

# Brochure

## Item 1 - Cover Page

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This brochure provides information about the qualifications and business practices of TAM. If you have any questions about the contents of this brochure, please contact us at (800) 847-4836. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.

Additional information about TAM also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Please note that even though TAM is a registered investment adviser with the SEC, registration with the SEC does not imply a certain level of skill or training.

## Item 2 - Material Changes

There are no material changes to this brochure since it was last updated on August 1, 2023.

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## Item 4 - Advisory Business

TAM is a limited liability company organized under the laws of Delaware. TAM as an entity was formed and has been in the investment advisory business since 2005 but is part of a business that has been in the investment advisory business since 1986. TAM is a wholly owned subsidiary of Thrivent Financial Holdings, Inc., which in turn is a wholly owned subsidiary of Thrivent Financial for Lutherans ("Thrivent"). Thrivent is a fraternal benefit society organized under the laws of the State of Wisconsin and is owned by and operated for its members. It has no stockholders and is not subject to the control of any affiliated persons.

TAM provides investment advisory services to the Thrivent Mutual Funds, a registered investment company under the Investment Company Act of 1940 (the "Investment Company Act") that is comprised of various mutual fund series. TAM also provides investment advisory services to Thrivent ETF Trust, which is a registered investment company comprising one exchange-traded fund (an "ETF"), Thrivent Small-Mid Cap ESG ETF. In managing Thrivent Small-Mid Cap ESG ETF, TAM's investment process identifies companies that have sustainable long-term business models for the benefit of all primary stakeholders while driving financial success and risk management. TAM also provides investment advisory services to Thrivent Core Funds, which is a registered investment company that only offers its mutual fund series to Thrivent Mutual Funds and other Thrivent entities. In connection with its advisory services to the Funds, TAM and its affiliates receive advisory, administration, transfer agency, and distribution fees from the Funds, as applicable. Clients should carefully review the Funds' prospectuses for more detailed information regarding the Funds to which TAM provides investment services.

In addition, TAM provides model portfolios to managed account programs sponsored by other registered investment advisers, broker-dealers and other financial intermediaries, including affiliates ("program sponsors"). As a model portfolio provider, TAM designs, monitors and updates the model portfolios for the program sponsors. The program sponsors then offer the model portfolios to their clients. The program sponsors are responsible for implementing the models, making investment decisions, and performing other services and functions for their clients. TAM does not have investment discretion to implement the models on behalf of a program sponsor's clients and TAM does not have an advisory relationship with a program sponsor's clients. TAM typically does not receive a fee from the program sponsors for providing the model portfolios, although it could receive such a fee. TAM does receive an advisory fee for the Funds it manages that are included within a managed account program. To the extent that this Form ADV Part 2A is delivered to clients of the program sponsors, or under circumstances where it is not legally required to be delivered, it is provided for informational purposes only. TAM is not responsible for overseeing the provision of services by a program sponsor.

TAM provides its services in a variety of investment strategies, including in the broad categories of equities, fixed income, and asset allocation/mixed assets strategies. TAM may invest in a variety of securities and other investments, including derivatives, in its various investment strategies. It also utilizes various investment techniques, including fundamental, quantitative and technical methods to determine which investments to buy and sell. Certain strategies – including all the model portfolios for managed account programs – include an allocation to mutual funds, which may include the series of Thrivent Mutual Funds and Thrivent ETF Trust ("Affiliated Underlying Funds"). TAM currently offers four model portfolio programs: Thrivent SELECT Managed Portfolios ("SELECT"), Thrivent Faith-Based Managed Portfolios ("Faith-Based"), Thrivent Income-Focused Managed Portfolios ("Income-Focused") and Thrivent Advantage Managed Portfolios ("Advantage"). The investment advisory services provided by TAM to the Funds are tailored to the investment strategies of the Funds described in each Fund's prospectus and statement of additional information. The investment advisory services provided with the model portfolios to managed account programs are not tailored to the individual needs or restrictions of clients.

As of December 31, 2023, TAM managed, on a discretionary basis, approximately \$30.0 billion in assets. As of this date, TAM managed approximately \$6.6 billion in its managed account programs on a

nondiscretionary basis, including assets in affiliated Thrivent Mutual Funds and third-party managed funds.

## Item 5 – Fees and Compensation

Fees for advisory services provided to Funds are separately negotiated between TAM and the Funds and must be approved by the Funds' Boards of Trustees. Fees are based on a percentage of assets under management. The fees and expenses for each Fund are set forth in the corresponding prospectus for the respective Fund.

Fees for model portfolio services are negotiated with and by the program sponsor. At this time, TAM does not receive any direct fees for the provision of model portfolios, although it could receive such fees if negotiated with the program sponsor. TAM does receive advisory fees for the Affiliated Underlying Funds included within a model portfolio. The timing and procedures for payment and termination of relationships relating to the provision of model portfolios vary and are negotiated based on the nature, scope and type of relationship involved. Clients of a program sponsor are encouraged to review all materials available from the program sponsor concerning the program, the program sponsor itself and the program's terms, conditions and fees.

In managing the Funds and developing and maintaining model portfolios, TAM may allocate to open-end funds, ETFs, closed-end funds, exchange traded notes ("ETNs"), and other pooled investment vehicles, including Affiliated Underlying Funds. Where TAM determines to allocate to Affiliated Underlying Funds, to the extent permitted by applicable law, TAM and its affiliates will generally be entitled to earn more fees than if TAM had allocated to unaffiliated products as TAM earns an asset-based advisory fee for managing the Affiliated Underlying Funds. This practice creates a conflict of interest because TAM does not receive fees from unaffiliated funds and thus receives an additional layer of fees when Affiliated Underlying Funds are utilized in its model portfolios or by other Funds where the asset-based advisory fee of the Affiliated Underlying Fund is applicable. TAM seeks to manage these conflicts by establishing ongoing monitoring processes to determine whether the Affiliated Underlying Funds remain appropriate for continued allocation. Given TAM's extensive knowledge of the Affiliated Underlying Funds, including how they are best utilized in various asset allocation strategies, TAM generally has a preference for Affiliated Underlying Funds over unaffiliated funds with a similar investment strategy, which is likely to result in a larger allocation to Affiliated Underlying Funds relative to unaffiliated funds. In addition, to the extent an Affiliated Underlying Fund or a model portfolio allocates to other funds (affiliated or unaffiliated), such Affiliated Underlying Fund or model portfolio will bear its pro rata share of the operational costs and expenses of such underlying funds. Please see Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss for a description of TAM's selection and monitoring processes.

TAM's investment capabilities with respect to certain Funds are marketed to various prospects and intermediaries through TAM's affiliated broker-dealer, Thrivent Distributors, LLC ("Thrivent Distributors"), which is the distributor and principal underwriter for the Thrivent Mutual Funds and Thrivent Core Funds. Thrivent Distributors is an indirect wholly owned subsidiary of Thrivent. Sales personnel of Thrivent Distributors are compensated for successful marketing or selling activities with respect to shares of these Funds, including Affiliated Underlying Funds included in the model portfolios. TAM has a revenue sharing agreement with Thrivent Distributors pursuant to which TAM compensates Thrivent Distributors for services relating to the promotion, offering, marketing or distribution of these Funds and/or retention of assets maintained in these Funds. Thrivent Distributors does not serve as distributor and principal underwriter to Thrivent ETF Trust, but does provide certain marketing and distribution related services.

## Item 6 – Performance-Based Fees

TAM does not charge any performance-based compensation or compensation based on a share of capital gains or capital appreciation of the assets in an account.

## Item 7 – Types of Clients

TAM provides investment advice to other registered investment advisers, broker-dealers, trust companies and other financial intermediaries who sponsor managed account programs by providing model portfolios.

Account minimums for model-based programs are established by the program sponsor. TAM also serves as the investment adviser to registered investment companies, which includes an exchange-traded fund.

## Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

TAM provides investment advisory services in the broad categories of equities, fixed income, and asset allocation/mixed assets strategies.

TAM utilizes a variety of methods of analysis in managing mutual funds including fundamental, quantitative and technical investment research techniques. Fundamental techniques assess a security's value based on an issuer's financial profile, management, and business prospects while quantitative and technical techniques involve a more data-oriented analysis of financial information, market trends and price movements. In managing Thrivent Small-Mid Cap ESG ETF, TAM's investment process identifies companies that have sustainable long-term business models for the benefit of all primary stakeholders while driving financial success and risk management. More information about TAM's investment strategies is provided below.

TAM employs both strategic and tactical management techniques based on an assessment of the economy, markets, and asset class movement when managing its models. Its investment selection process considers many factors, including a review of the adherence to investment objectives, management style consistency, risk-adjusted return metrics, expenses, and compliance and regulatory requirements.

For all strategies, investors and clients must remember that investing in securities involves risk of loss that they should be prepared to bear.

### **Model Portfolios**

TAM currently offers four model portfolio programs: SELECT, Faith-Based, Income-Focused and Advantage.

**SELECT.** The SELECT models may invest in no-load and load-waived mutual funds – including Affiliated Underlying Funds – closed-end funds, and ETFs. Within the SELECT models, there are models across the risk tolerance spectrum from aggressive to conservative asset allocations. A tax-sensitive version of each model is also available. Tax-sensitive models are managed with a consideration of potential tax implications, including, but not limited to, the amount of trading and rebalancing activity of the model and the inclusion of certain municipal bond funds in the model.

**Faith-Based.** The Faith-Based models are designed for investors looking to align their finances with how they live and what they believe by seeking to avoid investments in companies that may conflict with

their values. The models may invest in no-load and load-waived mutual funds – including Affiliated Underlying Funds – closed-end funds, and ETFs. The Faith-Based models are comprised of portfolios across the risk tolerance spectrum from moderately aggressive to moderately conservative asset allocations. TAM constructs the Faith-Based model portfolios with a view to meeting TAM's asset allocation targets constructed for its other model portfolios, while seeking to achieve similar risk/return characteristics and incorporating a faith-based perspective. In this way, the Faith-Based models seek to leverage TAM's experience and expertise in managing fully diversified allocation portfolios. TAM selects investment products – such as mutual funds and ETFs from a variety of asset managers – that TAM believes do not invest in securities that may conflict with certain commonly-held Christian values, either as a result of a screening process or, as is the case for Affiliated Underlying Funds included in the models, because the securities that may conflict with certain commonly-held Christian values are not found in a particular asset class, such as government and municipal bonds.

Each of the asset managers of these investment products that utilizes a screening process is responsible for determining and implementing its own screens, but in general, these asset managers are screening out companies such as those associated with gambling, adult entertainment, abortion and the manufacturing or distribution of alcohol or tobacco products.

**Income-Focused.** The Income-Focused models consist of two different series that invest primarily in unaffiliated no-load and load-waived mutual funds, closed-end funds, and ETFs, as well as Affiliated Underlying Funds, that seek to produce dividends or interest income. The models either seek to provide an income stream or will reinvest dividends and any interest income earned, while seeking to manage volatility through various investment strategies.

The selection process for SELECT, Faith-Based and Income-Focused models considers a variety of both quantitative and qualitative criteria and includes, among other factors, performance versus market indexes and relevant peer groups with similar investment strategies. The Income-Focused models evaluate potential income and the Faith-Based models seek to avoid investments in companies that may conflict with commonly-held Christian values. Investment selections reflect TAM's judgment of appropriate securities included in any of the model portfolios for which it constructs and maintains.

**Advantage.** The Advantage models invest primarily in no-load Affiliated Underlying Funds and may also invest in ETFs and closed-end funds. The models currently offered in Advantage include strategies that seek long-term capital growth or a high level of current income using a range of risk tolerances from conservative to aggressive. Within the Advantage models, a tax-sensitive version of each model is also available. Tax-sensitive models are managed with consideration of potential tax implications, including, but not limited to, the amount of trading and rebalancing activity of the model portfolio and the inclusion of certain municipal bond funds in the model portfolio.

While Advantage invests primarily in Affiliated Underlying Funds, TAM considers many factors before including certain investments in the model portfolios for Advantage. Factors include assessing the asset class and composition of a particular Affiliated Underlying Fund and its fit within a model based on other Affiliated Underlying Funds held within the model portfolio, including risk controls, style consistency, and short-term, tactical basis or longer-term strategic position. The full composition of the model is reviewed relative to risk and return metrics and expenses. ETFs – including series of Thrivent ETF Trust – may also be selected, particularly when TAM decides to include an asset class or investment type in the models for which there is no representative series of Thrivent Mutual Funds or when there is a need to achieve a particular asset allocation goal.

TAM has an extensive knowledge of the Affiliated Underlying Funds, including their risk controls, style consistency, and regulatory and compliance infrastructure, and the fact that some of these Funds are managed in a style that seeks to optimize their effectiveness in certain asset allocation programs. TAM's consideration of such factors results in a significant allocation to Affiliated Underlying Funds in the

models. There is no assurance that Affiliated Underlying Funds will meet their investment objectives or perform better than similar funds from other mutual fund providers.

TAM may validate internal analysis through various methods, including due-diligence meetings with firm personnel, written and verbal commentary from mutual fund providers and information sourced from third-party data providers.

TAM periodically reviews the operations of each holding, including any Affiliated Underlying Funds, for what it views as significant changes to investment management personnel, investment objectives, management style, and performance. The review process is performed at least annually and is based on information acquired from various sources that includes, but is not limited to, third-party software and data research providers as well as discussions and commentary with the respective management firms.

TAM monitors asset class movement that could result in investment style drift. At least quarterly, TAM will review market and asset class conditions and determine if, and to what extent, that allocation adjustments are necessary. The models may also be rebalanced back to target weights due to market conditions. TAM will adjust the models at its sole discretion and may make such adjustments without prior notice.

### **Conflicts of Interest Related to Thrivent Funds**

It is more profitable for TAM to include Affiliated Underlying Funds in its models than funds issued by other companies. As a result, TAM has a financial incentive to recommend Affiliated Underlying Funds over other companies' products. The Advantage models are composed primarily of Thrivent Mutual Funds and the SELECT, Faith-Based and Income-Focused models include significant allocations to Thrivent Mutual Funds. Thrivent Small-Mid Cap ESG ETF may also be included in one or more of the models. TAM receives fees from the Affiliated Underlying Funds for serving as the investment adviser, and from Thrivent Mutual Funds for providing administrative and accounting services pursuant to an Administrative Services Agreement. Sales personnel of Thrivent Distributors are compensated for successful marketing or selling activities with respect to shares of the Funds included in the model portfolios. In addition, as described in Item 10 below, certain of TAM's affiliates receive compensation for providing other services to the Funds. TAM seeks to manage these conflicts by engaging in ongoing monitoring processes to determine whether the affiliated Funds remain appropriate for continued allocation to a particular model. However, TAM has an extensive knowledge of the Affiliated Underlying Funds, including how they are best utilized in various asset allocation strategies, which results in a significant allocation to Affiliated Underlying Funds relative to unaffiliated funds in the models.

### **Mutual Funds**

**Equity.** Large cap funds invest primarily in common stocks of large-capitalization U.S. and/or non-U.S. companies, including emerging markets issuers.

Mid cap funds invest primarily in common stocks of mid-capitalization U.S. and/or non-U.S. companies, including emerging markets issuers.

Small cap funds invest primarily in common stocks of small-capitalization U.S. and/or non-U.S. companies, including emerging markets issuers.

