



## 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 800-521-5308. 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**

As this is the first version of TAM's brochure, there are no material changes to it.

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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 Financial"). Thrivent Financial is a Fortune 500 company and is the largest fraternal benefit society in the United States.

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 Core Funds, which is also a registered investment company but only offers its mutual fund series to Thrivent Mutual Funds and other Thrivent entities. TAM also provides investment advisory services to Thrivent Church Loan and Income Fund, which is a closed-end registered investment company that operates as an interval fund (together with the Thrivent Mutual Funds and Thrivent Core Funds, the "Funds"). In connection with its advisory services to the Funds, TAM and its affiliates receive advisory, administration, transfer agency, and distribution fees from the Funds. Clients should carefully review the Funds' prospectuses for more detailed information regarding the Funds to which TAM provides investment services.

In addition, TAM provides investment advisory services by providing model portfolios to managed account programs sponsored by other registered investment advisers, broker-dealers and other financial intermediaries. The program sponsor, which is TAM's client, is generally responsible for investment decisions and performing other services and functions. As TAM does not have investment discretion, TAM does not consider itself to have an advisory relationship with clients of the sponsor of a model-based program. Rather, TAM provides its models to the firms that offer our model investment strategies and may be paid a fee by these firms. To the extent that this Form ADV Part 2A is delivered to program clients with whom TAM has no advisory relationship, 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 model-based program sponsor and cannot assure the quality of its services.

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 invests 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, including the affiliated Thrivent Mutual Funds. The investment advisory services provided to the Thrivent Mutual Funds and Thrivent Core 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, 2019, TAM managed, on a discretionary basis, \$17.2 billion in assets. As of this date, TAM did not manage any assets on a non-discretionary basis.

## **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' Board of Trustees. Fees are based on a percentage of assets under management. Fees for model portfolio services are negotiated with and by the program sponsor, and for some model-based programs TAM will not receive any direct fees. For model-based programs, the timing and procedures for payment and for termination of the relationship vary and are negotiated based on the nature, scope and type of relationship involved. Model-based program clients should review all materials available from the third-party sponsor concerning the program, sponsor itself and the program's terms, conditions and fees. Please see Item 12 – Brokerage Practices for a description of TAM's brokerage practices and expenses.

TAM may invest in open-end funds, exchange-traded funds ("ETFs"), closed-end funds, exchange traded notes ("ETNs"), and other pooled investment vehicles in the Funds it manages and may include them in its models. When TAM invests client assets in such securities or includes such securities in its models, unless otherwise agreed and where permitted by law, the investor will bear its proportionate share of fees and expenses of the fund or vehicle. TAM expects that for certain strategies it will allocate or recommend all or a material portion of an account be invested in affiliated Funds. When it does, TAM and its affiliates will retain more fees than if TAM had allocated to or recommended an unaffiliated fund or product, thus creating a potential conflict of interest. The conflict arises because TAM does not receive fees from unaffiliated funds and thus receives more fees when affiliated Funds are utilized in its Funds or models.

TAM's investment capabilities 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 Funds. Sales personnel of Thrivent Distributors will be internally compensated for successful marketing or selling activities with respect to shares of the Funds advised by TAM. 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 the Funds and/or retention of assets maintained in the Funds.

## **Item 6 - Performance-Based Fees**

TAM does not charge any performance-based fees or fees 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 to them and to registered investment companies. Account minimums for model-based programs are established by the program sponsor.

TAM also serves as the investment adviser to registered investment companies.

## **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. 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. TAM will adjust the models at its sole discretion and may make such adjustments without prior or other notice.

With all the 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 three categories of model portfolios: SELECT, Income-Focused and Advantage.

*SELECT:* The SELECT models may invest in no-load and load-waived mutual funds – including Thrivent Mutual Funds – closed-end funds, and ETFs. There are models across the risk tolerance spectrum from aggressive to conservative asset allocations. A tax-sensitive version of each model is 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.

*Income-Focused:* The Income-Focused models consist of two different series that invest primarily in non-proprietary no-load and load-waived mutual funds, closed-end funds, and ETFs, as well as Thrivent Mutual 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 managing volatility through various investment strategies.

The selection process for SELECT and Income-Focused models consider 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 and an evaluation of the potential income, as applicable. 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 Thrivent Mutual Funds and may also invest in ETFs. 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. 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 and the inclusion of certain municipal bond funds in the model.

