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Thrivent Limited Maturity Bond Fund

Q3 2021 Commentary

THLIX (Class S) • September 30, 2021

Management

Michael G. Landreville, CFA
Senior Portfolio Manager
Industry since: 1983
Thrivent since: 1983
Fund since: 1999

Gregory R. Anderson, CFA
Senior Portfolio Manager
Industry since: 1993
Thrivent since: 1997
Fund since: 2005

Cortney L. Swensen, CFA
Senior Portfolio Manager
Industry since: 2004
Thrivent since: 2011
Fund since: 2020

Jon-Paul (J.P.) Gagne
Senior Portfolio Manager
Industry since: 2004
Thrivent since: 2018
Fund since: 2021

Executive summary

The Fund outperformed its market benchmark (Bloomberg Barclays US Government/Credit 1-3 Year Index) over the last quarter and 12 months.

Performance driven by over-weights incorporates and securitized assets which have continued to perform post-pandemic.

Maintaining our cautious view on rich valuations with an eye on potentially rising rates and spread widening.

Performance factors

Thrivent Limited Maturity Bond Fund outperformed the Bloomberg Barclays US Gov/Credit 1-3yr Index by 0.09% during the quarter. Performance was driven primarily by an overweight to corporate and securitized sectors, which benefited from continued post-pandemic spread compression of risk assets. Duration also marginally contributed positively to performance, as we maintained an underweight to the short-end of the curve which sold off slightly as economic data showed signs of strength and the tapering of the Fed's extremely accommodative monetary policy has become clearer. Our overweight positioning to floating rate securities also showed strong performance during this period of slightly higher rates.

More of the same this quarter, as we continued to increase our allocation to investment grade and high-yield corporate bonds, seeking opportunities in industries and companies that benefit from a reopening of the economy. We have allowed the overall maturity of our corporate holdings to shorten, however, as spread levels have continued to tighten, we have grown more cautious about a potential pull-back. During the quarter, we maintained an underweight positioning in mortgage-backed securities in anticipation of the Fed Reserve (Fed) tapering its purchases over the next 12 months. We reallocated these securitized holdings into floating-rate and shorter duration asset-backed security (ABS) and collateralized loan obligation (CLO) holdings.

The Fund outperformed the Index by 1.37% over the last 12 months. The primary contributor to returns was an overweight allocation and security selection within high-yield and investment grade corporate bonds, as the portfolio benefited from an increase of corporate holdings and an extension of maturities during post-pandemic 2020. Our securitized allocation also contributed positively. Our very large underweight to Treasury securities relative to the Index was a meaningful contributor, as nominal Treasury returns were negligible due to short rates being pinned near 0% due to Fed monetary policy.

Portfolio outlook

We are generally positive on the economic outlook as the U.S. and countries around the world continue to recover from the shock of the pandemic. As the recovery strengthens, we look for the Fed to gradually reduce its support of financial markets, first through a reduction of mortgage and Treasury security purchases, and then an eventual increase in the Fed Funds rate. The Fed Funds rate will be pegged to near 0% thru 2nd quarter

2022, thus we are balancing the portfolio with an overweight of corporate bonds and floating-rate instruments. Although we are optimistic about the path of the economy, current valuations of corporate and securitized bonds reflect that optimism with spreads at or near all-time tights. With little room for additional spread compression, and asymmetric downside risk in the event of a negative surprise, we are shortening the maturity profile of risk assets in the portfolio.

Thrivent Limited Maturity Bond Fund performance

Class S shares | For the period ending September 30, 2021

Average annualized returns (%) Periods less than one year are not annualized.	3 months	YTD	1 year	3 years	5 years	10 years
Thrivent Limited Maturity Bond Fund Class S share; Expense ratio: 0.43%	0.18	0.59	1.67	3.15	2.48	2.20
Bloomberg Barclays Govt/Credit 1-3 Yr Bond Index[1]	0.09	0.09	0.30	2.87	1.89	1.47
Morningstar Short-Term Bond Average[2]	0.08	0.51	1.57	3.09	2.17	1.92

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.

[1]Bloomberg Barclays Government/Credit 1-3 Year Bond Index measures the performance of U.S. government bonds with maturities of 1-3 years.

[2]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.

Risks: The Fund's value is influenced by a number of factors impacting the overall market, in particular debt securities and specific issuers. The value of U.S. government securities may be affected by changes in the credit rating of the U.S. government and may not be fully guaranteed by the U.S. government. 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. In addition to typical risks associated with fixed income and asset-backed securities, collateralized debt obligations are subject to additional 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 not pay its debt. The use of futures contracts involves additional risks such as a loss in value in the underlying instrument, which could decrease the Fund's value. High yield securities are subject to increased credit risk as well as liquidity risk. When bond inventories are low in relation to the market size, there is the potential for decreased liquidity and increased price volatility. The Adviser's assessment of investments may prove incorrect, resulting in losses or poor performance. The Fund may engage in active and frequent trading of portfolio securities in implementing its principal investment strategies, which may result in higher transaction costs and higher taxes. These and other risks are described in the prospectus.

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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.

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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