International funds invest significantly in non-U.S. issuers that trade in U.S. or non-U.S. markets (including emerging markets). Global funds invest in both U.S. and international markets and may invest significantly in non-U.S. issuers that trade in U.S. or non-U.S. markets (including emerging markets). International and global portfolios may reflect growth, value and core investment approaches. Certain strategies gain international investment exposure by investing in American Depositary Receipts ("ADRs") and other similar depositary receipts. ADRs are the receipts for the shares of a non-U.S.-based company traded on U.S. exchanges.



Low volatility funds invest in securities that exhibit low volatility returns. Volatility refers to the variation in security and market prices over time.

Equity funds may pursue growth, value or core (investing in both growth and value stocks) investment strategies.

The equity funds that TAM manages may buy and sell futures contracts to either hedge their exposure or obtain exposure to certain investments.

Thrivent Small-Mid Cap ESG ETF seeks to capitalize on stakeholder value and commitment to sustainability through investing in small- and mid-sized companies.

**Fixed Income.** Taxable fixed income funds invest primarily in fixed income instruments. Such funds can invest in a variety of types of fixed income instruments, including corporate debt, mortgage-backed securities, asset-backed securities, and U.S. government securities. They can also invest in securities of different quality, including investment-grade securities and high-yield securities (also known as junk bonds). These funds can also hold bonds of varying maturities. The taxable fixed income funds can invest in U.S. issuers and foreign issuers, including emerging markets issuers.

Municipal fixed income funds invest primarily in municipal bonds, the income of which is exempt from federal income taxation. Such funds can invest in investment grade municipal bonds and high yield municipal bonds, which are also known as junk bonds.

The fixed income funds that TAM manages may utilize derivatives (such as futures and swaps) for investment exposure or hedging purposes. They may enter into standardized derivatives contracts traded on domestic or foreign securities exchanges, boards of trade, or similar entities, and non-standardized derivatives contracts traded in the over-the-counter market.

**Asset Allocation/Mixed Assets.** TAM manages certain asset allocation/mixed assets funds that invest in both equities and fixed income as principal investment strategies.

## **Material Risks**

The list below includes principal risks which are associated with either the Affiliated Underlying Funds or TAM's model portfolios. TAM's model portfolios may also be subject to the same or similar principal risks as the affiliated Funds. More information about the risks associated with the Affiliated Underlying Funds are set forth in the Funds' prospectuses.

Unaffiliated funds may also be subject to the same or similar principal risks listed below. Carefully review unaffiliated funds' prospectuses for more detailed information regarding these risks.

**Allocation Risk.** Certain Funds' investment performance depends upon how its assets are allocated across broad asset categories and applicable sub-classes within such categories. Some broad asset categories and sub-classes may perform below expectations or the securities markets generally over short and extended periods. For example, underperformance in the equity or debt markets could have a material adverse effect on a Fund's total return if it has a significant allocation to those types of securities. Therefore, a principal risk of investing in the Fund is that the allocation strategies used and the allocation decisions made will not produce the desired results.

**Authorized Participant Concentration Risk.** Only an Authorized Participant may engage in creation or redemption transactions directly with Thrivent Small-Mid Cap ESG ETF ("TSME"). TSME may have a limited number of institutions that act as authorized participants, none of which are obligated to engage in creation and/or redemption transactions. To the extent that these institutions exit the business or are

unable or unwilling to proceed with creation and/or redemption orders with respect to TSME and no other Authorized Participant is able to step forward to process creation and/or redemption orders, TSME shares may trade at a discount to NAV and possibly face trading halts and/or delisting. This risk may be more pronounced during periods of market volatility or market disruptions. The fact that TSME is offering a novel and unique structure may result in a fewer number of entities willing to act as authorized participants, particularly during times of market volatility.

**Closed-End Fund (“CEF”) Risk.** Investments in CEFs are subject to various risks, including reliance on management’s ability to meet a CEF’s investment objective and to manage a CEF’s portfolio; fluctuation in the market value of a CEF’s shares compared to the changes in the value of the underlying securities that the CEF owns (i.e., trading at a discount or premium to its net asset value); and that CEFs are permitted to invest in a greater amount of “illiquid” securities than typical mutual funds. A Fund is subject to a pro-rata share of the management fees and expenses of each CEF in addition to the Fund’s management fees and expenses, resulting in Fund shareholders subject to higher expenses than if they invested directly in CEFs.

**Collateralized Debt Obligations (“CDO”) Risk.** The risks of an investment in a CDO depend largely on the quality and type of the collateral and the tranche of the CDO in which a Fund invests. In addition to the typical risks associated with fixed income securities and asset-backed securities, CDOs carry additional risks including, but not limited to: (i) the possibility that distributions from collateral securities will not be adequate to make interest or other payments; (ii) the risk that the collateral may default, decline in value, and/or be downgraded; (iii) the Fund may invest in tranches of CDOs that are subordinate to other tranches; (iv) the structure and complexity of the transaction and the legal documents could lead to disputes among investors regarding the characterization of proceeds; (v) the investment return achieved by the Fund could be significantly different than those predicted by financial models; (vi) the lack of a readily available secondary market for CDOs; (vii) risk of forced “fire sale” liquidation due to technical defaults such as coverage test failures; and (viii) the CDO’s manager may perform poorly. In addition, investments in CDOs may be characterized by the Fund as illiquid securities.

**Conflicts of Interest Risk.** An investment in the Funds is subject to a number of actual or potential conflicts of interest. The following does not purport to be a comprehensive list or complete explanation of all potential conflicts of interest which may affect the Funds. A Fund may encounter circumstances, or enter into transactions, in which conflicts of interest may arise, which are not listed or discussed below. The Adviser or its affiliates may provide services to the Funds for which the Funds would compensate the Adviser and/or such affiliates. The Funds may invest in other pooled investment vehicles sponsored, managed, or otherwise affiliated with the Adviser, including other Funds. The Adviser may have an incentive (financial or otherwise) to enter into transactions or arrangements on behalf of the Fund with itself or its affiliates in circumstances where it might not have done so otherwise.

The Adviser or its affiliates manage other investment funds and/or accounts (including proprietary accounts) and have other clients with investment objectives and strategies that are similar to, or overlap with, the investment objective and strategy of a Fund, creating conflicts of interest in investment and allocation decisions regarding the allocation of investments that could be appropriate for the Fund and other clients of the Adviser or their affiliates. The Adviser and its affiliates have no obligation to make available any information regarding their proprietary activities or strategies, or the activities or strategies used for other funds and/or accounts managed by them, for the benefit of the management of the Funds. No affiliate of the Adviser is under any obligation to share any investment opportunity, including an investment technique, idea, model or strategy, with the Funds. The portfolio compositions and performance results therefore will differ across the Funds and other such funds and/or accounts. These conflicts of interest are exacerbated to the extent that the Adviser’s other clients are proprietary or pay them higher fees or performance-based fees. Further, the activities in which the Adviser and its affiliates are involved on behalf of other accounts could limit or preclude the flexibility that the Funds could otherwise have to participate in certain investments.

The model portfolios will be subject to a number of actual or potential conflicts of interest. The following does not purport to be a comprehensive list or complete explanation of all potential conflicts of interest which may affect the model portfolios. A model portfolio may encounter circumstances, or enter into agreements, in which conflicts of interest may arise, which are not listed or discussed below. The model portfolios include significant allocations to Thrivent Mutual Funds. The Adviser may have an incentive (financial or otherwise) to enter into arrangements on behalf of the model portfolio with itself or its affiliates in circumstances where it might not have done so otherwise.

The Adviser or its affiliates manage investment funds and/or accounts (including proprietary accounts) and have other clients with investment objectives and strategies that are similar to, or overlap with, the investment objective and strategies of model portfolios. The Adviser and its affiliates have no obligation to make available any information regarding their proprietary activities or strategies, or the activities or strategies used for model portfolios, for the benefit of the management of the model portfolios. No affiliate of the Adviser is under any obligation to share any investment opportunity, including an investment technique, idea, model or strategy, with the model portfolios. The portfolio compositions and performance results therefore will differ across the model portfolios.

These conflicts of interest are exacerbated to the extent that the Adviser's other clients are proprietary or pay them higher fees or performance-based fees.

**Convertible Securities Risk.** Convertible securities are subject to the usual risks associated with debt securities, such as interest rate risk and credit risk. Convertible securities also react to changes in the value of the common stock into which they convert, and are thus subject to market risk. A Fund may also be forced to convert a convertible security at an inopportune time, which may decrease the Fund's return.

**Credit Risk.** Credit risk is the risk that an issuer of a debt security to which a Fund is exposed may no longer be able or willing to pay its debt. As a result of such an event, the debt security may decline in price and affect the value of a Fund. Similarly, there is a risk that the value of a debt security may decline because of concerns about the issuer's ability or willingness to make interest and/or principal payments. Debt securities are subject to varying degrees of credit risk, which are often reflected in credit ratings. The credit rating of a debt security may be lowered if the issuer suffers adverse changes in its financial condition, which can lead to more volatility in the price of the security and in shares of the Fund.

**Cybersecurity Risk.** The Funds and their service providers may be susceptible to operational, information security, privacy, fraud, business disruption, and related risks. In general, cyber incidents can result from deliberate attacks or unintentional events. Cyber-attacks include, but are not limited to, gaining unauthorized access to digital systems to misappropriate assets or sensitive information, corrupt data, or otherwise disrupt operations. Cyber incidents affecting the Adviser or other service providers (including, but not limited to, fund accountants, custodians, transfer agents, and financial intermediaries) have the ability to disrupt and impact business operations, potentially resulting in financial losses, by interfering with the Funds' ability to calculate their NAV, corrupting data or preventing parties from sharing information necessary for the Funds' operation, preventing or slowing trades, stopping shareholders from making transactions, potentially subjecting the Funds or the Adviser to regulatory fines and penalties, and creating additional compliance costs. Similar types of cybersecurity risks are also present for issuers or securities in which the Funds may invest, which could result in material adverse consequences for such issuers and may cause the Funds' investments in such companies to lose value. While the Funds' service providers have established business continuity plans in the event of such cyber incidents, there are inherent limitations in such plans and systems. Additionally, the Funds cannot control the cybersecurity plans and systems put in place by their service providers or any other third parties whose operations may affect the Funds or their shareholders. Although each Fund attempts to minimize such failures through controls and oversight, it is not possible to identify all of the operational risks that may affect a Fund or to develop processes and controls that completely eliminate or mitigate the occurrence of such failures or other disruptions in service. The value of an investment in

a Fund's shares may be adversely affected by the occurrence of the operational errors or failures or technological issues or other similar events and a Fund and its shareholders may bear costs tied to these risks.

**Derivatives Risk.** The use of derivatives (such as futures, options, credit default swaps, and total return swaps) involves additional risks and transaction costs which could leave a Fund in a worse position than if it had not used these instruments. Changes in the value of the derivative may not correlate as intended with the underlying asset, rate or index, and a Fund could lose much more than the original amount invested. Derivatives can be highly volatile, illiquid and difficult to value. Derivatives are also subject to the risk that the other party in the transaction will not fulfill its contractual obligations.

Some derivatives may give rise to a form of economic leverage and may expose a Fund to greater risk and increase its costs. Such leverage may cause the Fund to liquidate portfolio positions when it may not be advantageous to do so to satisfy its obligations. Increases and decreases in the value of the Fund's portfolio will be magnified when the Fund uses leverage. Futures contracts, options on futures contracts, forward contracts, and options on derivatives can allow the Fund to obtain large investment exposures in return for meeting relatively small margin requirements. As a result, investments in those transactions may be highly leveraged.

The success of a Fund's derivatives strategies will depend on the Adviser's ability to assess and predict the impact of market or economic developments on the underlying asset, index or rate and the derivative itself, without the benefit of observing the performance of the derivative under all possible market conditions. Swap agreements may involve fees, commissions or other costs that may reduce a Fund's gains from a swap agreement or may cause a Fund to lose money. Futures contracts are subject to the risk that an exchange may impose price fluctuation limits, which may make it difficult or impossible for a Fund to close out a position when desired.

**Emerging Markets Risk.** The risks and volatility of investing in foreign securities is increased in connection with investments in emerging markets. The economic, political and market structures of developing countries in emerging markets, in most cases, are not as strong as the structures in the U.S. or other developed countries in terms of wealth, stability, liquidity and transparency. A Fund may not achieve its investment objective and portfolio performance will likely be negatively affected by portfolio exposure to countries and corporations domiciled in, or with revenue exposures to, countries in the midst of, among other things, hyperinflation, currency devaluation, trade disagreements, sudden political upheaval or interventionist government policies, and the risks of such events are heightened within emerging market countries. Fund performance may also be negatively affected by portfolio exposure to countries and corporations domiciled in, or with revenue exposures to, countries with less developed or unreliable legal, tax, regulatory, accounting, recordkeeping and corporate governance systems and standards. In particular, there may be less publicly available and transparent information about issuers in emerging markets than would be available about issuers in more developed capital markets because such issuers may not be subject to accounting, auditing and financial reporting standards and requirements comparable to those to which U.S. companies are subject. Emerging markets may also have differing legal systems, many of which provide fewer security holder rights and practical remedies to pursue claims than are available for securities of companies in the U.S. or other developed countries, including class actions or fraud claims. Significant buying or selling actions by a few major investors may also heighten the volatility of emerging market securities.

Some emerging market countries restrict to varying degrees foreign investment in their securities markets. In some circumstances, these restrictions may limit or preclude investment in certain countries or may increase the cost of investing in securities of particular companies.

**Equity Security Risk.** Equity securities held by a Fund may decline significantly in price, sometimes rapidly or unpredictably, over short or extended periods of time, and such declines may occur because of declines in the equity market as a whole, or because of declines in only a particular country, company, industry, or sector of the market. From time to time, the Fund may invest a significant portion

of its assets in companies in one particular country or geographic region or one or more related sectors or industries, which would make the Fund more vulnerable to adverse developments affecting such sectors, industries, or geographic regions. Equity securities are generally more volatile than most debt securities. The prices of individual stocks generally do not all move in the same direction at the same time. Certain Funds may invest in private equity funds, which are less liquid and more difficult to value than publicly traded equity securities. A variety of factors can negatively affect the price of a particular company's stock. These factors may include, but are not limited to: poor earnings reports, a loss of customers, litigation against the company, general unfavorable performance of the company's sector or industry, or changes in government regulations affecting the company or its industry.

**ESG Investment Selection Risk.** Because TSME considers whether a company has a sustainable long-term business model and a demonstrated commitment to ESG policies, practices or outcomes in addition to other considerations when selecting securities, its portfolio may perform differently than funds that do not consider those issues. TSME's incorporation of ESG considerations in the investment process may exclude securities of certain issuers for non-investment reasons and therefore TSME may forgo some market opportunities available to funds that do not screen for ESG attributes. Additionally, the criteria used to select companies for investment may result in TSME investing in securities, industries or sectors that underperform the market as a whole. Selecting for sustainable long-term business models and ESG policies, practices or outcomes may prioritize long-term rather than short-term returns. Furthermore, when screening for these considerations, the portfolio management team may utilize information published by third-party sources and as a result there is a risk that this information might be incorrect, incomplete, inconsistent or incomparable, which could cause the Adviser to incorrectly assess a company's business model or practices. In addition, there may be limited or no information available to the Adviser regarding the ESG policies, practices, outcomes or ratings of companies representing a substantial portion of TSME's investment universe. Any limits on the information or ratings available for an issuer may increase the risk that the Adviser will not be successful in its attempt to identify securities of companies with sustainable long-term business models and a demonstrated commitment to ESG policies, practices or outcomes.

