Thrivent Short-Term Bond Fund

Prior to Feb. 28, 2025, the fund was named Thrivent Limited Maturity Bond Fund.

Class S THLIX **December 31, 2025**

Management

Cortney Swensen, CFA
Senior Portfolio Manager
Industry: 2005
Fund: 2020

Jon-Paul (JP) Gagne
Senior Portfolio Manager
Industry: 2004
Fund: 2021

Executive Summary

- During the fourth quarter, Thrivent Short-Term Bond Fund outperformed the Bloomberg Government/Credit 1-3 Year Bond Index by 0.08%. The quarter was marked by significantly diminished spread volatility relative to the previous quarters as trade policies became more well-defined.
- The Federal (Fed) Funds rate was cut twice by 25 basis points (bps) during the quarter after recent job market weakness. The market is projecting between 2-3 cuts for all of 2026.
- The risk rally sputtered slightly in the quarter although corporate spreads remain near 4+ year tights, pricing in little cushion for economic weakness or heightened stress on the consumer.

Performance factors

Thrivent Short-Term Bond Fund outperformed the Bloomberg Government/Credit 1-3 Year Bond Index by 0.08% during the fourth quarter. This outperformance was largely attributable to an overweight to risk assets and security selection, as despite overall modest spread widening, we benefitted from higher carry. Over the quarter, we modestly increased our exposure to corporates, taking advantage of corporate new issue concessions during a heavy primary calendar notable for sizable AI-related funding. On the securitized side, we increased our allocation to residential mortgage-backed securities (RMBS) and collateralized loan obligations (CLO), while lowering our allocation to commercial mortgage-backed securities (CMBS) due to strong performance. Our longer duration also contributed to performance as front-end rates were marginally lower over the quarter, with the 2-year Treasury declining 13 basis points to end at 3.48%.

Over the 12-month period, the Fund outperformed the Bloomberg Government/Credit 1-3 Year Bond Index by 0.79%. The most significant driver of the Fund's outperformance was our significant overweight to risk assets, which offered higher carry over the time period. In 2025, 1-3 year corporate spreads widened just 1 bp; however, we were able to take advantage of the 40 bps peak-to-trough first-half volatility that stemmed from tariff policy. Notably, the 2-year Treasury rate ended the 12-month period much lower than the 4.24% mark it started the year at, ending around 3.48%, belying the volatility experienced over the 12 months as the market tried to price in the Fed's potential course of action.

The Bloomberg Government/Credit 1-3 Year Bond Index is composed of 72% U.S. Treasuries, 5% government-related securities and 23% investment-grade corporates. The Fund currently holds 65% of its assets in corporate bonds, up from 62% at end of 3Q, and its holdings have an average ratings quality that is somewhat lower than the index but still investment -grade rated. In addition, the Fund owns 30% securitized debt. Over longer periods of time, overweights to these asset classes provide more yield, while the short-duration nature of the Fund's holdings offer attractive breakeven levels during spread-widening scenarios.

Portfolio outlook

During the quarter, the Federal Reserve reduced the Fed Funds rate to 3.5–3.75% from 4.0–4.25%, citing increased risks to employment relative to inflation. The unemployment rate rose to 4.6%, the highest since 2021, and both nonfarm and ADP payrolls fell short of expectations. The U.S. government shutdown delayed economic data releases, resulting in a compressed reporting period in December that limited market analysis ahead of the Fed's meeting. While the rate cut aligned with market expectations, the Fed's commentary suggests a potential pause in further cuts at the start of 2026.

Inflation remains elevated as the Fed's projection for core personal consumption expenditures (PCE), the Fed's preferred measure, remains at 2.8% for 2025; however, commentary suggests the Fed expects inflation to slowly moderate over the next few years and gradually return to its 2% target by 2028. The market is pricing in 2-3 additional 25 bps rate cuts for 2026 as risks to employment are expected to continue to win the tug-of-war of between the competing objectives of the Fed's dual mandate. Given our current outlook for short-term rates, we are likely to continue to manage the Fund to a slightly longer duration than the Bloomberg Government/Credit 1-3 Year Bond Index.

In the corporate market, 1-3 year spreads are near the tightest levels of the post-ultra low rate environment that began when the Fed started raising rates in early 2022. Spreads remain 20 bps wide of the all-time tights achieved in 2021, indicating that they could continue to perform if economic conditions remain favorable. However, with less cushion for potential economic weakness or policy surprises, we favor investment-grade credits and shorter maturities for more volatile names. While the impact of tariffs has been relatively benign for corporations thus far, with the diversion of the two Fed mandates of unemployment and inflation still unresolved, we believe it prudent to leave some dry powder to take advantage of potential market volatility. On the securitized side, with the expectation of tariff-induced inflation, the consumer will continue to see their dollar stretched and therefore could see stress. Furthermore, although housing remains strong, new home starts have slowed, inventories have crept higher, and mortgage rates remain elevated which has translated to lower affordability. Overall, we will continue to manage the Fund with the objective of maintaining sufficient carry while leaving room to add risk when markets offer better entry points.

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 Short-Term Bond Fund — S share	1.24	6.14	6.14	6.07	2.73	2.84	3.34
- Expense ratio: net 0.43%, gross 0.43%; Incept. date 10/29/1999							
Bloomberg Govt/Credit 1-3 Yr Bd Index	1.16	5.35	5.35	4.77	1.97	2.09	
Morningstar Short-Term Bond Avg	1.14	5.96	5.96	5.56	2.24	2.51	

Top 10 Holdings (excluding derivatives and cash): 12.11% of Fund as of Nov 28 2025: U.S. Treasury Notes: 2.69%, U.S. Treasury Notes: 2.27%, U.S. Treasury Notes: 2.15%, FNMA 15-Yr Pass-Thru: 1.27%, U.S. Treasury Notes: 1.23%, U.S. Treasury Notes: 0.56%, Avis Budget Rental Car Funding AESOP LLC: 0.52%, PPM CLO 2, Ltd.: 0.50%, AMSR Trust: 0.47%, Tricon Residential Trust: 0.45%

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

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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 is influenced by the performance of the broader market and by factors specific to an issuer within the Fund. When bond inventories are low in relation to the market size, there is the potential for decreased liquidity and increased price volatility. 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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