While Advantage invests primarily in Thrivent Mutual Funds, TAM considers many factors before including certain investments in the models for Advantage. Factors include assessing the asset class and composition of a particular Thrivent Mutual Fund and its fit within a model based on other Thrivent Mutual Funds held within the model, 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 may be selected when TAM decides to include an asset class or investment type in the models for which there is no representative Thrivent Mutual Fund.

TAM has an extensive knowledge of Thrivent Mutual Funds, including their risk controls, style consistency, and regulatory and compliance infrastructure, and the fact that some Thrivent Mutual Funds are managed in a style that seeks to optimize their effectiveness in certain asset allocation programs. TAM's consideration of such factors may result in a significant investment in Thrivent Mutual Funds in the models. There is no assurance that Thrivent Mutual 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, but not limited to, on-site visits, due-diligence meetings with firm personnel, and written and verbal commentary from each mutual fund provider.

TAM periodically reviews the operations of each mutual fund, including any Thrivent Mutual 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.

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

It is more profitable for TAM to include Thrivent Mutual Funds in its models than funds issued by other companies. As a result, TAM has a financial incentive to recommend Thrivent Mutual Funds over other companies' products. Assets for Advantage are composed primarily of Thrivent Mutual Funds and assets for SELECT and Income-Focused may include one or more Thrivent Mutual Funds. When you invest in Thrivent Mutual Funds, TAM receives fees for serving as the investment manager for the funds and for providing administrative and accounting services to the funds pursuant to an Administrative Services Agreement. In addition, as described in Item 10 below, certain of TAM's affiliates receive compensation for providing other services to the Funds.

### **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 primarily in non-U.S. issuers that trade in U.S. or non-U.S. markets (including emerging markets). International portfolios may reflect growth, value and core investment approaches. Certain strategies gain international investment exposure by investing in ADRs and 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.

### *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, including credit default swap agreements on security indexes. 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 models that TAM provides and the mutual funds that TAM manages are subject risks, including the following principal 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.



**Business Development Company (“BDC”) Risk.** The value of a BDC’s investments will be affected by portfolio company specific performance as well as the overall economic environment. Shares of BDCs may trade at prices that reflect a premium above or a discount below the investment company’s net asset value, which may be substantial. A Fund may be exposed to greater risk and experience higher volatility than would a portfolio that was not invested in BDCs. Additionally, most BDCs employ leverage which can magnify the returns of underlying investments.

**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 the 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.

**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 the 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 the 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.

**Cyber Security Risk.** With the increased use of the Internet and other technologies, the Funds and their service providers are subject to operational and information security risks resulting from cyber-attacks and/or other technological malfunctions or programming inaccuracies. In general, cyber-attacks are deliberate, but unintentional events may have similar effects. Successful cyber-attacks against, or security breakdowns of, a Fund or any affiliated or third-party service provider may adversely affect the Fund or its shareholders. While the Funds and their service

providers have established business continuity plans and systems designed to prevent cyber-attacks, there are inherent limitations in such plans and systems including the possibility that certain risks have not been identified. Similar types of cyber security risks also are present for issuers of securities in which the Funds invest, which could result in material adverse consequences for such issuers, and may cause a Fund's investment in such securities to lose value.

**Derivatives Risk.** The use of derivatives (such as futures, options and credit default 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.

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 economic and political structures of developing countries, in most cases, do not compare favorably with the U.S. or other developed countries in terms of wealth and stability, and their financial markets often lack liquidity. Fund performance will likely be negatively affected by portfolio exposure to countries in the midst of, among other things, hyperinflation, currency devaluation, trade disagreements, sudden political upheaval or interventionist government policies. Significant buying or selling actions by a few major investors may also heighten the volatility of emerging markets. These factors make investing in emerging market countries significantly riskier than in other countries and events in any one country could cause the Fund's share price to decline.

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.

Emerging markets generally do not have the level of market efficiency and strict standards in accounting and securities regulation to be on par with advanced economies. Investments in emerging markets come with much greater risk due to political instability, domestic infrastructure problems and currency volatility.

**Equity Security Risk.** Equity securities held by the Fund may decline significantly in price 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 or more related sectors or industries which would make the Fund more vulnerable to adverse developments affecting such sectors or industries. 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. 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.