**ETF Risk.** An ETF is subject to the risks of the underlying investments that it holds. In addition, for index-based ETFs, the performance of an ETF may diverge from the performance of such index (commonly known as tracking error). ETFs are subject to fees and expenses (like management fees and operating expenses) that do not apply to an index, and the fund will indirectly bear its proportionate share of any such fees and expenses paid by the ETFs in which it invests. Because ETFs trade on an exchange, there is a risk that an ETF will trade at a discount to net asset value or that investors will fail to bring the trading price in line with the underlying shares (known as the arbitrage mechanism). As ETFs trade on an exchange, they are subject to the risks of any exchange-traded instrument, including: (i) an active trading market for its shares may not develop or be maintained, (ii) trading of its shares may be halted by the exchange, and (iii) its shares may be delisted from the exchange. There is a possibility that an ETF may experience a lack of liquidity that can result in greater volatility than its underlying securities.

**Faith-Based Investment Strategy Risk.** The Faith-Based Model Portfolios' investment strategy limits the types and number of investment opportunities available to the models and, as a result, the allocations among asset classes may vary from other TAM model portfolios and strategies that do not have a Faith-Based focus. In addition, the Faith-Based models may underperform other strategies that do not have a Faith-Based focus. Further, the Faith-Based models' investment strategy may result in the model allocating to underlying funds that hold securities or industry sectors that underperform the market as a whole or underperform other strategies screened for, or that do not include, securities that conflict with the Faith-Based focus of the models.

While TAM monitors the allocation and performance of the underlying funds selected for the models, TAM does not monitor whether the underlying funds include securities that conflict with the Faith-Based focus of the models. Further, if the models include underlying funds that liquidate securities for violations

of one or more screening criteria, such liquidation could negatively impact the performance of the underlying fund and the models.

**Financial Sector Risk.** Companies in the financial sector of an economy are subject to extensive governmental regulation and intervention, which may adversely affect the scope of their activities, the prices they can charge, the amount of capital they must maintain and, potentially, their size. Governmental regulation may change frequently and may have significant adverse consequences for companies in the financial sector, including effects not intended by such regulation. The impact of recent or future regulation in various countries of any individual financial company or of the financial sector as a whole cannot be predicted. Certain risks may impact the value of investments in the financial sector more severely than those of investments outside this sector, including the risks associated with companies that operate with substantial financial leverage. Companies in the financial sector may also be adversely affected by increases in interest rates and loan losses, decreases in the availability of money or asset valuations, credit rating downgrades and adverse conditions in other related markets. Insurance companies, in particular, may be subject to severe price competition and/or rate regulation, which may have an adverse impact on their profitability. During the financial crisis that began in 2007, the deterioration of the credit markets impacted a broad range of mortgage, asset-backed, auction rate, sovereign debt and other markets, including U.S. and non-U.S. credit and interbank money markets, thereby affecting a wide range of financial institutions and markets. During the financial crisis, a number of large financial institutions failed, merged with stronger institutions or had significant government infusions of capital. Instability in the financial markets caused certain financial companies to incur large losses. Some financial companies experienced declines in the valuations of their assets, took actions to raise capital (such as the issuance of debt or equity securities), or even ceased operations. Some financial companies borrowed significant amounts of capital from government sources. Those actions caused the securities of many financial companies to decline in value. The financial sector is particularly sensitive to fluctuations in interest rates. The financial sector is also a target for cyber attacks and may experience technology malfunctions and disruptions. In recent years, cyber attacks and technology failures have become increasingly frequent and have caused significant losses.

**Foreign Currency Risk.** The Fund is also subject to the risk that the value of a foreign currency may decline against the U.S. dollar, which would reduce the dollar value of securities denominated in that currency. The overall impact of such a decline of foreign currency can be significant, unpredictable, and long lasting, depending on the currencies represented, how each one appreciates or depreciates in relation to the U.S. dollar, and whether currency positions are hedged. Under normal conditions, the Fund does not engage in extensive foreign currency hedging programs. Further, exchange rate movements are volatile, and it is not possible to effectively hedge the currency risks of many developing countries.

**Foreign Securities Risk.** To the extent a Fund is exposed to foreign securities, it is subject to various risks associated with such securities. Foreign securities are generally more volatile than their domestic counterparts, in part because of potential for higher political and economic risks, lack of reliable information and fluctuations in currency exchange rates where investments are denominated in currencies other than the U.S. dollar. Certain events in foreign markets may adversely affect foreign and domestic issuers, including interruptions in the global supply chain, market closures, war, terrorism, natural disasters and outbreak of infectious diseases. Foreign securities also may be more difficult to resell than comparable U.S. securities because the markets for foreign securities are often less liquid. Even when a foreign security increases in price in its local currency, the appreciation may be diluted by adverse changes in exchange rates when the security's value is converted to U.S. dollars. Foreign withholding taxes also may apply and errors and delays may occur in the settlement process for foreign securities.

Securities of foreign companies in which the Fund invests generally carry more risk than securities of U.S. companies. The economies and financial markets of certain regions—such as Latin America, Asia, Europe and the Mediterranean region—can be highly interdependent and may decline at the same time. Certain European countries in which a Fund may invest have recently experienced significant volatility in

financial markets and may continue to do so in the future. The potential departure of one or more countries from the European Union, such as the United Kingdom's departure from the European Union ("EU") (commonly known as "Brexit"), may have significant political and financial consequences for global markets and may adversely impact Fund performance. The long-term impact of Brexit is unknown and the risks related to Brexit could be more pronounced if one or more additional EU member states seek to leave the EU.

Other risks result from the varying stages of economic and political development of foreign countries; the differing regulatory environments, trading days, and accounting standards of foreign markets; and higher transaction costs. The Fund's investment in any country could be subject to governmental actions such as capital or currency controls, nationalizing a company or industry, expropriating assets, or imposing punitive taxes that would have an adverse effect on security prices and impair the Fund's ability to repatriate capital or income.

**Futures Contract Risk.** The value of a futures contract tends to increase and decrease in tandem with the value of the underlying instrument. The price of futures can be highly volatile; using them could lower total return, and the potential loss from futures can exceed the Fund's initial investment in such contracts. In addition, the value of the futures contract may not accurately track the value of the underlying instrument.

**Government Securities Risk.** Certain Funds invest in securities issued or guaranteed by the U.S. government or its agencies and instrumentalities (such as Ginnie Mae, Fannie Mae or Freddie Mac securities). Securities issued or guaranteed by Ginnie Mae, Fannie Mae or Freddie Mac are not issued directly by the U.S. government. Ginnie Mae is a wholly owned U.S. corporation that is authorized to guarantee, with the full faith and credit of the U.S. government, the timely payment of principal and interest of its securities. By contrast, securities issued or guaranteed by U.S. government-related organizations such as Fannie Mae and Freddie Mac are not backed by the full faith and credit of the U.S. government. No assurance can be given that the U.S. government would provide financial support to its agencies and instrumentalities if not required to do so by law. In addition, the value of U.S. government securities may be affected by changes in the credit rating of the U.S. government, which may be negatively impacted by rising levels of indebtedness. It is possible that issuers of U.S. government securities will not have the funds to meet their payment obligations in the future.

**Growth Investing Risk.** Growth style investing includes the risk of investing in securities whose prices historically have been more volatile than other securities, especially over the short term. Growth stock prices reflect projections of future earnings or revenues and, if a company's earnings or revenues fall short of expectations, its stock price may fall dramatically. Growth stocks may lack dividends that could help cushion prices in a declining market. Growth style investing may be out of favor with investors from time to time and growth stocks may underperform the securities of other companies or the stock market in general.

**High Yield Risk.** High yield securities - commonly known as "junk bonds" - are considered predominantly speculative with respect to the issuer's continuing ability to make principal and interest payments. If the issuer of the security is in default with respect to interest or principal payments, the value of the Fund may be negatively affected. High yield securities may be more susceptible to real or perceived adverse economic conditions than investment grade securities, and they generally have more volatile prices and carry more risk to principal. In addition, high yield securities generally are less liquid than investment grade securities.

**Inflation-Linked Security Risk.** Inflation-linked debt securities, such as TIPS, are subject to the effects of changes in market interest rates caused by factors other than inflation (real interest rates). In general, the price of an inflation-linked security tends to decrease when real interest rates increase and can increase when real interest rates decrease. Interest payments on inflation-linked securities are unpredictable and will fluctuate as the principal and interest are adjusted for inflation. Any increase in

the principal amount of an inflation-linked debt security will be considered taxable ordinary income, even though the Fund will not receive the principal until maturity.

There can also be no assurance that the inflation index used will accurately measure the real rate of inflation in the prices of goods and services. The Fund's investments in inflation-linked securities may lose value in the event that the actual rate of inflation is different than the rate of the inflation index. In addition, inflation-linked securities are subject to the risk that the Consumer Price Index for All Urban Consumers (CPI-U) or other relevant pricing index may be discontinued, fundamentally altered in a manner materially adverse to the interests of an investor in the securities, altered by legislation or Executive Order in a materially adverse manner to the interests of an investor in the securities or substituted with an alternative index.

**Interest Rate Risk.** Interest rate risk is the risk that prices of debt securities decline in value when interest rates rise for debt securities that pay a fixed rate of interest. Debt securities with longer durations or (a measure of price sensitivity of a bond or bond fund to changes in interest rates) or maturities (i.e., the amount of time until a bond's issuer must pay its principal or face value) tend to be more sensitive to changes in interest rates than debt securities with shorter durations or maturities. Changes in general economic conditions, inflation, and monetary policies, such as certain types of interest rate changes by the Federal Reserve could affect interest rates and the value of some securities. During periods of low interest rates, the Fund may be subject to a greater risk of rising interest rates. A fund also may be subject to a greater risk of rising interest rates during periods of low interest rates when inflation rates are high or rising.

**Investing-in-Funds Risk.** Each of the Thrivent Aggressive Allocation Fund, Thrivent Moderate Allocation Fund, Thrivent Moderately Aggressive Allocation Fund and Thrivent Moderately Conservative Allocation Fund (each, a "Thrivent Asset Allocation Fund") allocate their assets among certain other funds managed by the Adviser or an affiliate ("Affiliated Funds"). From time to time, one or more of the Affiliated Funds may experience relatively large investments or redemptions due to reallocations or rebalancings by the Thrivent Asset Allocation Funds or other investors. These transactions may affect the Affiliated Funds since Affiliated Funds that experience redemptions as a result of reallocations or rebalancings may have to sell Fund securities and since Affiliated Funds that receive additional cash will have to invest such cash. These effects may be particularly important when one or more of the Thrivent Asset Allocation Funds owns a substantial portion of any Affiliated Fund. While it is impossible to predict the overall impact of these transactions over time, the performance of an Affiliated Fund may be adversely affected if the Affiliated Fund is required to sell securities or invest cash at inopportune times. These transactions could also increase transaction costs and accelerate the realization of taxable income if sales of securities resulted in gains. Because the Thrivent Asset Allocation Funds may own substantial portions of some Affiliated Funds, a redemption or reallocation by a Thrivent Asset Allocation Fund away from an Affiliated Fund could cause the Affiliated Fund's expenses to increase.

The model portfolios include certain funds managed by the Adviser, an affiliate, or a third party. As a result, the performance of the model portfolios are based on performance of the underlying funds. From time to time, these underlying funds may experience relatively large investments or redemptions due to reallocations or rebalancings by the model portfolios. These transactions may affect the underlying funds since underlying funds that experience redemptions as a result of reallocations or rebalancings may have to buy or sell securities and/or invest additional cash. Reallocation and rebalancings could also result in increased transaction costs, increased expenses, and/or accelerated realization of taxable income when selling securities results in gains.

**Investment Adviser Risk.** The Funds are actively managed and the success of a Fund's investment strategy depends significantly on the skills of the Adviser in assessing the potential of the investments in which the Fund invests. The assessment of potential Fund investments may prove incorrect, resulting in losses or poor performance, even in rising markets. There is also no guarantee that the Adviser will be able to effectively implement a Fund's investment objective.



Model portfolios are actively managed and the success of their investment strategies depends significantly on the skills of the Adviser in assessing the potential of the investments included in the model portfolios. Model portfolios are also comprised of underlying funds that may be actively managed, and the success of the underlying funds' investment strategies depends significantly on the skills of the asset manager of the underlying fund in assessing the potential of the investments in which the underlying funds invest. This assessment of investments may prove incorrect, resulting in losses or poor performance, even in rising markets.

**Issuer Risk.** Issuer risk is the possibility that factors specific to a company to which a Fund's portfolio is exposed will affect the market prices of the company's securities and therefore the value of the Fund. Some factors affecting the performance of a company include demand for the company's products or services, the quality of management of the company and brand recognition and loyalty. To the extent that a Fund invests in common stock, common stock of a company is subordinate to other securities issued by the company. If a company becomes insolvent, interests of investors owning common stock will be subordinated to the interests of other investors in and general creditors of, the company.

**Large Cap Risk.** Large-sized companies may be unable to respond quickly to new competitive challenges such as changes in technology. They may also not be able to attain the high growth rate of successful smaller companies, especially during extended periods of economic expansion.

**Large Shareholder Risk.** From time to time, shareholders of a Fund (which may include institutional investors, financial intermediaries, or affiliated Funds) may make relatively large redemptions or purchases of shares. These transactions may cause a Fund to sell securities at disadvantageous prices or invest additional cash, as the case may be. While it is impossible to predict the overall impact of these transactions over time, there could be adverse effects on a Fund's performance to the extent that a Fund may be required to sell securities or invest cash at times when it would not otherwise do so. Redemptions of a large number of shares also may increase transaction costs or have adverse tax consequences for shareholders of the Fund by requiring a sale of portfolio securities. In addition, a large redemption could result in a Fund's current expenses being allocated over a smaller asset base, leading to an increase in the Fund's expense ratio.

**Leveraged Loan Risk.** Leveraged loans are subject to the risks typically associated with debt securities. In addition, leveraged loans, which typically hold a senior position in the capital structure of a borrower, are subject to the risk that a court could subordinate such loans to presently existing or future indebtedness or take other action detrimental to the holders of leveraged loans. Leveraged loans are also subject to the risk that the value of the collateral, if any, securing a loan may decline, be insufficient to meet the obligations of the borrower, or be difficult to liquidate. Some leveraged loans are not as easily purchased or sold as publicly-traded securities and others are illiquid, which may make it more difficult for the Fund to value them or dispose of them at an acceptable price. Below investment-grade leveraged loans are typically more credit sensitive. Also, some leveraged loans are known as "covenant lite" loans, which have contractual provisions that are more favorable to borrowers and provide less protection for lenders such as the Fund. As a result, the Fund could experience relatively greater difficulty or delays in enforcing its rights on its holdings of covenant lite loans than its holdings of loans with financial maintenance covenants, which may result in losses, especially during a downturn in the credit cycle. Covenant lite loans also generally provide fewer investor protections if certain criteria are breached. In the event of fraud or misrepresentation, the Fund may not be protected under federal securities laws with respect to leveraged loans that may not be in the form of "securities."

**Liquidity Risk.** Liquidity is the ability to sell a security relatively quickly for a price that most closely reflects the actual value of the security. Certain securities (e.g., small-cap stocks, foreign securities, private equity funds, and high-yield bonds) often have a less liquid resale market. Liquid investments may become illiquid after purchase by the Adviser, particularly during periods of market turmoil. As a result, the Adviser may have difficulty selling or disposing of securities quickly in certain markets or may only be able to sell the holdings at prices substantially less than what the Adviser believes they are worth. Less liquid securities can also become more difficult to value. In addition, when there is illiquidity

in the market for certain securities, the Fund, due to limitations on illiquid investments, may be subject to purchase and sale restrictions.

