

Thrivent Limited Maturity Bond Fund

Q4 2023 Commentary

THLIX (Class S) • December 29, 2023

Management



Cortney Swensen, CFA
Senior Portfolio Manager

Industry: 2005
Firm: 2011
Fund: 2020



Jon-Paul (JP) Gagne
Senior Portfolio Manager

Industry: 2004
Firm: 2018
Fund: 2021

Executive Summary

- During the fourth quarter, Thrivent Limited Maturity Bond Fund outperformed the Bloomberg US Government/Credit 1-3 Year Bond Index by 0.54%. The quarter was marked by a positive backdrop for risk assets as inflation ticked downward and the market priced in greater potential of the Federal Reserve (Fed) achieving its goal of a soft economic landing.
- The duration of the Fed's restrictive monetary policy and what its impact will be on economic growth remain a primary focus of investors. Given the spread rally in the fourth quarter, we do not believe that spread markets have priced in much downside risk to the economy. We continue to take advantage of higher carry, shorter-maturity assets, while leaving room for attractive investment opportunities that could arise with negative economic news or an unanticipated risk-off event.

Performance factors

Thrivent Limited Maturity Bond Fund outperformed the Bloomberg US Government/Credit 1-3 Year Bond Index by 0.54% during the fourth quarter. This outperformance was largely attributable to a significant overweighting to risk assets and security selection. An overweighted position in banks and finance companies was a positive contributor for the third consecutive quarter as bank liquidity concerns further abated, helped by a significant decline in rates over the period. The 2-year Treasury rate declined by 79 basis points in the fourth quarter to end at 4.25%, as inflation readings eased, and the market priced out any more Fed hikes while pricing in additional cuts by year-end 2024. Duration effects were a slight positive contributor, as we lengthened the Fund modestly during the quarter in the face of improving inflation data.

Over the 12 months, the Fund outperformed the Bloomberg US Government/Credit 1-3 Year Bond Index by 1.82%. The most significant driver of the Fund's outperformance was again our overweighted positioning to risk assets, which offer higher carry and rallied in aggregate over the period as market expectations of recession continued to be pushed farther into the future. We also added finance paper aggressively following the banking stress of March/April, to take advantage of price dislocations in institutions that we felt comfortable would weather the storm. Our 6% exposure to collateralized loan obligations (CLOs), a floating rate product, was strongly additive to performance on both a carry and duration basis. Our largest negative contributor during the year was our exposure to commercial mortgages, although these positions comprised a relatively small portion of the Fund at less than 1% and were sold during the fourth quarter.

The index is comprised of 66% U.S. Treasuries, 9% government-related securities, and 25% investment-grade corporates. The Fund tends to hold 60-65% of its assets in corporate bonds which on average have a ratings quality that is somewhat lower than the index. In addition, the Fund generally owns 25-30% of securitized assets. Over longer periods, overweighted holdings to these asset classes provide more yield while the short-duration nature of the Fund's holdings offers attractive breakeven levels during spread widening scenarios.

Portfolio outlook

Risk markets remain focused on the duration of restrictive Fed policy that will be required to bring inflation back to the 2% target, and what potential impacts there will be on the economy. With the significant rally in spreads during the fourth quarter, we believe that markets are pricing-in a high probability of a soft economic landing, and thus are starting the year with a defensive bias. We continue to manage the Fund with the objectives of maintaining sufficient carry while reducing price risk. If markets were to weaken materially, we may begin to increase our risk exposure to corporate and securitized assets that we find attractive. After the recent drop in interest rates, the Fund is currently positioned to be relatively neutral duration, although we will look to add duration as Fed rate cuts become more certain.

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 Limited Maturity Bond Fund — S share	3.23	6.43	6.43	0.68	2.15	1.91	3.13
- Expense ratio: 0.42%; Incept. date 10/29/1999							
Bloomberg Govt/Credit 1-3 Yr Bd Index	2.69	4.61	4.61	0.09	1.51	1.27	
Morningstar Short-Term Bond Avg	3.34	5.73	5.73	0.14	1.88	1.58	

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) 11.20% of Fund, as of Nov 30 2023: U.S. Treasury Notes: 5.22%, U.S. Treasury Notes: 0.99%, Avant Credit Card Master Trust: 0.77%, Genesis Sales Fin Master Trust: 0.74%, Sound Point CLO XIV Ltd: 0.72%, Ares XL CLO, Ltd.: 0.69%, U.S. Treasury Notes: 0.61%, U.S. Treasury Notes: 0.51%, Palmer Sqr Loan Fd Ltd: 0.49%, Galaxy XXIII CLO, Ltd.: 0.46%

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

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

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: 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. 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 may 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. 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. 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.

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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