**ETF Risk.** An ETF is subject to the risks of the underlying investments that it holds. For index-based ETFs, while such ETFs seek to achieve the same returns as a particular market index, 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) and a Fund will indirectly bear its proportionate share of any such fees and expenses paid by the ETFs in which it invests. In addition, ETF shares may trade at a premium or discount to their net asset value. 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.

**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's portfolio 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 higher political and economic risks, lack of reliable information and fluctuations in currency exchange rates. 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 impact of the United Kingdom's intended departure from the European Union, commonly known as "Brexit," and the potential departure of one or more other countries from the European Union may have significant political and financial consequences for global markets. These consequences include greater market volatility and illiquidity, currency fluctuations, deterioration in economic activity, a decrease in business confidence and an increased likelihood of a recession in such markets. Uncertainty relating to the withdrawal procedures and timeline may have adverse effects on asset valuations and the renegotiation of current trade agreements, as well as an increase in financial regulation in such markets. This may adversely impact Fund performance.

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.

**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 maturities tend to be more sensitive to changes in interest rates than debt securities with shorter durations or maturities. Changes by the Federal Reserve to monetary policies could affect interest rates and the value of some securities.

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 these Funds to decline and reduce the overall return of the Funds.

In the case of a money market fund, a weak economy, strong equity markets, or changes by the Federal Reserve to its monetary policies may cause short-term interest rates to decline and affect the value of the fund.

**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” and collectively, the “Thrivent Asset Allocation Funds”) allocate their assets among certain other Funds. These Funds are not utilized in TAM’s model portfolios. From time to time, one or more of the other 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 other Funds since other Funds that experience redemptions as a result of reallocations or rebalancings may have to sell Fund securities and since other 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 other Fund. While it is impossible to predict the overall impact of these transactions over time, the performance of an other Fund may be adversely affected if the other 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 other Funds, a redemption or reallocation by a Thrivent Asset Allocation Fund away from an other Fund could cause the other Fund’s expenses to increase.

**Investment Adviser Risk.** The Funds and the success of its investment strategy depends significantly on the skills of the Adviser in assessing the potential of the investments in which the Fund invests. This assessment of investments may prove incorrect, resulting in losses or poor performance, even in rising markets.

**Investment in Other Investment Companies Risk.** Investing in other investment companies, including CEFs and BDCs, could result in the duplication of certain fees, including management and administrative fees, and may expose a Fund to risks of owning the underlying investments that the other investment company holds. If investment company securities are purchased at a premium to net asset value, the premium may not exist when those securities are sold and a Fund could incur a loss.

**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.

**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. 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 and high-yield bonds) often have a less liquid resale market. 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.

Dealer inventories of bonds are at or near historic lows in relation to market size, which has the potential to decrease liquidity and increase price volatility in the fixed income markets, 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 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.

In October 2016, the Securities and Exchange Commission (“SEC”) adopted a new rule that regulates the management of liquidity risk by certain investment companies registered under the 1940 Act, such as the Funds (other than Thrivent Money Market Fund). The Funds will be required to comply with rule’s elements related to classification by June 1, 2019 and the other requirements of the rule by December 1, 2018. The effect the new rule will have on the Funds is not yet known, but the rule may adversely affect a Fund’s performance and ability to pursue its investment objective.

**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 the Fund’s investments may move with these cycles and, in some instances, increase or decrease more than the applicable market(s) as measured by the Fund’s benchmark index(es). The securities markets may also decline because of factors that affect a particular industry.

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. Any investment is subject to the risk that the financial markets as a whole may decline in value, thereby depressing the investment’s price.

**Master Limited Partnership (“MLP”) Risk.** MLPs are subject to risks such as limited partner risk, liquidity risk interest rate risk and general partner risk.

An MLP is a public limited partnership or limited liability company taxed as a partnership. The risks of investing in an MLP are similar to those of investing in a partnership, including more

flexible governance structures, which could result in less protection for investors than investments in a corporation. Investors in an MLP normally would not be liable for the debts of the MLP beyond the amount that the investor has contributed but investor may not be shielded to the same extent that a shareholder of a corporation would be. In certain circumstances, creditors of an MLP would have the right to seek return of capital distributed to a limited partner, which right would continue after an investor sold its investment in the MLP.

The ability to trade on a public exchange or in the over-the-counter market provides a certain amount of liquidity not found in many limited partnership investments. However, MLP interests may be less liquid than conventional publicly traded securities and, therefore, more difficult to trade at desirable times and/or prices.

