MBS compose 40% of the Fund's assets, but zero percent of the benchmark's assets. During this quarter and over the past year, it was a positive contributor having a mix of MBS in the portfolio.

Portfolio outlook

Interest rates continue to show high volatility in 2025, however as we step back and look at the previous quarter, rates didn't change dramatically. The market is centering their focus right now on the potential slowdown in employment versus the potential for higher inflation from further tariff announcements. Furthermore, consistent pressure from the administration on the Fed for lower rates, has questioned the independence of the Fed. With the most recent year-over-year Consumer Price Index (CPI) reading at 2.7%, still above the Fed's 2% target for inflation, and unemployment still only 4.6%, the Fed is within its mandate to keep rates higher for longer if necessary. However, the Fed did cut 25 bps twice during the quarter, finishing the year at 3.75%. As we look to 2026, the market is pricing between 2-3 cuts. Although the trend could continue to be lower over time, it would be prudent for the Fed to pause a few meetings and allow the data to dictate the need for further cuts.

Although pundits continue to argue about the need for further rate cuts, we do expect the yield curve to continue steepening whether the Fed cuts or we see inflation edge higher. There are two scenarios we see for rates, with both scenarios leading to steeper curves in 2026. Either the Fed continues to cut rates into a weakening economy, bringing down front-end rates, or we will see inflation return to the market, causing the Fed to remain on hold, but long-end rates rise.

We will continue to see this push and pull in the markets with the strength of the current economic indicators challenging the future uncertainty around the tariff's impact on inflation and employment. Thus, we feel the best way to position into higher uncertainty is with a more liquid and a nimble portfolio by lowering our MBS holdings and increasing our allocation to Treasuries.

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	Since Inception
Thrivent Government Bond Fund – S share	1.06	7.30	7.30	4.37	-0.02	1.66	2.15
<i>- Expense ratio: net 0.50%, gross 0.92%; Incept. date 2/26/2010</i>							
Bloomberg U.S. Treasury Index	0.90	6.32	6.32	3.62	-0.99	1.36	
Bloomberg U.S. Agency Index	1.17	6.11	6.11	4.79	0.91	2.05	
Morningstar Intermediate Government Avg	0.95	6.87	6.87	3.96	-0.63	1.31	

Top 10 Holdings (excluding derivatives and cash): 58.53% of Fund as of Nov 28 2025: U.S. Treasury Notes: 26.33%, U.S. Treasury Notes: 8.61%, U.S. Treasury Notes: 7.06%, U.S. Treasury Bds: 4.86%, U.S. Treasury Notes: 4.25%, FHLM Corp - REMIC 1.74%, FNMA Conventional 40-Yr. Pass-Thru: 1.51%, FNMA 30-Yr Pass-Thru: 1.42%, Federal Agricult Mrtg Corp Mortgage Trust: 1.38%, FNMA 30-Yr Pass-Thru: 1.37%

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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.

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

Any indexes shown are unmanaged and do not reflect the typical costs of investing. Investors cannot invest directly in an index. For more information on the index providers and their disclaimers, visit thriventfunds.com/privacy-and-security/index-provider-notices.

Bloomberg US Treasury Index measures the performance of the public debt obligations of the U.S. Treasury with remaining maturities of one year or more.

Bloomberg US Agency Index measures the performance of the publicly issued debt of U.S. Government agencies (e.g. Fannie Mae, Freddie Mac) and the Federal Home Loan Bank System.

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Risks: U.S. government securities may not be fully guaranteed by the U.S. government and issues may not have the funds to meet their payment obligations. The value of U.S. government securities may be affected by changes in credit ratings, which may be negatively impacted by rising national debt. The value of mortgage-related and other asset-backed securities will be influenced by the factors affecting the housing market and the assets underlying such securities. Debt securities are subject to risks such as declining prices during periods of rising interest rates. The use of derivatives (such as futures) involves additional risks and transaction costs. Inflation-linked debt securities, such as TIPS, are subject to the effects of changes in market interest rates caused by factors other than inflation (real interest rates). 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. The Fund's value is influenced by the performance of the broader market. The Fund may engage in active and frequent trading of portfolio securities, which may result in higher transaction costs and higher taxes. In unusual circumstances, the Fund could experience a loss when selling portfolio securities to meet redemption requests for a variety of reasons. Sovereign debt securities are subject to additional risks. 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, 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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