

Thrivent Municipal Bond Fund

Q3 2021 Commentary

TMBIX (Class S) • September 30, 2021

Management



Janet I. Grangaard, CFA
Senior Portfolio Manager

Industry since: 1984
Thrivent since: 1988
Fund since: 2002

Key Personnel



Johan Akesson, CFA
Senior Portfolio Manager

Industry since: 1993
Thrivent since: 1993
Fund since: 2002

Executive summary

Thrivent Municipal Bond Fund underperformed the Bloomberg Barclays Municipal Index during the third quarter but outperformed it for the trailing 12 months. Going into the fourth quarter, the municipal market is grappling with disparate risks by allowing credit spreads and yields to drift higher, reversing some of the gains made earlier.

Performance factors

The municipal market continued its advance in July, only to casually reverse course in August and September. Proximate causes were a larger new issue calendar, slower fund industry inflows, a backup in Treasury rates, the Delta variant surge, and policy uncertainty on the part of both the Federal Reserve and Congress. Rates in the municipal market were mostly unchanged through five years but rose by 17 bp out in 30 years, underperforming Treasuries. The Fund underperformed the Bloomberg Barclays Municipal Index but outperformed the Morningstar Muni National Long category average for the quarter due to the Fund having a risk profile between these two benchmarks, both in terms of credit quality and duration (i.e., sensitivity to interest rate changes.) The Morningstar category's risk profile is more aggressive while the Index is less. The Fund's overweight in Education bonds, including three large, noncallable positions, drove the underperformance relative to the Index.

The Fund strives to be tax efficient, which results in low turnover. However, fund flows, bond calls and maturities from the Escrowed to Maturity (ETM)/Pre refunded sector allowed us to add positions in a variety of sectors: Utility, Airport, and Hospital were the largest beneficiaries. Our bias was to add exposure in AA and A rated paper, given that lower grade credit spreads had narrowed to pre-pandemic levels.

Contrary to the third quarter, the Fund outperformed the Bloomberg Barclays Municipal Index and underperformed the Morningstar category average total return for the 12-month period. In this period, the market rewarded risk-taking, with longer bonds and lower credit quality outperforming. The Fund benefitted from its large exposure to Hospitals and Senior Living, as those spreads narrowed in the risk rally. The lower risk ETM/Pre-refunded sector trailed in total return, although it does help support the Fund's dividend.

Portfolio outlook

The reopening of the economy and the fiscal stimulus packages passed in 2020 and early 2021 buttressed municipal credit quality and contributed to narrowed credit spreads. As we enter the 4th quarter, however, the municipal market is grappling with much uncertainty: inflation that seems less "transitory" than originally expected; turnover at the Federal Reserve and the implications for policy; what, if any, legislation might pass in Congress, including the many components that would have a direct impact on the municipal market; the pace of economic growth in the face of supply chain disruptions, labor market availability, vaccine mandates, wage pressures, and the

COVID-19 pandemic, to name but a few. Under these circumstances, we expect the market to adjust to a higher risk profile, which will provide opportunities in both relative and absolute value. We'll look to add long bonds priced to call, across diverse sectors, taking advantage of our analytic expertise while balancing risk taking and caution.

Thrivent Municipal 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 Municipal Bond Fund Class S share; Expense ratio: 0.54%	-0.51	1.22	3.57	4.93	2.98	3.79
Bloomberg Barclays Municipal Bond Index¹	-0.27	0.79	2.63	5.06	3.26	3.87
Morningstar Muni National Long Average²	-0.65	1.62	4.52	5.38	3.32	4.01

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.

¹Bloomberg Barclays Municipal Bond Index is a market value-weighted index of investment grade municipal bonds with maturities of one year or more.

²The 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: Municipal bonds may be affected by political or economic conditions at the state, regional or federal level. 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. High yield securities are subject to increased credit risk as well as liquidity risk. Changes in federal income tax laws or rates may affect both the net asset value of The Fund and the taxable equivalent interest generated from securities in the fund. Some issues may be subject to state and local taxes and/or the federal and state alternative minimum tax (AMT). Consult a tax advisor for more information about your specific situation, including state/local tax treatment. 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. The London Interbank Offered Rate (LIBOR) is being phased out, which brings uncertainty to instruments tied to it. Markets may also be impacted by domestic or global events, including public health threats, terrorism, natural disasters or similar events. 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. These and other risks are described in the prospectus.

This commentary may refer to specific securities which the Fund(s) may own. This information should not be considered investment advice or a recommendation of any particular security, strategy or product. A complete listing of the holdings for each of the Thrivent Mutual Funds is available on thriventfunds.com.

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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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