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Asset Management

Quarterly Commentary | Mutual Funds

Thrivent High Yield Fund

Class S LBHIX | **December 31, 2025**

Management

Paul Ocenasek, CFA
Senior Portfolio Manager
Industry: 1987
Fund: 1997

Paul Tommerdahl, CFA
Senior Portfolio Manager
Industry: 2008
Fund: 2023

Executive Summary

- The Bloomberg US Corporate High Yield Bond Index produced a return of 8.62% for 2025 spurred by a decline in both high-yield spreads and Treasury yields.
- Thrivent High Yield Fund outperformed the Bloomberg US Corporate High Yield Bond Index for both the quarterly and 1-year period ending December 31, 2025.

Performance factors

The High Yield market ended the year quietly with spreads and Treasury yields unchanged during the quarter. For the year ended 2025 spreads declined by 23 basis points and the 5-year Treasury yield declined by 66 basis points. This produced a strong yearly return of 8.62% for the Bloomberg US Corporate High Yield Bond Index. Higher-quality bonds outperformed lower-quality bonds. The return of 9.02% for BB-rated bonds outperformed the 8.27% return for CCC-rated bonds during the year. The pharmaceutical and wireline telecommunication industries led the market higher with returns of 21.6% and 18.6%, respectively.

Thrivent High Yield Fund outperformed the Bloomberg US Corporate High Yield Bond Index and the Morningstar High Yield Fund average in 2025. Credit selection in the midstream, retail, and packaging industries produced positive relative performance during the year. Avoiding distressed and troubled investments in these industries, such as New Fortress Energy in the Midstream industry and Saks in the retail industry, were large contributors to performance. The Fund's underweight to the under-performing, lower-quality, CCC-rated segment also helped performance. The largest negative contributor to relative performance was credit selection in the cable industry. Additionally, the Fund's slightly shorter duration detracted from performance as well.

During the fourth quarter, Thrivent High Yield Fund also outperformed the Bloomberg US Corporate High Yield Bond Index and the Morningstar High Yield Fund average. Similarly to the full year, credit selection was the primary driver of outperformance for the quarter, with credit selection in retail and packaging industries contributing the most to performance. The volatile chemical industry was the largest negative contributor to relative performance.

During the year, the Fund increased exposure to both the retail and finance industry, both of which had returns greater than 10% for the year. The Fund reduced exposure to the more cyclical industries of automotive, chemicals, and oil exploration. We are maintaining a short duration stance as well as being modestly underweight the lowest quality segment of the market.

Portfolio outlook

The probability of a recession and financial stress indicators declined in 2025. Going forward we expect solid gross domestic product (GDP) growth and inflation that is contained but still above target. Defaults appear to have peaked earlier in 2025 and started to trend down into year end and are expected to continue a slow downward trajectory into 2026. The high-yield market remains strong with new issuance up 20% in 2025 to $333 billion. Further increases in issuance is expected in 2026. Seventy percent of new issuance is to refinance debt. The percentage of new issuance that is secured remains well above historical levels. High-yield mutual funds flows remained robust in 2025 at $18.3 billion and is a further indication of a healthy high-yield market.

Developments over the last several years that support lower spreads (risk premium) include lower durations, a higher amount of secured debt, and higher average credit ratings. While most indicators point to a healthy outlook for the economy and market for the year ahead, spreads are at decade lows, tempering our enthusiasm.

Overall, the Fund remains more conservative than the index. Its duration is shorter than the index and it is underweight the CCC-rated segment of the market.

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 High Yield Fund — S share	1.33	8.72	8.72	9.11	3.97	5.28	4.84
- Expense ratio: net 0.55%, gross 0.55%; Incept. date 10/31/1997							
Bloomberg U.S. Corp Hi Yld Bd Index	1.31	8.62	8.62	10.06	4.51	6.53	
Morningstar High Yield Bond Avg	1.27	8.01	8.01	9.25	4.22	5.56	

Top 10 Holdings (excluding derivatives and cash): 4.89% of Fund as of Nov 28 2025: Caesars Entertainment Inc: 0.64%, DIRECTV Fin LLC/ DIRECTV Fin Co-Obligor Inc: 0.62%, CCO Holdings, LLC/CCO Holdings Capital Corp: 0.54%, Tenet Healthcare Corp: 0.53%, TerraForm Power Operating LLC: 0.44%, Vistra Corp: 0.44%, Albertsons Cos, Inc.: 0.43%, AdaptHealth, LLC: 0.42%, Venture Global LNG Inc: 0.42%, Cloud Software Grp, Inc.: 0.41%

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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.

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 Corporate High Yield Bond Index measures the performance of fixed-rate non-investment grade bonds.

The Morningstar average represents the average total return annualized when greater than one year for all reported funds in the category. Morningstar averages do not include sales charges/fees. If included, returns would have been lower. ©2026 Morningstar, Inc. All rights reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

Risks: High yield securities are subject to increased credit risk as well as liquidity risk. 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. Convertible securities are subject to additional risks and may also be forced to convert at an inopportune time which may decrease returns. The use of derivatives (such as futures) involves additional risks and transaction costs. Foreign investments involve additional risks, such as currency fluctuations and political, economic and market instability. The Adviser's assessment of investments may prove incorrect, resulting in losses or poor performance. Leveraged loans also known as bank loans are subject to numerous risks. 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. When interest rates fall, certain obligations are paid off more quickly and proceeds may have to be invested in securities with lower yields. In unusual circumstances, the Fund could experience a loss when selling portfolio securities to meet redemption requests for a variety of reasons. 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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