



# THRIVENT MUNICIPAL BOND FUND

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## Fund Key Points

**Thrivent Municipal Bond Fund** follows a broadly diversified strategy focused on preserving capital while generating federally tax-exempt income.

### High Quality Approach

The Fund's focus on preserving capital leads to a relatively high quality profile. The Fund tends to have larger allocations to higher-rated bonds than many of its peers, which can be beneficial in periods of credit stress. The Fund is broadly diversified by both state and sector, and seeks to avoid securities from municipalities struggling to meet obligations.

### Credit-Focused with Macroeconomic Guidance

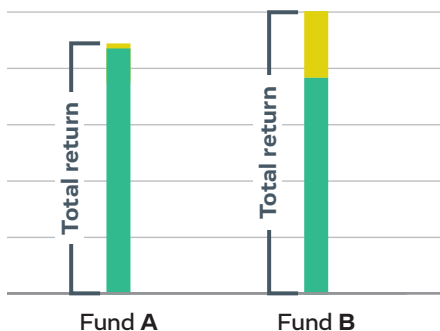
The portfolio managers rely heavily on internal credit research when selecting bonds. The team has extensive experience in the municipal bond market, which is valuable since each sector has unique characteristics and can often require political and demographic analysis in addition to credit research. Macroeconomic analysis also shapes portfolio construction, influencing credit exposure, duration, and yield curve positioning.

### Minimize Shareholder Taxes

In addition to investing in federally tax-exempt bonds, the portfolio managers also emphasize avoiding capital gains. The Fund has a long-term investment horizon and has typically avoided trading on price fluctuations. Utilizing capital loss carryforwards can also help offset realized gains. The team is incentivized on after-tax return, which better aligns with shareholders' goals.

## Benefits of Minimizing Capital Gains

### HYPOTHETICAL FUNDS & THEIR RETURNS



- Paying taxes on capital gains reduces your after-tax returns.
- Fund **A**, with lower total returns, may actually have higher after-tax returns than Fund **B** by not requiring shareholders to pay as much in capital gains taxes.
- Capital gains may be reduced by holding bonds to maturity or offsetting realized gains with losses from other holdings.

■ After-tax return ■ Taxes due on capital gains  
Hypothetical example is for illustrative purposes only.

**FUND OBJECTIVE:** The Fund seeks a high level of current income exempt from federal income taxes, consistent with capital preservation.

**Management**



**Janet Grangaard, CFA**  
Senior Portfolio Manager  
Industry Since: 1988  
Thrivent Since: 1988  
Fund Since: 2002

**Key Personnel**



**Johan Akesson, CFA**  
Associate Portfolio Manager  
Industry Since: 1993  
Thrivent Since: 1993  
Fund Since: 2002

“ *Being incentivized on after-tax performance instead of total returns aligns our goals with those of our shareholders.* ”

## Municipal and Corporate Bond Yield Comparison

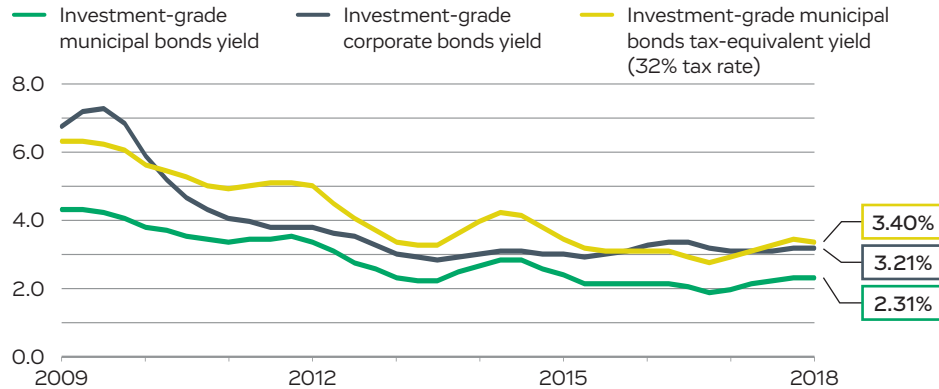
Paying taxes on corporate bond income reduces investor returns. Even with lower yields, not having to pay federal tax on municipal bond income can leave investors in certain tax brackets better off than investing in taxable corporate bonds. Tax-equivalent yield is the yield that is required from a taxable investment to make it equal to the yield on a tax-exempt investment given a particular tax rate.

Yields for the Bloomberg Barclays U.S. Investment Grade Corporate Index have historically been higher than those of the Bloomberg Barclays Municipal

Index, as shown in the graph below. However, when considering the tax-equivalent yield, municipal bonds have usually yielded more than corporate bonds for investors in higher tax brackets, despite lower historical default rates. The graph assumes a 32% marginal tax rate.

The table below shows the tax-equivalent yields for all tax brackets, based on December 31, 2017 index yields. Notice that for the three highest tax brackets, the tax equivalent yield of the municipal bond index is higher than the 3.21% yield of the corporate bond index.

**MUNICIPAL AND CORPORATE BOND YIELD COMPARISON**



Source: Morningstar, Dec. 31, 2017

**TAX-EQUIVALENT YIELDS**

| Federal Tax Bracket | Tax Equivalent Yield of a municipal bond with a 2.31% yield |
|---------------------|---|
| 12.0%               | 2.66%   |
| 22.0%               | 2.96%   |
| 24.0%               | 3.04%   |
| 32.0%               | 3.40%   |
| 38.8*               | 3.77%   |
| 40.8*               | 3.90%   |

\*The two highest tax brackets include the additional 3.8% Net Investments Income Tax (commonly referred to as the "Medicare Contribution Tax").

**Risks:** Municipal bonds are subject to risks including, but not limited to, credit risk and interest rate risk. Credit risk is the risk that an issuer of a bond to which the Fund is exposed may no longer be able to pay its debt. Interest rate risk means bond prices generally fall as interest rates rise, and changes by the Federal Reserve to monetary policy could affect interest rates and the value of some securities.

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). Any increase in principal value may be taxable. The Fund may incur losses due to the incorrect assessments of investments by its investment advisor. Investing in municipal bonds for the purpose of generating tax-exempt income may not be appropriate for investors in all income tax brackets. Please consult a tax advisor for more detailed information about your specific situation, including state/local tax treatment. These and other risks are described in the Fund's prospectus. Dealer inventories of bonds are at or near historic lows in relation to market size, which has the potential to decrease liquidity and increase price volatility in the fixed income markets.

Indexes are unmanaged and do not reflect the fees and expenses associated with active management. Investments cannot be made directly into an index.

**Performance data cited represents past performance and should not be viewed as an indication of future results.**

**Investing in a mutual fund 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 are available at ThriventFunds.com or by calling 800-847-4836.**

The principal underwriter for Thrivent Mutual Funds is Thrivent Distributors, LLC. Thrivent Distributors, LLC, is a registered broker-dealer and member of FINRA, with its principal place of business at 625 Fourth Avenue South, Minneapolis, MN 55415. Asset management services provided by Thrivent Asset Management, LLC. Both entities are wholly-owned subsidiaries of Thrivent Financial.