MLP distributions may be reduced by fees and other expenses incurred by the MLP. MLPs generally are considered interest-rate sensitive investments. During periods of interest rate volatility, these investments may not provide attractive returns.

The holder of the general partner or managing member interest can be liable in certain circumstances for amounts greater than the amount of the holder's investment in the general partner or managing member.

**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-Related and Other Asset-Backed Securities Risk.** The value of mortgage-related and asset-backed securities will be 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.

**Multi-Manager Risk.** Thrivent Mutual Funds (the "Trust") and Thrivent Asset Management have received an exemptive order from the SEC (known as a "multi-manager order") that permits them to hire and fire one or more subadvisers for the Funds without a shareholder vote, subject to approval by the Trust's Board of Trustees and shareholder notice. During the transition of management of Fund assets from one subadviser to another, it is possible that the Fund will not be fully invested in accordance with the Fund's prospectus and, therefore, will not be fully pursuing its investment objective during such transition. In addition, the multi-manager approach could result in a high level of portfolio turnover, resulting in higher brokerage expenses and increased tax liability from a Fund's realization of capital gains. These aspects of the risk apply to any Fund with one or more subadvisers. For a Fund that has multiple subadvisers, the investment styles employed by the subadvisers may not be complementary. The interplay of the various strategies employed by the subadvisers may result in the Fund indirectly holding positions in certain types of securities, industries or sectors. These positions may be detrimental to a Fund's performance depending upon the performance of those securities and the overall economic environment. It is also possible that one subadviser could be selling a particular security or security from a certain country while another subadviser could be purchasing the same security or a security from that same country.



**Municipal Bond Risk.** The 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 the 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 the Fund may be more dependent on the analytical abilities of the Adviser than funds that invest in stock or other corporate investments. The 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 the 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 managed by the Adviser or an affiliate ("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 mark-ups, 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 will be 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.

**Quantitative Investing Risk.** The risk that 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 of 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 would be 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.

**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. 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. In addition, due to recent changes in the tax laws, certain tax benefits of REITs may not be passed through to mutual fund shareholders. 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) the 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. The Fund may suspend redemptions or the payment of redemption proceeds when permitted by applicable regulations.

**Small Cap Risk.** Smaller, less seasoned companies often have greater price volatility, lower trading volume, and less liquidity than larger, more established companies. These 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 cushion returns in a falling market.

**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 the Fund and the taxable equivalent interest generated from securities in the Fund. Since the Fund may invest in municipal securities subject to the federal alternative minimum tax without limitation, the 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.

**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 Financial. The entities described below, other than Thrivent Financial, 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, Thrivent Church Loan and Income Fund, 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 Financial. 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; TIMI has been granted the right to sell shares of the Thrivent Mutual Funds and also serves as the principal underwriter and distributor for Thrivent Financial's

variable products. TIMI does not execute any portfolio brokerage for any of its affiliated mutual funds. Certain sales personnel that promote the Funds and TAM's model portfolios are dually registered with Thrivent Distributors and TIMI.

*Investment Advisers:* TIMI, a dually registered broker-dealer and investment adviser, provides securities and investment advisory services to retail clients, including financial planning services and managed account programs. The services and programs are offered through licensed registered representatives. Transactions in TIMI's managed account programs are done through TIMI's clearing broker.

Thrivent Financial is a registered investment adviser. Thrivent Financial has business and financial arrangements with each of TAM and TIMI and the Thrivent-sponsored investment companies. 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 Financial 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 Financial. Thrivent Financial 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 Financial is also responsible for providing administrative and accounting services to Thrivent Series Fund, Inc. ("Thrivent Series Fund") and Thrivent Cash Management Trust.

*Trust Company:* Thrivent Trust Company is chartered as a limited purpose federal savings bank and offers trust services. TAM has an agreement with Thrivent Trust Company pursuant to which TAM provides model portfolios to it.

*Insurance Companies:* Thrivent Financial, 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 offers insurance and annuity products.

Thrivent Life Insurance Company, a wholly owned indirect subsidiary of Thrivent Financial, is an insurance company licensed to sell insurance products in most states and the District of Columbia. Thrivent Life Insurance Company does not sell new business, but it maintains and services existing contracts.

Thrivent Insurance Agency Inc., also a wholly owned indirect subsidiary of Thrivent Financial, 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 Financial serve as general partner to limited partnerships.