To the extent that dealers do not maintain inventories of bonds that keep pace with the growth of bond markets over time, relatively low levels of dealer inventories could lead to decreased liquidity and increased volatility in the fixed income markets, particularly during periods of economic or market stress. In addition, inventories of municipal bonds held by brokers and dealers have decreased in recent years, lessening their ability to make a market in these securities. As a result of this decreased liquidity, the Adviser or subadviser may have to accept a lower price to sell a security, sell other securities to raise cash, or give up an investment opportunity, any of which could have a negative effect on performance.

**Market Risk.** Over time, securities markets generally tend to move in cycles with periods when security prices rise and periods when security prices decline. The value of a Fund's investments may move with these cycles and, in some instances, increase or decrease more than the applicable market(s) as measured by a Fund's benchmark index(es). The securities markets may also decline because of factors that affect a particular industry or market sector.

Price declines may occur in response to general market and economic conditions or events, including conditions and developments outside of the financial markets such as significant changes in interest and inflation rates and the availability of credit. In addition, domestic or global events, including regulatory events, economic downturn, government shutdowns, the spread of an infectious illness such as the outbreak of COVID-19, public health crises, war, terrorism, social unrest, recessions, natural disasters or similar events could reduce consumer demand or economic output, result in market closures, travel restrictions or quarantines, and generally have a significant impact on the world economies, which in turn could adversely affect a Fund's investments. Any investment is subject to the risk that the financial markets as a whole may decline in value, thereby depressing the investment's price.

**Market Trading Risk.** Although TSME shares are listed on national securities exchanges, there can be no assurance that an active trading market for TSME shares will develop or be maintained. If an active market is not maintained, investors may find it difficult to buy or sell TSME shares. Trading of shares of TSME on a national securities exchange may be halted if exchange officials deem such action appropriate, if TSME is delisted, or if the activation of market-wide "circuit breakers" halts stock trading generally. If TSME's shares are delisted, TSME may seek to list its shares on another market, become a fully-transparent ETF, merge with another ETF, or redeem its shares at NAV.

**Mid Cap Risk.** Medium-sized companies often have greater price volatility, lower trading volume, and less liquidity than larger, more-established companies. These companies tend to have smaller revenues, narrower product lines, less management depth and experience, smaller shares of their product or service markets, fewer financial resources, and less competitive strength than larger companies.

**Mortgage-Backed and Other Asset-Backed Securities Risk.** The value of mortgage-related and asset-backed securities are influenced by the factors affecting the housing market and the assets underlying such securities. As a result, during periods of declining asset value, difficult or frozen credit markets, swings in interest rates, or deteriorating economic conditions, mortgage-related and asset-backed securities may decline in value, face valuation difficulties, become more volatile and/or become illiquid. In addition, both mortgage-backed and asset-backed securities are sensitive to changes in the repayment patterns of the underlying security. If the principal payment on the underlying asset is repaid faster or slower than the holder of the asset-backed or mortgage-backed security anticipates, the price of the security may fall, particularly if the holder must reinvest the repaid principal at lower rates or must continue to hold the security when interest rates rise. This effect may cause the value of the Fund to decline and reduce the overall return of the Fund. Mortgage-backed securities also subject to extension risk, which is the risk that when interest rates rise, certain mortgage-backed securities are paid in full by the issuer more slowly than anticipated. This can cause the market value of the security to fall because the market may view its interest rate as low for a longer-term investment.

**Municipal Bond Risk.** A Fund's performance may be affected by political and economic conditions at the state, regional or federal level. These may include budgetary problems, decline in the tax base and other factors that may cause rating agencies to downgrade the credit ratings on certain issues. Bonds may also exhibit price fluctuations due to changes in interest rate or bond yield levels. Some municipal bonds may be repaid prior to maturity if interest rates decrease. As a result, the value of a Fund's shares may fluctuate significantly in the short term. The amount of public information available about municipal bonds is generally less than for certain corporate equities or bonds, meaning that the investment performance of a Fund may be more dependent on the analytical abilities of the Adviser than funds that invest in stock or other corporate investments. A Fund may make significant investments in a particular segment of the municipal bond market or in the debt of issuers located in the same state or territory. Adverse conditions in such industry or location could have a correspondingly adverse effect on the financial condition of issuers. These conditions may cause the value of a Fund's shares to fluctuate more than the values of shares of funds that invest in a greater variety of investments.

**Non-Diversified Risk.** A Fund that is not "diversified" within the meaning of the 1940 Act may invest a greater percentage of its assets in the securities of any single issuer compared to other funds. A non-diversified portfolio is generally more susceptible than a diversified portfolio to the risk that events or developments affecting a particular issuer or industry will significantly affect the Fund's performance.

**Other Funds Risk.** The performance of Funds that invest in other funds is dependent, in part, upon the performance of the other funds. As a result, the Fund is subject to the same risks as those faced by the other funds' underlying portfolios. Those risks may include, among others, market risk, issuer risk, volatility risk, foreign securities risk, foreign currency risk, emerging markets risk, derivatives risk, credit risk, interest rate risk, high yield risk and investment adviser risk. As a shareholder of the Fund, you will bear your share of the Fund's operating expenses as well as the Fund's share of the other funds' operating expenses. Consequently, an investment in the Fund would result in higher aggregate operating costs than investing directly in other funds that are also portfolios.

**Portfolio Turnover Rate Risk.** A Fund may engage in active and frequent trading of portfolio securities in implementing its principal investment strategies. A high rate of portfolio turnover (100% or more) involves correspondingly greater expenses which are borne by the Fund and its shareholders and may also result in short-term capital gains taxable to shareholders. The expenses may include bid-ask spreads, dealer markups, and other transactional costs on the sale of securities and reinvestment in other securities.

**Preferred Securities Risk.** There are certain additional risks associated with investing in preferred securities, including, but not limited to, preferred securities may include provisions that permit the issuer, at its discretion, to defer or omit distributions for a stated period without any adverse consequences to the issuer; preferred securities are generally subordinated to bonds and other debt instruments in a company's capital structure in terms of having priority to corporate income and liquidation payments, and therefore are subject to greater credit risk than more senior debt instruments; preferred securities may be substantially less liquid than many other securities, such as common stocks or U.S. Government securities; generally, traditional preferred securities offer no voting rights with respect to the issuing company unless preferred dividends have been in arrears for a specified number of periods, at which time the preferred security holders may elect a number of directors to the issuer's board; and in certain varying circumstances, an issuer of preferred securities may redeem the securities prior to a specified date.

**Premium/Discount Risk.** Publication of the Proxy Portfolio is not the same level of transparency as the publication of the Actual Portfolio by a fully transparent ETF. Although the Proxy Portfolio is intended to provide Authorized Participants and other market participants with enough information to allow for an effective arbitrage mechanism that is intended to keep the market price of TSME at or close to the underlying NAV per share of TSME, there is a risk (which may increase during periods of market disruption or volatility) that the market price of TSME's shares will vary significantly from the NAV per

share of TSME. This means the price paid to buy shares on an exchange may not match the value of TSME's portfolio. The same is true when shares are sold.

**Prepayment Risk.** When interest rates fall, certain obligations are paid off by the obligor more quickly than originally anticipated, and a Fund may have to invest the proceeds in securities with lower yields. In periods of falling interest rates, the rate of prepayments tends to increase (as does price fluctuation) as borrowers are motivated to pay off debt and refinance at new lower rates. During such periods, reinvestment of the prepayment proceeds by the management team will generally be at lower rates of return than the return on the assets that were prepaid. Prepayment generally reduces the yield to maturity and the average life of the security.

**Proxy Portfolio Risk.** Unlike traditional ETFs that disclose their portfolio holdings on a daily basis, TSME does not disclose its holdings daily, rather it discloses a Proxy Portfolio. The goal of the Proxy Portfolio, during all market conditions, is to track closely the daily performance of the Actual Portfolio and minimize intra-day misalignment between the performance of the Proxy Portfolio and the performance of the Actual Portfolio. The Proxy Portfolio is designed to reflect the economic exposures and the risk characteristics of the Actual Portfolio on any given trading day. The Proxy Portfolio is intended to provide Authorized Participants (which are members or participants of a clearing agency registered with the SEC, which have a written agreement with TSME that allows them to place orders for the purchase and redemption of Creation Units) and other market participants with enough information to support an effective arbitrage mechanism that keeps the market price of TSME at or close to the underlying NAV per share of TSME. Thrivent Asset Mgt. has licensed from a third party the right to use a model that will determine the Proxy Portfolio. TSME's ability to operate as described herein depends on the quality of that model and the timely and accurate determination of the Proxy Portfolio each day. The Proxy Portfolio methodology is novel, has only been in use for a limited period of time, and is not yet proven as an effective arbitrage mechanism. There can be no assurance that the Proxy Portfolio will function as expected or that it will support an effective arbitrage mechanism, especially under difficult or stressed market conditions, and there can be no assurance that the intellectual property necessary to utilize the Proxy Portfolio will remain available to TSME. The effectiveness of the Proxy Portfolio as an arbitrage mechanism is contingent upon, among other things, the Proxy Portfolio performing in a manner substantially identical to the performance of the Actual Portfolio and the willingness of Authorized Participants and other market participants to trade based on a Proxy Portfolio. There is no guarantee that this arbitrage mechanism will operate as intended or with the intended effects. TSME may not function as intended and the market price of its shares may be adversely affected if the licensor of the methodology used to determine the Proxy Portfolio fails to continue to make the intellectual property used to determine the Proxy Portfolio available for use by TSME. Further, while the Proxy Portfolio may include some of TSME's holdings, it is not TSME's Actual Portfolio. ETFs trading on the basis of a published Proxy Portfolio may exhibit wider premiums and discounts, bid/ask spreads, and tracking error than other ETFs using the same investment strategies that publish their portfolios on a daily basis, especially during periods of market disruption or volatility. Therefore, shares of TSME may cost investors more to trade than shares of a traditional ETF. There is also a possibility of additional expenses related to operating the Proxy Portfolio.

- Each day TSME calculates the Proxy Overlap and the Tracking Error. If the Tracking Error becomes large, there is a risk that the performance of the Proxy Portfolio may deviate from the performance of the Actual Portfolio.
- The Board monitors its Tracking Error, bid/ask spread and premiums/discounts. If deviations become too large, the Board will consider the continuing viability of TSME, whether shareholders are being harmed, and what, if any, corrective measures would be appropriate. See the Statement of Additional Information for further discussion of the Board's monitoring responsibilities.

- Although TSME seeks to benefit from keeping its portfolio information secret, market participants may attempt to use the Proxy Portfolio to identify TSME's trading strategy, which if successful, could result in such market participants engaging in certain predatory trading practices that may have the potential to harm TSME and its shareholders. The Proxy Portfolio and any related disclosures have been designed to minimize the risk of predatory trading practices, but they may not be successful in doing so.

**Quantitative Investing Risk.** Securities selected according to a quantitative analysis methodology can perform differently from the market as a whole based on the model and the factors used in the analysis, the weight placed on each factor and changes in the factor's historical trends. Such models are based on assumptions relating to these and other market factors, and the models may not take into account certain factors, or perform as intended, and may result in a decline in the value of the Fund's portfolio. If models or data used in the models are incorrect or incomplete, any decisions made in reliance thereon expose the Fund to potential risks. If incorrect market data is entered into even a well-founded model, the resulting information will be incorrect and could lead to losses for the Fund. For example, the data on which a model is based may be imprecise or become stale due to new events or changing circumstances. Market performance can be affected by non-quantitative factors (for example, investor fear or over-reaction or other emotional considerations) that are not easily integrated into quantitative analysis, which could adversely affect performance of these models and, in turn, the Fund. The performance of a model may also be impaired by technical issues with the construction and implementation of quantitative models such as software or other technology system malfunctions, or programming inaccuracies. Human judgement plays a role in building, utilizing, testing and modifying the financial algorithms and formulas underlying the model and accordingly such models are subject to the risk of human error and biases.

**Real Estate Investment Trust ("REIT") Risk.** REITs generally can be divided into three types: equity REITs, mortgage REITs and hybrid REITs (which combine the characteristics of equity REITs and mortgage REITs). Equity REITs will be affected by changes in the values of, and income from, the properties they own, while mortgage REITs may be affected by the credit quality of the mortgage loans they hold. All REIT types may be affected by changes in interest rates. The effect of rising interest rates is generally more pronounced for high dividend paying stock than for stocks that pay little or no dividends. This may cause the value of real estate securities to decline during periods of rising interest rates, which would reduce the overall return of the Fund. REITs are subject to additional risks, including the fact that they are dependent on specialized management skills that may affect the REITs' abilities to generate cash flows for operating purposes and for making investor distributions. REITs may have limited diversification and are subject to the risks associated with obtaining financing for real property. As with any investment, there is a risk that REIT securities and other real estate industry investments may be overvalued at the time of purchase. In addition, a REIT can pass its income through to its investors without any tax at the entity level if it complies with various requirements under the Internal Revenue Code. There is the risk, however, that a REIT held by the Fund will fail to qualify for this tax-free pass-through treatment of its income. By investing in REITs indirectly through the Fund, in addition to bearing a proportionate share of the expenses of the Fund, you will also indirectly bear similar expenses of the REITs in which the Fund invests.

**Redemption Risk.** A Fund may need to sell portfolio securities to meet redemption requests. The Fund could experience a loss when selling portfolio securities to meet redemption requests if there is (i) significant redemption activity by shareholders, including, for example, when a single investor or few large investors make a significant redemption of Fund shares, (ii) a disruption in the normal operation of the markets in which the Fund buys and sells portfolio securities or (iii) an inability of the Fund to sell portfolio securities because such securities are illiquid. In such events, the Fund could be forced to sell portfolio securities at unfavorable prices in an effort to generate sufficient cash to pay redeeming shareholders.

**Regulatory Risk.** Legal, tax, and regulatory developments may adversely affect a Fund. Securities and futures markets are subject to comprehensive statutes, regulations, and margin requirements enforced by the SEC, other regulators and self-regulatory organizations, and exchanges, which are authorized to take extraordinary actions in the event of market emergencies. The regulatory environment is evolving, and changes in the regulation of investment funds, managers, and their trading activities and capital markets, or a regulator's disagreement with a Funds' interpretation of the application of certain regulations, may adversely affect the ability of the Fund to pursue its investment strategy, its ability to obtain leverage and financing, and the value of investments held by the Fund.

**Repurchase Agreement Risk.** A repurchase agreement, or repo, is a form of short-term borrowing that allows a dealer to sell securities to an investor, such as a Fund, and buy them back (usually the next day) at a slightly higher price. If the seller of a purchase agreement defaults or is otherwise unable to fulfill its obligations, a Fund may incur losses as a result of selling the underlying securities, enforcing its rights, or a decline in the value of collateral.

**Small Cap Risk.** Smaller, less seasoned companies often have greater price volatility, lower trading volume, and less liquidity than larger, more established companies. A Fund may have difficulty selling holdings of these companies at a desired time and price. Smaller companies tend to have small revenues, narrower product lines, less management depth and experience, small shares of their product or service markets, fewer financial resources, and less competitive strength than larger companies. Such companies seldom pay significant dividends that could soften the impact of a falling market on returns. It may be a substantial period of time before a Fund could realize a gain, if any, on an investment in a small cap company.

