

Thrivent Income Fund

Q4 2023 Commentary

LBIX (Class S) • December 29, 2023

Management



Kent White, CFA

VP, Fixed Income Mutual Funds

Industry: 1999
Firm: 1999
Fund: 2017



Cortney Swensen, CFA

Senior Portfolio Manager

Industry: 2005
Firm: 2011
Fund: 2023

Executive Summary

- The Fund's performance was driven primarily by security selection in investment grade corporate bonds. This was offset by the Fund's duration positioning as rates began to decline both sooner and to a greater degree than was anticipated.
- During the quarter, the Fund continued to extend duration to position for what we view as likely and eventual rate cuts by the Fed in 2024. The Fund also continued to trim its exposure to lower quality investment grade corporate bonds and increased its holdings in U.S. Treasuries and government guaranteed mortgage-backed securities.
- Investment grade corporate bonds performed extremely well during the quarter and credit spreads in the U.S. corporate bond market are now trading at levels which we consider very fully valued.

Performance factors

The Fund remained positioned for higher interest rates to begin the fourth quarter and this negatively impacted performance as rates began to decline significantly from their peak, returning to mid-summer levels. Apparent progress in the Federal Reserve's (Fed) goal to bring inflation under control and some loosening in tight labor markets drove the decline in rates. An overweighted position in U.S. Treasuries also negatively impacted performance. However, both of these were offset by a significantly positive contribution from security selection in our investment-grade corporate bond holdings. The Fund also benefitted from a modest overweighting to high-yield corporates.

The Fund also outperformed the Bloomberg US Corporate Bond Index over the 12-month period ended December 31, 2023. The most significant driver of the Fund's outperformance over this period was security selection in investment-grade corporates. Duration positioning was also a material contributor to performance as the Fund was well positioned through the Fed's rate hiking cycle.

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Portfolio outlook

Investment-grade corporate bonds performed extremely well during the quarter and credit spreads in the U.S. corporate bond market are now trading at levels that we consider very fully valued. Corporate earnings and balance sheets should remain resilient in 2024, however, current levels incorporate few if any, potential downside risks to the economy. While we do not currently find much value in credit spreads (the difference in yield between a corporate bond and a similar maturity U.S. Treasury bond), we do believe absolute yield levels for investment-grade corporate bonds are attractive.

Risks to our outlook include a labor market that remains tighter than expected and wage growth that remains at levels that could put upward pressure on inflation. This and other inflationary pressures which have not yet fully abated could prompt the Fed to maintain a restrictive policy stance longer than the market is currently expecting. The health of the consumer and businesses in the face of higher interest rates is also key to our outlook, and we are watching for signs of weakness. There are also numerous geopolitical risks which could impact our markets in 2024. We are maintaining a somewhat defensive risk profile and are waiting for a better opportunity to add risk.

Performance

For the period ending December 29, 2023 • 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 Income Fund — S share	8.12	9.13	9.13	-2.96	3.03	3.12	4.68
- Expense ratio: 0.46%; Incept. date 10/31/1997							
Bloomberg U.S. Corp Bd Index	8.50	8.52	8.52	-3.29	2.63	2.95	
Morningstar Corporate Bond Avg	7.83	8.33	8.33	-3.00	2.53	2.72	

Learn more: thriventfunds.com • Advisors: 800-521-5308 | sales@thriventfunds.com • Investors: 800-847-4836 | contact your advisor

Top 10 Holdings (excluding derivatives and cash) 8.95% of Fund, as of Nov 30 2023: FHLMC 30-Yr. Pass-Thru: 1.77%, U.S. Treasury Bds: 1.39%, FNMA 30-Yr Pass-Thru: 1.35%, U.S. Treasury Bds: 0.75%, U.S. Treasury Notes: 0.73%, UBS Grp AG: 0.71%, Sprint Capital Corp: 0.65%, Boeing Co: 0.59%, Cheniere Energy Partners LP: 0.52%, UBS Grp AG: 0.49%

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

Bloomberg US Corporate Bond Index measures the investment grade, fixed rate, US taxable corporate bond market.

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. ©2024 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: 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. High yield securities are subject to increased credit risk as well as liquidity risk. 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, which may be magnified for investments in emerging markets. To the extent that the financials sector continues to represent a significant portion of the Fund, The Fund will be sensitive to changes in, and its performance may depend to a greater extent on, factors impacting this sector. 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 Adviser's assessment of investments may prove incorrect, resulting in losses or poor performance. The Fund's value may be affected by factors specific to an issuer within the Fund. The London Interbank Offered Rate (LIBOR) is being phased out, which brings uncertainty to instruments tied to it. When bond inventories are low in relation to the market size, there is the potential for decreased liquidity and increased price volatility. Securities markets generally tend to move in cycles with periods when security prices rise and periods when security prices decline. 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. 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.

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 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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