*Other:* Certain Supervised Persons of Thrivent Financial (as defined under the Advisers Act) assist in managing the portfolios of a foundation and the pension plan sponsored by Thrivent Financial.

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 Financial manage certain mutual funds with the same portfolio managers utilizing similar strategies (e.g., Thrivent Large Cap Stock Fund and Thrivent Large Cap Stock Portfolio) and their investment advisory personnel largely overlap. As a result, their compliance programs largely overlap. TAM and Thrivent Financial (together, the “Advisers”) may serve as the investment manager to other client accounts, such as the series of Thrivent Mutual Funds 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 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 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 maintained by TAM’s compliance department (“Compliance”), in order to make personal securities transactions in certain reportable securities, such as shares offered in an initial public offering. 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, or 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 observe the Code and 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**

Depending upon the terms of the agreement entered into with each client, 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, as well as policies imposed by a client or its governing body. For each advisory client, TAM follows the guidelines specified in the client's advisory contract.

### Selection Criteria for Brokers-Dealers

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. TAM's trading desk also considers input from portfolio management and research in directing brokerage. The criteria being used for best execution is reviewed periodically by the Brokerage Practices and Proxy Voting 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 products as well as access to analysts and traders) or third-party (created by a third party but provided by broker-dealer). 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 other 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 other products and services that fall within the statutory “safe harbor.”

TAM maintains an internal allocation procedure to identify those brokers that have provided research products or services and the amount of research products or services they provided, and endeavors to direct sufficient commissions to them to ensure the continued receipt of research products and services TAM believes are useful. 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 a member 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 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 among client accounts because it believes that, in the aggregate, the research received benefits clients and assists TAM in fulfilling its overall duty to its respective clients. As a general matter, research received in



exchange for soft dollars may be shared across all the accounts managed by the advisory entities (*i.e.*, TAM and Thrivent Financial) and their Supervised Persons. However, research obtained with soft dollars may not be utilized for the specific account that generated the soft dollars and not every research service may be used to service every account managed by these advisory entities. Commissions generated by equity portfolios may be utilized to acquire research services that are also used for fixed-income portfolios.

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 one or more research providers as payment for research.

#### 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, those trades will be allocated according to each client account’s targeted, unfilled position in a security. Although each account typically receives the full amount of securities ordered, in the event this is not achieved, such transactions will be allocated on a pro rata basis substantially in proportion to the amounts ordered to be purchased or sold by each account. Rounding of the pro rata amounts may take place to avoid holding uneconomic lot sizes.

In allocating purchase and sale transactions made on a combined basis, the 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 client account

receives a proportionate share of such order reflecting the same average net price paid or received with respect to the total order.

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 Proprietary Accounts. While this is an inherent conflict of interest, TAM and its affiliated investment adviser, Thrivent Financial, take steps to ensure that it does not disadvantage client accounts by allowing Proprietary Accounts to participate only on the same terms and at the same price as client accounts.

In cases where the trading desk can obtain sufficient quantity to fill all current orders, the orders will be allocated according to each client account’s targeted, unfilled position in the security.

In cases where the trading desk is unable to obtain sufficient quantity to fill all current orders, certain circumstances may justify exceptions to the pro rata policies outlined above. Such exceptions include:

- ♦ *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 will be rounded off by the portfolio manager 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 client account at the time of the transaction. Where allocations are affected by cash flow disparities, a written record will be maintained.

- ♦ *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 that satisfy that account’s specialized needs. Tracking specialized account considerations may be accomplished by allocating portions based upon pro rata allocations using the relative asset size of each participating account’s benchmark’s holdings in securities of the same class as those being requested.

- ♦ *Other Considerations*

Other considerations include the recognition of the efforts of a particular portfolio manager for research with respect to the security involved and recognition of commission volume generated by each

participating account. Where allocations are affected by portfolio management efforts, a written record will be maintained.

### **Item 13 - Review of Account**

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 quarterly Model Portfolios Committee meeting. 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 model account provider is responsible for monitoring the accounts and implementing any changes to the accounts in connection with changes to TAM's model portfolios.

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 TAM's model portfolios and the 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).