**Sovereign Debt Risk.** Sovereign debt securities are issued or guaranteed by foreign governmental entities. These investments are subject to the risk that a governmental entity may delay or refuse to pay interest or repay principal on its sovereign debt, due, for example, to cash flow problems, insufficient foreign currency reserves, political considerations, the relative size of the governmental entity's debt position in relation to the economy or the failure to put in place economic reforms required by the International Monetary Fund or other multilateral agencies. If a governmental entity defaults, it may ask for more time in which to pay or for further loans. There is no legal process for collecting sovereign debts that a government does not pay nor are there bankruptcy proceedings through which all or part of the sovereign debt that a governmental entity has not repaid may be collected.

**Tax Risk.** Changes in federal income tax laws or rates may affect both the net asset value of a Fund and the taxable equivalent interest generated from securities in a Fund. Since a Fund may invest in municipal securities subject to the federal alternative minimum tax without limitation, a Fund may not be suitable for investors who already are or could be subject to the federal alternative minimum tax.

**Technology-Oriented Companies Risk.** Common stocks of companies that rely extensively on technology, science or communications in their product development or operations may be more volatile than the overall stock market and may or may not move in tandem with the overall stock market. Technology, science and communications are rapidly changing fields, and stocks of these companies, especially of smaller and unseasoned companies, may be subject to more abrupt or erratic market movements than the stock market in general. These are significant competitive pressures among technology-oriented companies and the products or operations of such companies may become obsolete quickly. In addition, these companies may have limited product lines, markets or financial resources and the management of such companies may be more dependent upon one or a few key people.

**Tracking Error Risk.** Although the Proxy Portfolio is designed to reflect the economic exposure and risk characteristics of TSME's Actual Portfolio on any given trading day, there is a risk that the performance of the Proxy Portfolio will diverge from the performance of the Actual Portfolio, potentially materially.

**Trading Halt Risk.** If securities representing 10% or more of TSME's Actual Portfolio do not have readily available market quotations, TSME will promptly request that the listing exchange halt trading in TSME's shares which means that investors would not be able to trade their shares. Trading halts may have a greater impact on TSME compared to other ETFs due to TSME's semi-transparent structure. If the trading of a security held in TSME's Actual Portfolio is halted, or otherwise does not have readily available market quotations, and the Adviser believes that the lack of any such readily available market quotations may affect the reliability of the Proxy Portfolio as an arbitrage vehicle, or otherwise determines it is in the best interest of TSME, the Adviser will promptly disclose on TSME's website the identity and weighting of such security for so long as such security's trading is halted or otherwise does not have readily available market quotations and remains in the Actual Portfolio.

**Value Investing Risk.** Value style investing includes the risk that stocks of undervalued companies may not rise as quickly as anticipated if the market doesn't recognize their intrinsic value or if value stocks are out of favor. Value style investing may be out of favor with investors from time to time and value stocks may underperform the securities of other companies or the stock market in general.

## Item 9 - Disciplinary Information

There is no legal or disciplinary event that is material to TAM's advisory business or its management.

## Item 10 - Other Financial Industry Activities and Affiliations

TAM is affiliated with several other entities that are in the financial services industry. In addition, certain of the executive officers and managers of TAM are executive officers and/or directors/managers of these affiliated entities. TAM is a wholly owned subsidiary of Thrivent Financial Holdings, Inc., which in turn is a wholly owned subsidiary of Thrivent. The entities described below, other than Thrivent, are also subsidiaries of Thrivent Financial Holdings, Inc.

### Broker-Dealers

TAM is affiliated with Thrivent Distributors, a registered broker-dealer serving as the principal underwriter and distributor for the Thrivent Mutual Funds and Thrivent Series Fund, Inc., and the named principal underwriter and distributor for Thrivent Core Funds and Thrivent Cash Management Trust. Thrivent Distributors is an indirect, wholly-owned subsidiary of Thrivent. Thrivent Distributors does not execute any portfolio brokerage for anyone (including its affiliated mutual funds).

TAM is affiliated with Thrivent Investment Management, Inc. ("TIMI"), a dually registered broker-dealer and investment adviser. In its capacity as a broker-dealer, TIMI actively markets mutual fund shares, variable insurance contracts and general securities to its clients through its registered representatives. TIMI also serves as the principal underwriter and distributor of variable annuities and insurance issued by Thrivent. TIMI sells shares of Thrivent Mutual Funds pursuant to a distribution agreement and also serves as the principal underwriter and distributor for Thrivent's variable products. TIMI does not execute any portfolio brokerage for the Funds.

### Investment Advisers

TIMI is a dually registered broker-dealer and investment adviser providing securities and investment advisory services to retail clients. In its capacity as an investment adviser, TIMI offers dedicated planning services and managed account programs to clients through its investment advisor representatives. Transactions in TIMI's managed account programs are generally executed through TIMI's clearing broker-dealer.

Thrivent Advisor Network, LLC ("TAN") is a registered investment adviser and a licensed insurance agency. In its capacity as an investment adviser, TAN provides investment advisory services to individuals, high-net-worth individuals, families, trusts, estates, businesses and retirement plans through a network of investment advisor representatives. In its capacity as a licensed insurance agency, TAN offers certain insurance products on a commission basis through licensed independent insurance producers.

Thrivent is a registered investment adviser. Thrivent has business and financial arrangements with each of TAM and TIMI and the Funds. These arrangements relate to (1) financial and operational issues concerning these affiliated entities and (2) the allocation and payment of expenses, and the transfer and accounting of funds, among these affiliated entities.

### **Investment Companies**

Thrivent serves as investment adviser to Thrivent Series Fund, Inc., which is an investment company that offers its shares to variable products of insurance companies, including to Thrivent. Thrivent also serves as investment adviser to Thrivent Cash Management Trust, which is an investment company in which the Thrivent-sponsored mutual funds invest their cash collateral from securities lending. Thrivent is also responsible for providing administrative and accounting services to Thrivent Series Fund, Inc. ("Thrivent Series Fund") and Thrivent Cash Management Trust.

### **Trust Companies**

Thrivent Trust Company is a wholly owned subsidiary of Thrivent Financial for Lutherans and serves as a limited-purpose federal savings bank offering professional fiduciary and investment management services. TAM has an agreement with Thrivent Trust Company pursuant to which TAM provides its model portfolio allocations to Thrivent Trust Company.

### **Insurance**

Thrivent, a not-for-profit nonstock membership organization, is licensed to conduct business as a fraternal benefit society in all states and the District of Columbia and markets fixed and variable insurance and annuities in all 50 U.S. states and the District of Columbia.

Thrivent Insurance Agency Inc., also a wholly owned indirect subsidiary of Thrivent, is a life and health insurance agency engaged in the distribution of non-proprietary life and health insurance products.

### **Sponsor or Syndicator of Limited Partnership**

Certain entities affiliated with Thrivent serve as general partner to limited partnerships.

### **Other**

Certain Supervised Persons of Thrivent (as defined under the Advisers Act) provide investment advisory services to a non-affiliated entity and assist in managing the pension plan sponsored by Thrivent. Employees of Thrivent manage Thrivent's insurance general account simply as employees of TFL and not pursuant to any agreement or any compensation.

Neither TAM nor its affiliates provide tax, legal, or accounting advice. Consult with your tax professional, legal advisor, or accountant, as applicable, for tax planning, tax preparation services, legal issues, or accounting questions.



## Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

TAM and Thrivent (together, the “Advisers”) manage certain mutual funds with the same portfolio managers utilizing similar strategies and their investment advisory personnel largely overlap. As a result, their compliance programs largely overlap. The Advisers may serve as the investment manager to other client accounts, such as the series of Thrivent Mutual Funds, Thrivent ETF Trust and Thrivent Series Fund. The Advisers may give advice and take action with respect to any funds or accounts they manage, or for their own account, that may differ from action taken by them on behalf of other funds or accounts. The Advisers are not obligated to recommend, buy or sell, or to refrain from recommending, buying or selling, any security that they or their Access Persons (as defined under the federal securities laws) may buy or sell for their own accounts or for the accounts of their clients. The Advisers or their Access Persons are not obligated to refrain from investing in securities held by funds or accounts that the Advisers manage except to the extent that such investments violate the code of ethics adopted by the Advisers and the mutual funds that they manage or other firm-wide policy (e.g., insider trading policy).

From time to time, employees and principals of the Advisers or any other related persons may have interests in securities owned by or recommended to TAM's advisory clients (or securities related to those securities). As these situations may represent a potential conflict of interest (possibly encouraging advisory personnel to put their economic interests ahead of the Advisers' clients), the Advisers have adopted procedures relating to personal securities transactions and insider trading, which are designed to mitigate these potential conflicts.

The Advisers will, from time to time, recommend to clients, or buy or sell for accounts, securities in which the Advisers or their affiliates have a material financial interest. Such financial interests include seed capital contributed by an Adviser or an affiliate to a fund that such Adviser manages.

The Advisers have adopted a code of ethics in accordance with the federal securities laws (the “Code”) to govern personal transactions by Access Persons and to help ensure that the interests of Access Persons do not conflict with the interests of the Advisers' clients. The Code restricts the purchase and sale of certain reportable securities (as defined by the federal securities laws) by portfolio managers within seven days before or after execution of a transaction in any such security for the accounts (or “sleeves” of accounts) of clients they manage. In addition, Access Persons may not engage in a personal transaction in any nonexempt reportable security for which any order for a client is pending until such order is executed or withdrawn. All Access Persons must also request pre-clearance through the Personal Trading Assistant, an electronic reporting system utilized by TAM's compliance department (“Compliance”), in order to make personal securities transactions in certain reportable securities believed to present a potentially meaningful risk of a conflict of interest (including acquisitions of securities as part of an initial public offering or private placement). Further, all Access Persons must certify to quarterly reports of their personal transactions within 30 days of the end of each calendar quarter (or, in the alternative, the Access Person could have his/her approved broker provide confirmations or periodic statements to Compliance). A copy of TAM's Code is available to any client or prospective client upon request by calling (612) 844-8593. In addition, TAM has a Code of Conduct that requires all Access Persons and all Supervised Persons of TAM to comply with ethical restraints relating to, among other things, giving gifts to, and receiving gifts from, service providers. In connection with the Code, the Advisers have also adopted an insider trading policy. The Advisers and their related persons may, from time to time, come into possession of material nonpublic and other confidential information which, if disclosed, might affect an investor's decision to buy, sell or hold a security. The Advisers and their related persons are prohibited from improperly disclosing or using such information for their own personal benefit or for the benefit of any other person, regardless of whether such other person is a client of the Advisers. Accordingly, should such persons come into possession of material nonpublic or other confidential information with respect to any company, they are prohibited from communicating

such information to their respective clients or from using such information for their own benefit or the benefit of their respective clients.

Any officer, director, elected manager or employee of the Advisers subject to the Code who fails to comply with the requirements of the Code and the insider trading policy risks being subject to grave sanctions, including dismissal and personal liability.

In addition to the conflicts presented by the personal trading of advisory personnel, TAM's affiliation with other entities that offer Thrivent products to the public presents potential conflicts of interest.

## Item 12 - Brokerage Practices

With respect to each discretionary account, TAM generally has discretionary authority to make the following determinations without client consultation or consent prior to effecting each transaction:

- which securities are to be bought or sold;
- the total amount of the securities to be bought or sold;
- the broker-dealer through which securities are to be bought or sold; and
- the commission rates at which securities transactions for client accounts are effected.

With respect to each discretionary account, however, TAM's authority is subject to certain limits, including applicable investment objectives, policies and restrictions. These limitations may be based on a variety of factors, such as regulatory constraints and policies imposed by a client or its governing body. For each advisory client, TAM follows the guidelines specified in the client's advisory contract.

This Item 12 is not applicable to TAM's model portfolio services.

### **Selection Criteria for Brokers-Dealers**

TAM selects broker-dealers to execute client transactions based on several factors. As a general matter, broker-dealers are subjected to an initial approval process. This approval process may involve the review of financial and related quantitative and qualitative information concerning a broker-dealer. Such qualitative factors may include but are not limited to: general reputation of the firm and regulatory history of the firm. Under certain circumstances, it may be necessary for a trader to execute a transaction with a broker-dealer that has not been subject to an initial approval process. This exception process may only be used to grant a broker-dealer approval for the specific transaction being contemplated and only after following established procedures.

In arranging for the purchase and sale of clients' portfolio securities, TAM takes into consideration any legal restrictions, such as those imposed under the securities laws, and any client-imposed restrictions. Within these constraints, TAM employs or deals with members of the securities exchanges and other brokers and dealers that, in TAM's judgment, implement TAM's policy of seeking best execution of portfolio transactions.

TAM's overriding objective in selecting brokers and dealers and in effecting portfolio transactions is to seek to obtain the best combination of price and execution with respect to its clients' portfolio transactions. The best net price, giving effect to brokerage commissions or spreads, if any, and other transaction costs, is normally an important factor in this decision, but a number of other judgmental factors may be considered when relevant.

The factors include, but are not limited to: the execution capabilities required by the transactions; the importance to the account of speed, efficiency and confidentiality; the broker or dealer's apparent familiarity with sources from or to whom particular securities might be purchased or sold; the ability and willingness of the broker or dealer to facilitate the accounts' portfolio transactions by participating for its own account or committing capital to the transaction; TAM's knowledge of negotiated commission rates currently available; the nature of the security being traded; the size and type of the transaction; the nature and character of the markets for the security to be purchased or sold; the desired timing of the trade; the activity existing and expected in the market for the particular security; the execution, clearance and settlement capabilities of the broker or dealer both with respect to the specific transaction and the overall service to TAM as well as the reputation and perceived soundness of the broker-dealer selected and others which are considered; the financial stability of the broker or dealer; TAM's knowledge of actual or apparent operational problems of any broker-dealer; the broker-dealer's execution services rendered on a continuing basis and in other transactions; the reasonableness of commissions; the brokerage and research services provided by the broker or dealer; as well as other matters relevant to the selection of a broker or dealer for portfolio transactions for any account. TAM does not adhere to any rigid formula in making the selection of the applicable broker or dealer for portfolio transactions but weighs a combination of the preceding factors. The criteria being used for best execution is reviewed periodically by the Brokerage Practices Committee (the "Brokerage Committee").

TAM may use Electronic Communications Networks ("ECN") or Alternative Trading Systems ("ATS") to effect such trades when, in TAM's judgment, the use of an ECN or ATS may result in equal or more favorable overall executions for the transactions.

TAM endeavors to be aware of current charges of eligible broker-dealers and to minimize the expenses incurred for effecting portfolio transactions to the extent consistent with the interests and policies of their advisory accounts. However, TAM will not select broker-dealers solely on the basis of "posted" commission rates nor always seek in advance competitive bidding for the most favorable commission rate applicable to any particular portfolio transaction. Although TAM generally seeks competitive commission rates, it will not necessarily pay the lowest commission. Transactions may involve specialized services on the part of the broker-dealer involved resulting in higher commissions than would be the case with transactions requiring more routine services.

The reasonableness of commissions is based on the broker's ability to provide professional services, competitive commission rates, research, and other services, which will help TAM in providing investment management services to its advisory clients. TAM may, therefore, use a broker that provides useful research and securities transaction services even though a lower commission may be charged by another broker.

TAM generally purchases fixed income securities from the issuer or a broker-dealer acting as principal for the securities on a net basis, with no stated brokerage commission paid by the client. However, for fixed income securities purchased in the secondary market, the price typically reflects undisclosed compensation to the broker-dealer; transactions through broker-dealers reflect the spread between the bid and asked prices. In addition, fixed income securities purchased through an underwriter typically include underwriting fees.

### **Research and Other Soft Dollar Benefits**

Consistent with the duty to seek best execution, brokerage commissions on client accounts' portfolio transactions may be directed to broker-dealers in recognition of research furnished by them, as well as for services rendered in the execution of orders by such broker-dealers. The commissions used to acquire research in these arrangements are known as "soft dollars." Under an SEC interpretation, the term "commission" includes a markup, markdown, commission equivalent or other fee paid by an account to a dealer for executing a transaction where the fee and transaction price are fully and separately disclosed on the confirmation and the transaction is reported under conditions that provide independent and objective verification of the transaction price by a self-regulatory organization.

As a result, fees charged in relation to certain NASDAQ-reported riskless principal transactions are eligible for use in soft dollar arrangements in addition to traditional agency commissions charged on equity securities transactions.

Broker-dealers typically provide a bundle of services that include research and execution. The research provided can be either proprietary (created and provided by the broker-dealer, including tangible research as well as access to analysts and traders) or third-party research and/or brokerage services and products (created by a third party but paid for with broker-dealer commissions). A statutory “safe harbor” – Section 28(e) of the Securities Exchange Act of 1934 – allows an investment adviser to use soft dollars to acquire either type of research, and TAM does receive both types of research with soft dollars. TAM also, in the past, has received brokerage services in exchange for soft dollars.

The receipt of research and/or brokerage products and services in exchange for soft dollars benefits TAM by allowing it, at no cost to itself, to supplement its own research and analysis activities, to receive the views and information of individuals and research staffs of other securities firms, and to gain access to persons having special expertise on certain companies, industries, areas of the economy and market factors. To the extent the receipt of such soft dollar services supplants services TAM would have acquired on its own, TAM’s expenses are reduced. TAM therefore may have an incentive to select or recommend a broker-dealer based on its interest in receiving the research or other products or services, rather than on the advisory clients’ interest in receiving most favorable execution. TAM, however, has a fiduciary duty to its advisory clients, which it takes seriously, and other controls, described below, which limit this incentive’s effect.

Where more than one broker-dealer is believed to be capable of providing the best combination of price and execution with respect to a particular portfolio transaction, TAM often selects a broker-dealer that furnishes research products or services, including, but not limited to, reports on the economy, industries, sectors and individual companies or issuers; subscriptions to certain financial publications and research compilations; compilations of securities prices, earnings, dividends and similar data; financial and market databases; quotation services; and services of economic and other consultants providing advice with respect to portfolio strategy. TAM only uses client brokerage commissions to acquire research and/or brokerage products and services that fall within the statutory “safe harbor.”

TAM maintains an internal allocation procedure to identify those brokers that have provided research and the amount of research they provided, and endeavors to direct sufficient commissions to them to ensure the continued receipt of research TAM believes are useful, consistent with the duty to seek best execution. The determination and evaluation of the reasonableness of the commissions paid in connection with portfolio transactions are based primarily on the professional opinions of the person responsible for the placement of such transactions and oversight of the Brokerage Committee. The general level of commissions paid is also reviewed at least quarterly by TAM through its Brokerage Committee.

It is not possible to place a dollar value on the special executions or on the research services TAM receives from broker-dealers effecting transactions in portfolio securities. Accordingly, broker-dealers selected by TAM may be paid commissions for effecting portfolio transactions for client accounts in excess of amounts other broker-dealers would have charged for effecting similar transactions if TAM determines in good faith that such amounts are reasonable in relation to the value of the brokerage and/or research services provided by those broker-dealers, viewed either in terms of a particular transaction or TAM’s overall duty to its discretionary accounts. In determining whether a service or brokerage product qualifies as research or execution, TAM evaluates whether the service or product provides lawful and appropriate assistance to TAM in carrying out its investment decision-making responsibilities.

TAM does not usually attempt to allocate the relative costs or benefits of research and/or brokerage products and services among client accounts because it believes that, in the aggregate, the research

and/or brokerage products and services received benefits clients and assists TAM in fulfilling its overall duty to its respective clients. As a general matter, research and/or brokerage products and services received in exchange for soft dollars may be shared across all the accounts managed by the advisory entities (i.e., TAM and Thrivent) and their Supervised Persons, and may be used by TAM in the development of the model portfolios. Research and/or brokerage products and services obtained with soft dollars will not be limited for use with the specific account(s) that generated the soft dollars used to obtain the research; however, personnel outside of the public equity group may not use such research unless there is no incremental cost associated with the use of such research by such personnel. For example, it is expected that research can be freely shared in cases where there is a platform access arrangement that grants enterprise access to research. Investment personnel outside the equity investment group may not use research services that are paid for through commissions generated by equity transactions unless there is no incremental cost associated with the use of such research.

TAM will not enter into any agreement or understanding with any broker-dealer that would obligate it to direct a specific amount of brokerage transactions or commissions in return for research services. However, certain brokers may state in advance the amount of brokerage commissions they require for certain services and the applicable cash equivalent. TAM may use its available soft dollar credits to obtain a particular product and pay cash to make up any difference. In some cases, TAM receives products or services that are used both as investment research and for administrative, marketing or other non-research purposes ("mixed use" items). In such instances, TAM makes a good faith effort to determine the relative proportions of such products or services that may be considered as investment research and may use soft dollars for the research portion and pay cash for the non-research portion. Although the allocation between soft dollars and cash is not always capable of precise calculation, and accordingly represents a conflict of interest for TAM, TAM will make a good faith effort to allocate such items reasonably. Records of any such allocations and payments are prepared.

TAM may obtain third-party research from broker-dealers or non-broker-dealers by entering into a commission sharing arrangement (a "CSA"). Under a CSA, the executing broker-dealer agrees that part of the commissions it earns on certain equity trades will be allocated to a centralized commission aggregator which will facilitate payment to one or more research and/or brokerage products or services.

### **Client-Directed Brokerage Transactions**

Advisory clients are not generally permitted to direct TAM to use specified broker-dealers in performing portfolio transactions. To the extent that a client may direct TAM to use a particular broker-dealer to execute transactions under terms negotiated by the client with a particular broker-dealer, however, such direction may result in higher commissions, greater spreads or less favorable net prices than might be the case if TAM could negotiate commission rates or spreads freely or select broker-dealers based on best execution. In addition, in a directed brokerage account, the client may pay higher brokerage commissions because TAM may not be able to aggregate orders to reduce transaction costs.

### **Batch Transaction and Allocation Policy**

Occasions may arise when two or more client accounts intend to purchase or sell the same security at approximately the same time on a combined basis. These transactions are referred to as "bunched" or "batched" trades. Due to differences in strategies, it is quite possible that some securities may be held in more than one client account but not traded at the same time.

On those occasions when "bunched" trades are made, authorized traders will seek to achieve the same net unit price of the securities for each account. Where the aggregate order is executed by the same broker in a series of transactions at various prices on a given day, each participating portfolio receives a proportionate share of such order reflecting the same average net price paid or received with respect to the total order. When orders are not aggregated clients may pay prices for transactions that are more or less than the client would have paid had the order been aggregated. A determination may be made not to aggregate orders for a number of reasons, including that it may be impractical because of specific

trade directions received from the portfolio manager, the order involves a different trading strategy, or if the trader otherwise determines that aggregation is not consistent with seeking best execution. From time to time, especially in the case of equity or fixed income new issues, an order may be only partially filled. In these instances, the executed portion of the order will generally be allocated on a pro rata basis based on original order size or portfolio assets. On some occasions, it may be necessary to change the allocation to one or more accounts given the circumstances at the time of the trade or client guidelines. In such circumstances, the partial fill would be allocated across the remaining accounts based on the following exceptions:

- **De minimis allocations.** Exceptions may be justified based upon large differences in asset sizes. This de minimis exception permits smaller accounts, or accounts with a small initial allocation after pro rata calculations, to receive their entire allocation before larger accounts are given their pro rata amount.
- **Uneconomic lot sizes.** Proportionate allocations may be rounded off to avoid holding uneconomic quantities, which might result in lower bids when the securities are eventually sold. Tracking uneconomic lot sizes may be accomplished by tracking both an absolute figure of an economic lot size (e.g., 50 share increments) in conjunction with the total asset size of each participating account.
- **Cash flow disparities.** Proportionate allocations may also be affected by the differing cash flow situations of each portfolio at the time of the transaction.
- **Specialized accounts.** Where there is an insufficient number of securities to satisfy all orders, portfolios with specialized investment policies may take priority over other clients for acquisitions of particular securities which satisfy that portfolio's specialized needs. Tracking specialized account considerations may be accomplished by allocating portions based upon a pro rata allocation using the relative asset size of each participating account's benchmark's holdings in securities of the same class as those being requested.
- **Strategy driven.** Not in alignment with the account's investment strategy and/or objectives or account is already at its target weighting for the investment.

TAM is not obligated to provide the same investment advice to each account it manages, including the purchase of, or participation in, initial public offerings ("IPOs"). In general, each portfolio manager is responsible for determining whether any particular IPO is an appropriate investment for the account he/she manages, based on investment objectives, investment restrictions and trading strategies. Accounts whose investment restrictions preclude investing in new, "unseasoned" or small capitalization issuers will not be considered for investments in IPOs. Accounts that are not prohibited from purchasing IPOs may nevertheless not participate in such transactions if to do so would be inconsistent with their trading practices. As a result, certain accounts managed by TAM may have greater opportunities than others to participate in IPOs.

Portfolio managers may purchase IPOs for the pension plan sponsored by Thrivent that is managed by TAM's affiliated investment adviser, Thrivent, and also may also be purchased for Thrivent's insurance general account. While this is an inherent conflict of interest, TAM and Thrivent take steps to ensure that it does not disadvantage client accounts by allowing such proprietary accounts to participate only on the same terms and at the same price as client accounts.

Money Market portfolio managers may allocate "bunched" trades to client accounts based on a number of factors including pro-rata as determined by the size of the original order, based on odd-lot size of the allocation received, based on updated cash or liquidity levels, or based on block size and/or current portfolio holding concentrations (i.e., issuer and sector concentrations). Due to the potential for large swings in cash movement or where investable cash numbers may not be available until after the market has commenced trading, the Money Market portfolio manager may allocate such trades after they are

executed. Securities traded for this asset class are considered substitutable, meaning the characteristics of a security can be easily replicated by other available securities in the marketplace to achieve the desired investment objective.

## Item 13 - Review of Accounts

The accounts managed by TAM are reviewed by its Portfolio Compliance group and applicable portfolio managers on a daily basis for compliance with investment policies and for risk evaluation. On a periodic basis, TAM's senior investment personnel review each account using various risk metrics.

It is TAM's policy that the utmost care be taken in making and implementing investment decisions on behalf of client accounts. To the extent that an error occurs, it is subject to TAM's Trade Error Policy and Procedures.

For its model portfolios, TAM typically reviews how the allocations have drifted from its target allocations on a regular basis. In addition, TAM reviews the allocations in its Model Portfolios Committee meeting, which takes place at least quarterly. TAM also produces internal reports designed to help compare the model portfolios to their benchmarks, as well as reports tracking the underlying holdings. These reports are produced either quarterly, monthly or in line with trade events. TAM does not monitor the accounts of clients of managed account providers who utilize TAM's model portfolios; the managed account provider is responsible for monitoring the accounts and implementing any changes to the accounts in connection with changes to TAM's model portfolios communicated by TAM.

The Funds provide periodic written reports to their shareholders as required by law. TAM provides periodic written reports to the clients to whom it provides model portfolios, who in turn are responsible for providing reporting to their clients.

## Item 14 - Client Referrals and Other Compensation

Other than the soft dollar arrangements that are described in Item 12 above, no non-advisory client provides TAM with an economic benefit for providing investment advice or other advisory services.

Sales personnel of Thrivent Distributors are paid variable compensation based on sales of the Affiliated Underlying Funds. TAM does not pay compensation to any referring advisor or broker dealer related to TAM's model portfolios. However, a managed account platform manager may charge a platform fee for making TAM's model portfolios available within its network.

## Item 15 - Custody

Clients typically select custodians and negotiate and enter into custody agreements with custodians without TAM's involvement. TAM generally does not seek to hold client assets or have broad authority to withdraw client assets upon instruction to custodians, and TAM disclaims authority attributed to TAM in custody agreements between clients and custodians to withdraw client assets upon instruction to the custodian. TAM's authority as it relates to custody is generally limited in the ordinary course to customary trading and settlement of securities and investment transactions in the client's account (typically on a "delivery vs payment" basis for securities transactions).

TAM does not incur custody over any funds or securities in connection with its model portfolio services.

## Item 16 - Investment Discretion

When TAM provides model portfolios to program sponsors, it does so on a non-discretionary basis.

TAM does not have investment discretion with respect to the clients of a program sponsor. TAM has discretionary authority to manage investments on behalf of the Funds pursuant to Investment Management Agreements.

## Item 17 - Voting Client Securities

TAM votes proxies for securities held by the Funds according to the policy described below. TAM is not responsible for voting the proxies for the holdings in the model portfolios. Rather, the program sponsor is responsible for determining how proxies for holdings in their clients' accounts are voted.

### Responsibility to Vote Proxies

**Overview.** Thrivent Financial for Lutherans and Thrivent Asset Management, LLC (collectively, in their capacity as investment advisers, "**Thrivent**") have adopted Proxy Voting Policies and Procedures ("**Policies and Procedures**") for the purpose of establishing formal policies and procedures for performing and documenting Thrivent's fiduciary duty with regard to the voting of client proxies, including investment companies which it sponsors and for which it serves as investment adviser ("**Thrivent Funds**") and by institutional accounts who have requested that Thrivent be involved in the proxy process.

**Fiduciary Considerations.** It is the policy of Thrivent that decisions with respect to proxy issues will be made primarily in light of the anticipated impact of the issue on the desirability of investing in the portfolio company. Thrivent seeks to vote proxies solely in the interests of the client, including Thrivent Funds, and in a manner consistent with its fiduciary obligations and responsibilities. Logistics involved may make it impossible at times, and at other times disadvantageous, to vote proxies in every instance.

The procedural requirements contained in these Policies and Procedures do not apply in the case of requests for consents related to investments in private funds. With respect to private fund investments, the procedures described below under "Consents Related to Private Fund Investments" apply.

### Administration of Policies and Procedures

Thrivent has formed a committee that is responsible for establishing positions with respect to corporate governance and other proxy issues, as well as overseeing the environmental, social and governance ("**ESG**") analysis components of Thrivent's investment processes ("**Committee**"). Annually, the Committee reviews the Policies and Procedures, including in relation to recommended changes reflected in applicable benchmark policies and voting guidelines of Institutional Shareholder Services Inc. ("**ISS**"). As discussed below, Thrivent may, with the approval of the Committee, vote proxies other than in accordance with the applicable voting guidelines in the Policies and Procedures.

### How Proxies are Reviewed, Processed and Voted

#### Proxy Voting Process Overview

Thrivent's proxy voting process is designed to act in the best interests of the Thrivent Funds and other accounts it manages, adhering to legal and fiduciary standards. This process involves a careful evaluation of management and shareholder proposals pursuant to Thrivent's Proxy Voting Guidelines, incorporating a wide range of factors that are financially material to portfolio companies' and Thrivent clients' objectives. Thrivent's global approach is informed by various sources, including management's recommendation, the advice of proxy voting advisory firms, and internal assessments. Thrivent's Proxy Voting Guidelines are crafted to help clients and portfolio companies understand its voting rationale, maintaining flexibility to adapt to individual situations.