## **Item 16 - Investment Discretion**

When TAM provides model portfolios to its clients, it does so on a non-discretionary basis and such clients have discretionary authority regarding implementation of such models. 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 does not vote 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. TAM recognizes and adheres to the principle that one of the privileges of owning stock in a company is the right to vote in the election of the company's directors and on matters affecting certain important aspects of the company's structure and operations that are submitted to shareholder vote. As an investment adviser with a fiduciary responsibility to its clients, TAM analyzes the proxy statements of issuers whose stock is owned by institutional accounts that have requested that TAM be involved in the proxy process.

TAM has adopted Proxy Voting Policies and Procedures ("Policies and Procedures") for the purpose of establishing formal policies and procedures for performing and documenting its fiduciary duty with regard to the voting of client proxies.

Fiduciary Considerations. It is the policy of TAM that decisions with respect to proxy issues will be made in light of the anticipated impact of the issue on the desirability of investing in the portfolio company from the viewpoint of the particular TAM client. Proxies are voted solely in the interests of the client. TAM votes proxies, where possible to do so, 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.

Consideration Given Management Recommendations. One of the primary factors TAM considers when determining the desirability of investing in a particular company is the quality and depth of its management. The Policies and Procedures were developed with the recognition that a company's management is entrusted with the day-to-day operations of the company, as well as its long-term direction and strategic planning, subject to the oversight of the company's board. Accordingly, TAM believes that the recommendation of management on most issues should be given weight in determining how proxy issues should be voted. However, the position of the company's management will not be supported in any situation where it is found to be not in the best interests of the client, and TAM reserves the right to vote contrary to management when it believes a particular proxy proposal may adversely affect the investment merits of owning stock in an issuer.

- **ADMINISTRATION OF POLICIES AND PROCEDURES**

TAM's Brokerage Practices and Proxy Voting Committee (the "Committee") is responsible for establishing positions with respect to corporate governance and other proxy issues, including those involving social responsibility issues. Annually, the Committee reviews the Policies and Procedures.

As discussed below, portfolio management of TAM may, with the approval of the Committee, vote proxies other than in accordance with the Policies and Procedures.

- HOW PROXIES ARE REVIEWED, PROCESSED AND VOTED

In order to facilitate the proxy voting process, TAM has retained Institutional Shareholder Services Inc. (“ISS”), an expert in the proxy voting and corporate governance areas. ISS specializes in providing a variety of fiduciary-level proxy advisory and voting services. These services include in-depth research, analysis, and voting recommendations as well as vote execution, reporting, auditing and consulting assistance for the handling of proxy voting responsibilities. While the Committee relies upon ISS research in helping to establish TAM’s proxy voting guidelines, TAM may deviate from ISS recommendations on general policy issues or specific proxy proposals.

#### Summary of TAM’s Voting Policies

Voting guidelines have been adopted by the Committee for routine anti-takeover, executive compensation and corporate governance proposals, as well as other common shareholder proposals. The following is a summary of the significant voting guidelines:

*Board Structure and Composition Issues* – TAM 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 chairman of the board. Key committees (audit, compensation, and nominating/corporate governance) of the board are expected to be entirely independent of management. 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, to limit the number of directorships they accept, and to own a meaningful amount of stock in companies on whose boards they serve. As such, TAM withholds votes for directors who miss more than one-fourth of the scheduled board meetings. TAM votes against management efforts to stagger board member terms because a staggered board may act as a deterrent to takeover proposals. For the same reasons, TAM votes for proposals that seek to fix the size of the board.

*Executive and Director Compensation* – Non-salary compensation remains one of the most sensitive and visible corporate governance issues. Although shareholders have little say about how much the CEO is paid in salary and bonus, they do have a major voice in approving stock option and incentive plans. Stock option plans transfer significant amounts of wealth from shareholders to employees, and in particular to executives and directors. Rightly, the cost of these plans must be in line with the anticipated benefits to shareholders. Clearly, reasonable limits must be set on dilution as well as administrative authority. In addition, shareholders must consider the necessity of the various pay programs and examine the appropriateness of award types. Consequently, the pros and cons of these proposals necessitate a case-by-case evaluation. Generally, TAM opposes compensation packages that provide what it views 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.

*Ratification of Auditors* - Annual election of the outside accountants is standard practice. While it is recognized that the company is in the best position to evaluate the competence of the outside accountants, TAM believes that outside accountants must ultimately be accountable to shareholders. TAM votes for proposals to ratify auditors, unless an auditor has a financial interest in or association with the company and is therefore not independent; or 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.