Thrivent may on any particular proxy vote determine that it is in the best interests of any of its clients to diverge from the applicable Voting Guidelines or process. In such cases, the person requesting to diverge from the Voting Guidelines or process is required to document in writing the rationale for their vote and submit all written documentation to the Committee for review and approval. In determining whether to approve any particular request, the Committee will determine that the request is not influenced by any conflict of interest and is in the best interests of the applicable client(s).

### **Retention of a Third Party Proxy Adviser**

In order to facilitate the proxy voting process, Thrivent has retained ISS, an unaffiliated third-party proxy service provider, to provide proxy voting-related services, including custom vote recommendations, research, vote execution, reporting, auditing and consulting assistance for the handling of proxy voting responsibilities. ISS specializes in providing a variety of fiduciary-level proxy advisory and voting services. ISS analyzes each proxy vote of Thrivent's client accounts and prepares a recommendation and/or materials for Thrivent's consideration which reflect ISS's application of the Policies and Procedures.

In determining how to vote proxies, Thrivent leverages applicable market specific ISS voting guidelines, generally the ISS Benchmark Proxy Voting Guidelines ("**Benchmark Guidelines**") and the ISS Sustainability Proxy Voting Guidelines ("**Sustainability Guidelines**," collectively the "**ISS Guidelines**"). For certain proposal types, Thrivent will provide standing instructions to ISS to vote proxies based on the recommendation of the Benchmark Guidelines. For other proposal types, Thrivent uses research and recommendations issued pursuant to the ISS Guidelines and a determination by investment and/or other Thrivent personnel as the circumstances warrant.

The ISS Guidelines can be found at <https://www.issgovernance.com/policy-gateway/voting-policies/>.

Thrivent utilizes ISS's voting agent services for notification of upcoming shareholder meetings of portfolio companies held in client accounts and to transmit votes on behalf of Thrivent's clients. ISS provides comprehensive summaries of proxy proposals, publications discussing key proxy voting issues, and specific vote recommendations regarding portfolio company proxies to assist in the proxy voting process. The final authority and responsibility for proxy voting decisions remains with Thrivent. Decisions with respect to proxy matters are made primarily in light of the anticipated impact of the issue on the desirability of investing in the company from the viewpoint of our respective clients, while adhering to legal and fiduciary standards to maximize shareholder value.

### **Supplement Applicable to Quantitative/Index Strategies**

Certain of Thrivent's client accounts are accounts (or a portion thereof) that employ a quantitative strategy that relies on factor-based models or an index-tracking approach rather than primarily on fundamental security research and analyst coverage that an actively managed portfolio using fundamental research would typically employ ("Quantitative/Index Accounts"); often, these accounts hold a high number of positions. Accordingly, in light of the considerable time and effort that would be required to review ISS research and recommendations and the differing strategies for these accounts, absent client direction, for securities held only in Quantitative/Index Accounts, for certain categories of proposals, Thrivent may use a different process than is used for other accounts to review and determine a voting outcome. For these categories of proposals, Thrivent would, consistent with the best interest of its clients, provide standing instructions to ISS to vote proxies based on the recommendation of ISS pursuant to the Benchmark Guidelines. When securities are also held in accounts (or a portion thereof) that rely on fundamental security research and analyst coverage, the Quantitative/Index Accounts will generally vote in accordance with the voting determination of those fundamental account(s), subject to any exceptions that may arise consistent with these guidelines and policies, including pursuant to the Supplements below.

### **Supplement Applicable to Thrivent Small-Mid Cap ESG ETF (the “ETF”) only**

Thrivent expects to vote proxies on behalf of the ETF in many cases in accordance with its guidelines created as described above and discussed below under the heading “Thrivent’s Proxy Voting Guidelines.” However, Thrivent retains the discretion in all cases to vote in a manner inconsistent with these guidelines and policies if it believes such a vote is in the ETF’s best interest after consideration of any information Thrivent believes relevant, including in light of the ETF’s focus on long-term sustainable business models. This may mean that proxies are voted on behalf of the ETF in a manner that differs from votes for other clients.

### **Supplement Applicable to Thrivent ESG Index Portfolio (“ESG Index Portfolio”) only**

Thrivent expects to vote proxies on behalf of ESG Index Portfolio in many cases in accordance with its guidelines created as described above and discussed below under the heading “Thrivent’s Proxy Voting Guidelines,” using similar processes as for other clients employing a quantitative strategy as discussed above. However, Thrivent retains the discretion in all cases to vote in a manner inconsistent with these guidelines and policies if it believes such a vote is in ESG Index Portfolio’s best interest after consideration of any information Thrivent believes relevant, including in light of ESG Index Portfolio’s focus on tracking the investment results of an index composed of companies selected by the index provider based on environmental, social and governance characteristics. This may mean that proxies are voted on behalf of ESG Index Portfolio in a manner that differs from votes for other clients.

### **Evaluation Framework**

For environmental and social related proposals where Thrivent uses research and recommendations issued pursuant to the ISS Guidelines and a voting determination is made by investment and/or other Thrivent personnel, Thrivent has developed a proxy voting evaluation framework designed to thoroughly assess each proposal, ensuring alignment with the best interests of shareholders. Aspects of this framework may also be used for other proposals where Thrivent uses research and recommendations issued pursuant to the ISS Guidelines and a voting determination is made by investment and/or other Thrivent personnel.

### **Monitoring and Resolving Conflicts of Interest**

The Committee is responsible for monitoring and resolving possible material conflicts between the interests of Thrivent and those of its clients with respect to proxy voting. Examples of situations where conflicts of interest can arise are when i) the issuer is a vendor whose products or services are material to Thrivent’s business; ii) the issuer is an entity participating to a material extent in the distribution of proprietary investment products advised, administered or sponsored by Thrivent; iii) an Access Person<sup>1</sup> of Thrivent also serves as a director or officer of the issuer; and iv) there is a personal conflict of interest (e.g., familial relationship with company management). Other circumstances or relationships can also give rise to potential conflicts of interest.

All material conflicts of interest will be resolved in the interests of the clients. Application of the Policies and Procedures’ applicable voting guidelines to vote client proxies is generally relied on to address possible conflicts of interest since the voting guidelines are pre-determined by the Committee. Where there is discretion in the voting guidelines, voting as recommended under an ISS policy may be relied on to address potential conflicts of interest.

In cases where Thrivent is considering overriding these Policies and Procedures’ applicable voting guidelines, or in the event there is discretion in determining how to vote (for example, where or the

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<sup>1</sup> "Access Person" has the meaning provided under the current Thrivent Code of Ethics.

guidelines provide for a case by case internal review) matters presented for vote are not governed by such guidelines, the Committee will follow these or other similar procedures:

- Compliance will conduct a review to seek to identify potential material conflicts of interest. If no material conflict of interest is identified, the proxy will be voted as determined by the Committee or the appropriate Thrivent personnel under these policies and procedures. The Compliance review process for identifying potential conflicts of interest will be reviewed by the Committee and may include a review of factors indicative of a potential conflict of interest or a determination that voting in accordance with ISS's recommendation(s) can reasonably be relied on to address potential conflicts of interest.
- If a material conflict of interest is identified, the Committee will be apprised of that fact and the Committee will evaluate the proposed vote in order to ensure that the proxy ultimately is voted in what Thrivent believes to be the best interests of clients, and without regard for the conflict of interest. The Committee will document its vote determination, including the nature of the material conflict, the Committee's analysis of the matters submitted for proxy vote, and the reasons why the Committee determined that the votes were cast in the best interests of clients.

Certain Thrivent Funds ("top tier fund") may own shares of other Thrivent Funds ("underlying fund"). If an underlying fund submits a matter to a shareholder vote, the top tier fund will generally vote its shares in the same proportion as the other shareholders of the underlying fund. If there are no other shareholders in the underlying fund, the top tier fund will vote in what Thrivent believes to be in the top tier fund's best interest.

### **Shareblocking**

Shareblocking is the practice in certain foreign countries of "freezing" shares for trading purposes in order to vote proxies relating to those shares. Thrivent generally refrains from voting shares in shareblocking countries unless the matter has compelling economic consequences that outweigh the loss of liquidity in the blocked shares.

### **Applying Proxy Voting Policies to non-U.S. Companies**

Thrivent applies a two-tier approach to determining and applying global proxy voting policies. The first tier establishes baseline policy guidelines for the most fundamental issues, which apply without regard to a company's domicile. The second tier takes into account various idiosyncrasies of different countries, making allowances for standard market practices, as long as they do not violate the fundamental goals of good corporate governance. The goal is to enhance shareholder value through effective use of the shareholder franchise, recognizing that applying policies developed for U.S. corporate governance may not be appropriate for all markets.

### **Securities Lending**

From time to time, certain clients may participate in a securities lending program. Thrivent will not have the right to vote shares on loan as of record date. Thrivent will generally not seek to recall shares on loan in order to vote, unless it determines that a vote would have a material effect on an investment in such loaned security. Thrivent will use reasonable efforts to recall securities. The ability to vote recalled shares is subject to administrative considerations, including the feasibility of a timely recall prior to record date. Thrivent may also restrict lending of securities in consideration of individual account and/or aggregate client investment in a company, or other criteria established from time to time.

## Oversight, Reporting and Record Retention

### Retention of Proxy Service Provider and Oversight of Voting

In overseeing proxy voting generally and determining whether or not to retain the services of ISS, Thrivent performs the following functions, among others, to determine that Thrivent continues to vote proxies in the best interest of its clients: i) periodic sampling of proxy votes; ii) periodic reviews of Thrivent's Policies and Procedures to determine they are adequate and have been implemented effectively, including whether they continue to be reasonably designed to ensure that proxies are voted in the best interest of Thrivent's clients; iii) periodic due diligence on ISS designed to monitor ISS's a) capacity and competency to adequately analyze proxy issues, including the adequacy and quality of its staffing and personnel, as well as b) its methodologies for developing vote recommendations and ensuring that its research is accurate and complete; and iv) periodic reviews of ISS's procedures regarding their capabilities to identify and address conflicts of interest.

Proxy statements and solicitation materials of issuers (other than those which are available on the SEC's EDGAR database) are kept by ISS in its capacity as voting agent and are available upon request. Thrivent retains documentation on shares voted differently than the Thrivent Policies and Procedures voting guidelines, and any document which is material to a proxy voting decision such as the Thrivent Policies and Procedures voting guidelines and the Committee meeting materials.

ISS provides Vote Summary Reports for each Thrivent Fund. The report specifies the company, ticker, cusip, meeting dates, proxy proposals, and votes which have been cast for the Thrivent Fund during the period, the position taken with respect to each issue and whether the Thrivent Fund voted with or against company management.

### Copies of Voting Records and Policies

A copy of Thrivent's detailed voting guidelines and the voting records of client accounts are available to Thrivent's clients upon request.

### Consents Related to Private Fund Investments

From time to time, the Thrivent Funds may invest in private investment funds ("private funds"). When these private funds request consent to change the terms or other conditions of their securities, Thrivent will promptly review these solicitations. Thrivent is committed to voting in the best interests of its clients, taking into account any potential conflicts of interest. The responsibility to vote on consents is delegated to certain of the Investment Personnel, as defined in the Thrivent Code of Ethics, of the Private Investments Group. The Private Investments Group, alongside the Chief Compliance Officer, will document and assess any potential conflicts of interest related to the consent voting process. If a conflict is deemed material by the Chief Compliance Officer, the Committee will be apprised. The Committee will then determine the best way to manage the conflict, ensuring votes serve the clients' best interests. Other clients of Thrivent that vote on consents, including the Thrivent White Rose Funds, have other procedures related to the voting of consents as described in Thrivent Financial for Lutherans' Part 2A of Form ADV.

## Thrivent's Proxy Voting Guidelines

Specific voting guidelines have been adopted by the Committee for regularly occurring categories of management and shareholder proposals. The detailed voting guidelines are available to Thrivent's clients upon request. The following is a summary of significant Thrivent policies, which are generally consistent with the Benchmark Guidelines referenced above.

# Board of Directors and Corporate Governance

## Voting on Director Nominees in Uncontested Elections

Generally, Thrivent votes for director nominees, except under specific circumstances.

Four fundamental principles apply when determining votes on director nominees:

1. **Accountability:** Boards should be sufficiently accountable to shareholders, including through transparency of the company's governance practices and regular board elections, by the provision of sufficient information for shareholders to be able to assess directors and board composition, and through the ability of shareholders to remove directors. It is expected that boards will engage in critical self-evaluation of themselves and of individual members. Individual directors, in turn, are expected to devote significant amounts of time to their duties and to limit the number of directorships they accept.
2. **Responsiveness:** Directors should respond to investor input, such as that expressed through significant opposition to management proposals, significant support for shareholder proposals (whether binding or non-binding), and tender offers where a majority of shares are tendered.
3. **Composition:** Boards should be sufficiently diverse to ensure consideration of a wide range of perspectives.
4. **Independence:** Thrivent believes boards are expected to have a majority of directors independent of management. The independent directors are expected to organize much of the board's work, even if the chief executive officer also serves as chairperson of the board. Key committees (audit, compensation, and nominating/corporate governance) of the board are expected to be entirely independent of management.

Circumstances under which Thrivent may vote against or withhold votes from directors include:

- **Low Attendance:** Thrivent withholds votes for directors who miss more than one-fourth of the scheduled board meetings."
- **Material Oversight Failures:** Boards should be held responsible for risk oversight or fiduciary responsibility failures. Examples of risk oversight failures include but are not limited to: bribery; large or serial fines or sanctions from regulatory bodies; demonstrably poor risk oversight of environmental and social issues; or significant adverse legal judgements or settlement.
- **Limitations on Shareholder Rights:** Thrivent will generally withhold votes from appropriate directors if the company's governing documents impose undue restrictions on shareholder's ability to amend bylaws.
- **Excessive Non-Audit Fees:** Thrivent will generally withhold votes from appropriate directors if non-audit fees paid to the auditor are excessive.
- **Compensation-Related Issues:** Thrivent will generally withhold votes from appropriate directors if the company maintains significant problematic pay practices.
- **ESG-Related Failures:** Thrivent will generally vote case-by-case as appropriate on directors if the company is a significant greenhouse gas emitter and is not taking the minimum steps needed to understand, assess, and mitigate risks related to climate change via detailed disclosure of climate-related risks and appropriate greenhouse gas emissions reduction targets.

## Voting on Director Nominees in Contested Elections

Thrivent votes case-by-case on the election of directors in contested elections.

## Other Proposals Related to Board Structure & Accountability

Thrivent believes boards should be sufficiently accountable to shareholders, including through transparency of the company's governance practices and regular board elections, by the provision of sufficient information for shareholders to be able to assess directors and board composition, and through the ability of shareholders to remove directors.

Thrivent may vote case-by-base on proposals related to age & term limits, proposals to establish or amend director qualifications, proposals to establish a new board committee, proposals to separate the board chair and CEO position, proposals related to director and officer indemnification, liability protection, and exculpation, and other proposals related to routine/standard board-related items.

Thrivent votes against management efforts to stagger board member terms because a staggered board may act as a deterrent to takeover proposals. For the same reason, Thrivent votes against proposals to eliminate cumulative voting and votes for proposals that seek to fix the size of the board.