*Mergers and Acquisitions, Anti-Takeover and Corporate Governance Issues* - TAM votes on mergers and acquisitions on a case-by-case basis, taking the following into account: anticipated financial and operating benefits; offer price (cost vs. premium); prospects of the combined companies; how the deal was negotiated; the opinion of the financial advisor; potential conflicts of interest between management's interests and shareholders' interests; and changes in corporate governance and their impact on shareholder rights. TAM generally opposes anti-takeover measures because they adversely impact shareholder rights. Also, TAM will consider the dilutive impact to shareholders and the effect on shareholder rights when voting on corporate governance proposals.

*Social, Environmental and Corporate Responsibility Issues* - In addition to moral and ethical considerations intrinsic to many of these proposals, TAM recognizes their potential for impact on the economic performance of the company. TAM balances these considerations carefully. On proposals which are primarily social, moral or ethical, TAM believes it is impossible to vote in a manner that would accurately reflect the views of the beneficial owners of the portfolios that it manages. As such, on these items, TAM abstains. When voting on matters with apparent economic or operational impacts on the company, TAM realizes that the precise economic effect of such proposals is often unclear. Where this is the case, TAM relies on management's assessment, and generally votes with company management.

*Shareblocking* - Shareblocking is the practice in certain foreign countries of "freezing" shares for trading purposes in order to vote proxies relating to those shares. In markets where shareblocking applies, the custodian or sub-custodian automatically freezes shares prior to a shareholder meeting once a proxy has been voted. Shareblocking typically takes place between one and fifteen (15) days before the shareholder meeting, depending on the market. In markets where shareblocking applies, there is a potential for a pending trade to fail if trade settlement takes place during the blocking period. TAM generally abstains 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 Foreign Companies

TAM 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 considers 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 is not appropriate for all markets.

#### Meeting Notification

TAM utilizes ISS's voting agent services to notify us of upcoming shareholder meetings for portfolio companies held in client accounts and to transmit votes on behalf of our clients. ISS tracks and reconciles TAM's holdings against incoming proxy ballots. If ballots do not arrive on time, ISS procures them from the appropriate custodian or proxy distribution agent. Meeting and record date information is updated daily in ProxyExchange, ISS' web-based application. ISS is also responsible for maintaining copies of all proxy statements (other than those which are available on the SEC's EDGAR database) received by issuers and to provide such materials to TAM promptly upon request.

### Vote Determination

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 research process. Upon request, portfolio managers may receive any or all of the above-mentioned research materials to assist in the vote determination process. The final authority and responsibility for proxy voting decisions remains with TAM. 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 clients.

Portfolio managers, executive officers and directors (or persons holding equivalent positions) of TAM and its affiliates may on any particular proxy vote request to diverge from the Policies and Procedures. In such cases, the person requesting to diverge from the Policies and Procedures is required to document in writing the rationale for his/her 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 its clients.

### Monitoring and Resolving Conflicts of Interest

The Committee is responsible for monitoring and resolving possible material conflicts between the interests of TAM and those of its clients with respect to proxy voting. Application of the voting guidelines to vote client proxies should in most instances adequately address any possible conflicts of interest because the voting guidelines are pre-determined by the Committee using recommendations from ISS.

However, for proxy votes inconsistent with the voting guidelines, Portfolio Compliance gathers the documentation with respect to the portfolio manager's voting rationale and brings it to the Committee for review for possible conflicts of interest. The Committee assesses whether any business or other relationships between TAM and a portfolio company could have influenced an inconsistent vote on that company's proxy.

### Securities Lending

TAM will generally not vote nor seek to recall in order to vote shares on loan, unless it determines that a vote would have a material effect on an investment in such loaned security. Seeking to recall securities in order to vote them even in these limited circumstances may nevertheless not result in TAM voting the shares because the securities are unable to be recalled in time from the party with custody of the securities, or for other reasons beyond TAM's control.

- **REPORTING AND RECORD RETENTION**

Proxy statements and solicitation materials received from 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. TAM retains documentation on shares voted differently than the voting guidelines, and any document which is material to a proxy voting decision such as the TAM voting guidelines and the Committee meeting materials. All proxy voting materials and supporting documentation are retained for the applicable required period under the federal securities laws. Clients may obtain a copy of TAM's voting Policies and Procedures, or information as to how proxies were voted, is available by calling (612) 844-8033.

**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.