### **Ratification of Auditors**

Thrivent votes for proposals to ratify auditors, unless an auditor has a financial interest in or association with the company, and is therefore not independent; there is reason to believe that the independent auditor has rendered an opinion that is neither accurate nor indicative of the company's financial position; non-audit fees paid represent 50 percent or more of the total fees paid to the auditor; or poor accounting practices are identified that rise to a serious level of concern.

### **Executive and Director Compensation**

Well-designed incentive programs play a crucial role in guiding executive management decisions towards long-term value enhancement. Conversely, incentive programs with unsuitable performance targets or design flaws can hinder the alignment between management's incentives and the interests of investors. We believe that as proactive investors, it's our duty to comprehend the compensation structures of the companies in our portfolio and to offer constructive feedback — via our proxy voting and direct interactions — whenever we identify areas of concern.

### **Advisory Vote on Executive Compensation (Say on Pay)**

Shareholder votes to approve executive compensation — generally votes of an advisory nature — have become common in markets around the world. It is challenging to apply a rules-based framework to compensation votes because every pay program is a unique reflection of the company's performance, industry, size, geographic mix, and competitive landscape. Additionally, factors such as executives' individual performance, achievement of goals, experience, tenure, skills, and leadership should be taken into account in evaluating the overall compensation context. For these reasons, Thrivent votes on executive and director compensation proposals following a case-by-case evaluation. Generally, Thrivent opposes compensation packages that provide what we view as excessive awards to a few senior executives or that contain excessively dilutive stock option grants based on a number of criteria such as the costs associated with the plan, plan features, and dilution to shareholders.

Factors considered in our evaluation of "Say on Pay" votes includes an annual pay-for-performance analysis for companies in the S&P 1500, Russell 3000 or Russell 3000E Indices, conducted by ISS. This evaluation includes two primary factors:

- **Peer Group Alignment:** This assesses the relationship between the company's total shareholder return (TSR) rank and the CEO's total pay rank within a peer group, measured over three years. It also considers the CEO's pay multiple relative to the peer group median.
- **Absolute Alignment:** This examines the alignment between the trend in CEO pay and company TSR over the previous five fiscal years.

If this analysis indicates significant misalignment, Thrivent may include qualitative factors for a deeper evaluation, such as the ratio of performance- to time-based incentives, the rigor of performance goals, and transparency of pay program disclosures. Additionally, Thrivent scrutinizes problematic pay practices on a case-by-case basis, focusing on practices that contravene global pay principles.

Thrivent generally votes for holding annual advisory votes on compensation, which provide the most consistent and clear communication channel for shareholder concerns about companies' executive pay programs.

### **Equity-Based and Other Incentive Plans**

We believe long-term equity plans, used appropriately, provide strong alignment of interests between executives and investors. These plans can be effective in linking executives' pay to the company's performance as well as attracting and retaining management talent.

We evaluate requests to approve or renew equity plans on a case-by-case basis, taking into account a combination of certain plan features and equity grant practices, where positive factors may counterbalance negative factors, and vice versa, as evaluated using an "Equity Plan Scorecard" (EPSC) approach with three pillars:

**Plan Cost:** The total estimated cost of the company's equity plans relative to industry/market cap peers, measured by the company's estimated Shareholder Value Transfer (SVT) in relation to peers and considering both:

- SVT based on new shares requested plus shares remaining for future grants, plus outstanding unvested/unexercised grants; and
- SVT based only on new shares requested plus shares remaining for future grants.

#### **Plan Features:**

- Quality of disclosure around vesting upon a change in control (CIC);
- Discretionary vesting authority;
- Liberal share recycling on various award types;
- Lack of minimum vesting period for grants made under the plan;
- Dividends payable prior to award vesting.

#### **Grant Practices:**

- The company's three year burn rate relative to its industry/market cap peers;
- Vesting requirements in CEO'S recent equity grants (3-year look-back);
- The estimated duration of the plan (based on the sum of shares remaining available and the new shares requested, divided by the average annual shares granted in the prior three years);
- The proportion of the CEO's most recent equity grants/awards subject to performance conditions;
- Whether the company maintains a sufficient claw-back policy;
- Whether the company maintains sufficient post exercise/vesting share-holding requirements.

### **Other Compensation Plans**

Thrivent has varying approaches for evaluating other compensation-related proposals, guided by a set of principles aimed at ensuring fair and effective compensation practices.

### **Capital Structure and Incorporation**

Thrivent generally votes on a case-by-case basis on proposals related to capital structure and incorporation and seeks to vote in a way that protects shareholders' value in the companies in which the

Thrivent funds invest. When voting on capital structure issues, Thrivent considers the dilutive impact to shareholders and the effect on shareholder rights.

Thrivent will evaluate reincorporation proposals on a case-by-case basis. Considerations include:

- Regulations of both states or countries
- Required fundamental policies
- Increased flexibility available

### **Increases in Common Stock**

Thrivent's policy for voting on proposals to increase the number of authorized shares of common stock is nuanced and case-by-case, guided by specific criteria. For general corporate purposes, the policy is to vote for an increase in authorized shares depending on the percentage of share usage: up to 50% increase if less than 50% of current shares are used, up to 100% if usage is between 50% and 100%, and up to the current share usage if it exceeds the authorized shares. However, Thrivent generally votes against increases, even within these parameters, if the proposal or the company's use of shares is problematic, such as seeking to increase shares with superior voting rights or having a non-shareholder approved poison pill. Exceptions are made for increases beyond these ratios in cases where non-approval poses severe risks, like imminent bankruptcy or requirements by government bodies. In states allowing unilateral capital increases without shareholder approval, Thrivent may vote against all nominees if the increase doesn't conform to these policies. For specific authorization requests linked to transactions (like acquisitions or SPAC transactions), the policy is generally to vote for the increase, with the allowable increase being the greater of twice the amount needed for the transactions or the calculated increase for general issuances.

### **Multi-Class Share Structures**

Thrivent generally recommends voting against proposals to create a new class of common stock, except in specific circumstances where the company provides a compelling rationale for a dual-class capital structure. Such exceptions include situations where the company's auditor expresses substantial doubt about the company's ongoing viability, or when the new share class is intended to be temporary. Additionally, Thrivent may support the creation of a new class if it is aimed at financing purposes with minimal or no short-term and long-term dilution to current shareholders, and it is not structured to preserve or enhance the voting power of insiders or significant shareholders. The policy underscores a cautious approach to changes in capital structure that could impact shareholder rights and company governance.

### **Mergers and Acquisitions**

Thrivent votes on mergers and acquisitions on a case-by-case basis, taking into account and balancing the following: anticipated financial and operating benefits, including the opinion of the financial advisor, market reaction, offer price (cost vs. premium) and prospects of the combined companies; how the deal was negotiated; potential conflicts of interest between management's interests and shareholders' interests; and changes in corporate governance and their impact on shareholder rights.

### **Anti-takeover and Shareholder Rights Plans**

Thrivent adopts a nuanced approach towards voting on anti-takeover provisions, with a policy anchored in the principles of flexibility, fairness, and transparency in corporate governance. This approach involves critical evaluation of various factors, including the dilutive impact of capital structure changes, the balance of authority between the board and shareholders, especially in amending bylaws, and the careful scrutiny of provisions related to control share acquisitions, fair price, and poison pills. Thrivent also assesses the implications of litigation rights, voting disclosure, and mechanisms that empower



shareholders, such as the ability to act by written consent or call special meetings. We believe in maintaining a market for corporate control that functions without undue restrictions, as it often leads to acquisitions that increase shareholder value. Consequently, Thrivent typically votes against the adoption of anti-takeover provisions like shareholder rights plans (poison pills), which can lead to management entrenchment and reduced board accountability, aiming to support proposals that enhance shareholder value and rights and oppose those that restrict or harm these interests.

### **Shareholders Rights Plans (“poison pills”)**

For shareholder proposals requesting the submission of a poison pill to a vote or its redemption, Thrivent generally votes in favor, except when there is an existing shareholder-approved poison pill or a policy that allows the board to adopt a pill under specific conditions, including immediate shareholder ratification. Such pills must be put to a shareholder vote within 12 months of adoption or they will expire.

In cases where management proposes ratification of a poison pill, Thrivent's vote is case-by-case, focusing on the rights plan's attributes like a trigger no lower than 20%, a maximum term of three years, the absence of features that limit a future board's ability to redeem the pill, and a shareholder redemption feature. The company's rationale for adopting the pill is also critically assessed, along with its governance structure, including board independence and existing defenses.

When it comes to poison pills aimed at preserving Net Operating Losses (NOLs), Thrivent votes against proposals if the term exceeds the shorter of three years or the exhaustion of the NOLs. For management proposals to ratify NOL pills with a shorter term, the vote is case-by-case, considering factors like the ownership threshold, the value of the NOLs, shareholder protection mechanisms, the company's governance structure, and other relevant factors.

### **Shareholder Ability to Call a Special Meeting & Act by Written Consent**

Thrivent's policy regarding shareholder rights to act by written consent and to call special meetings is focused on maintaining and enhancing shareholder participation and influence in corporate governance. Generally, Thrivent votes against any proposals that seek to restrict or prohibit shareholders' ability to act by written consent. We generally support proposals that enable shareholders to act by written consent, considering factors such as the existing rights, consent thresholds, any exclusionary language, the investor ownership structure, and the history of shareholder support and management responses to related proposals.

When it comes to shareholders' ability to call special meetings, Thrivent typically votes against proposals that restrict or prohibit this right. We generally support management or shareholder proposals that facilitate the ability of shareholders to call special meetings, paying attention to current rights, the minimum ownership threshold necessary for calling meetings (with a preference for a 10% threshold), any prohibitive language in the proposals, the investor ownership structure, and the track record of both shareholder support and management's responses to past proposals.

### **Voting Requirements**

Thrivent generally supports management proposals to adopt a majority of votes cast standard for directors in uncontested elections.

Thrivent generally opposes proposals to require a supermajority shareholder vote and generally supports proposals to reduce supermajority vote requirements. However, for companies with shareholder who have significant ownership levels, Thrivent may vote case-by-case, taking into account: Ownership structure; Quorum requirements; and Vote requirements.

Thrivent generally votes case-by-case on proposals regarding proxy voting mechanics, taking into consideration whether implementation of the proposal is likely to enhance or protect shareholder rights. Specific issues include, but are not limited to, confidential voting of individual proxies and ballots, confidentiality of running vote tallies, and the treatment of abstentions and/or broker non-votes in the company's vote-counting methodology.

## Social, Environmental and Corporate Responsibility Issues

### Overview of Environmental and Social Issues

The consideration of environmental and social (E&S) issues in voting is integral to our review of corporate governance and general investment stewardship. Recognizing the diverse impact these issues can have on long-term shareholder value, our approach is grounded in a thorough evaluation of relevant issues. These issues may include business activity impacts on the environment and climate, human and labor rights, health and safety, diversity, equity and inclusion, as well as general impacts on communities. The overall guiding principle on vote determinations examines primarily whether the proposal is likely to enhance or protect shareholder value.

### Considerations for Evaluating Environmental and Social Proposals

When evaluating environmental and social proposals, we adopt a case-by-case analysis that balances the specific circumstances of each company with the broader context of market norms and regulatory requirements. Our evaluation is rooted in a framework that involves analyzing the relevance of a proposal in terms of its direct relation to the company's business activities, strategies, and performance.

The potential material impact of the proposal on the company's long-term value is also scrutinized, focusing on those proposals that could significantly influence the company's financial performance or valuation. Additionally, Thrivent examines the company's current practices, policies, and disclosures relevant to the proposal, while considering industry-standard practices and trends (market norms) to provide a benchmark for evaluation. Understanding the legal and regulatory landscape, including existing laws and future regulatory trends, forms a part of this evaluation. The framework also encompasses identifying the proposal's proponents to understand their motivations and potential implications, as well as considering the proposal's potential reputational impact on the company. Assessing the reasonableness of the proposal in terms of practicality, feasibility, and logic, and evaluating its persuasiveness based on clarity, logic, and evidence, are also integral components of the process. Through this structured approach, integrating various relevant components, Thrivent ensures comprehensive and responsible decision-making in its proxy voting proposal evaluations.

Thrivent employs a structured set of questions in its proxy voting proposal evaluation process, integrating the various relevant components outlined above to ensure comprehensive decision-making.

Question	Explanation
<b>1. Does the resolution address an issue that is material for this company? / Does the proposal reflect an industry-specific, materiality-driven approach?</b>	The relevance of the resolution is crucial in determining if it aligns with the core business and operations of the company. Materiality is key to understanding if the issue can significantly impact the company's long-term value.
<b>2. Are the proponents credible - Who are the proponents of the resolution, and are our objectives aligned with theirs? What is management's recommendation?</b>	Understanding the proponent helps identify their motivations and alignment with the company's objectives. The reasonableness and persuasiveness of the proposal are essential to ensure it is practical and effectively communicated.

<b>3. Does the proposal address a current shortcoming? If yes, has the company already announced intentions to address the shortcoming?</b>	Current practices and disclosures are reviewed to check if the company has already taken steps to address the issue. Market norms provide context by showing industry standards and peer responses.
<b>4. Are shareholders the optimal stakeholders to address the core issue that is the subject of the resolution?</b>	This involves assessing whether the issue falls within shareholder influence or if it's better addressed through regulatory compliance and legal mandates.
<b>5. Is the proposal NOT overly prescriptive?</b>	The reasonableness of the proposal is evaluated to ensure it is not excessively demanding. The company's current practices and disclosures are reviewed to determine if there is already a framework addressing the issue.

### **Disclosure-Related Proposals**

In assessing proposals that request enhanced disclosure, Thrivent focuses on several critical factors, such as the company's current level of disclosure, its compliance with relevant regulations and guidelines, and any significant controversies or fines that might have arisen. Thrivent recognizes the value of globally recognized reporting frameworks such as the Global Reporting Initiative (GRI), the Sustainability Accounting Standards Board (SASB), and the Taskforce for Climate-Related Financial Disclosures (TCFD) in guiding companies to provide clear, relevant, comparable, and accurate information that enables informed investment decisions.

Thrivent's policy is to vote on a case-by-case basis on shareholder proposals seeking greater disclosure on a company's environmental and social practices, as well as any associated risks and liabilities. The goal is to ensure that disclosures effectively balance the needs and interests of various stakeholders, supporting long-term business growth, community support, and environmental stewardship.

### **Action-Related Proposals**

Regarding proposals that require a company to take a certain action, our policy is to carefully scrutinize requests for the adoption of specific targets, goals, or changes in business practices. We acknowledge that while shareholders may not always have the intricate knowledge of a company's strategic operations, there are instances where such proposals can highlight areas needing improvement.

Thrivent assesses each proposal based on the nature of the company's business, the practicality and feasibility of implementing the proposed actions, and how these actions align with the company's overall strategy and operational capabilities. In considering these proposals, Thrivent pays close attention to the company's ability to address the issues raised in the proposal, the proposal's prescribed timetable and methods for implementation, and how the company's practices compare with those of its industry peers.

## **Copies of Voting Records and Policies**

A copy of Thrivent's detailed voting guidelines and the voting records of client accounts are available to Thrivent's clients upon request.

## **Item 18 - Financial Information**

TAM does not require or solicit prepayment of more than \$1,200 in fees per client six months or more in advance and, thus, has not included a balance sheet of its most recent fiscal year. TAM is not aware of

any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to clients, nor has TAM been the subject of a bankruptcy petition at any time during the past ten years.

## Item 19 - Requirements for State-Registered Advisers

Not applicable.