

PARTNER ALL CAP PORTFOLIO

Schedule of Investments as of September 29, 2017

(unaudited)

Shares	Common Stock (98.8%)	Value
Consumer Discretionary (11.7%)		
1,800	Amazon.com, Inc. ^a	\$1,730,430
45,000	Comcast Corporation	1,731,600
8,500	Delphi Automotive plc	836,400
24,600	Lions Gate Entertainment Corporation ^a	782,034
34,879	Newell Brands, Inc.	1,488,287
20,300	NIKE, Inc.	1,052,555
20,320	Service Corporation International	701,040
23,300	Starbucks Corporation	1,251,443
17,000	TJX Companies, Inc.	1,253,410
17,900	Walt Disney Company	1,764,403
	Total	12,591,602
Consumer Staples (7.7%)		
20,200	Altria Group, Inc.	1,281,084
5,600	Constellation Brands, Inc.	1,116,920
9,300	Estee Lauder Companies, Inc.	1,002,912
14,900	Herbalife, Ltd. ^{a,b}	1,010,667
11,000	Molson Coors Brewing Company	898,040
22,300	Mondelez International, Inc.	906,718
18,400	Monster Beverage Corporation ^a	1,016,600
26,300	Snyder's-Lance, Inc.	1,003,082
	Total	8,236,023
Energy (5.9%)		
11,000	Concho Resources, Inc. ^a	1,448,920
21,300	Diamondback Energy, Inc. ^a	2,086,548
18,900	Pioneer Natural Resources Company	2,788,506
	Total	6,323,974
Financials (14.8%)		
3,800	Aflac, Inc.	309,282
24,300	BankUnited, Inc.	864,351
63,000	Boston Private Financial Holdings, Inc.	1,042,650
16,520	Capital One Financial Corporation	1,398,583
43,900	Citigroup, Inc.	3,193,286
12,100	CME Group, Inc.	1,641,728
16,900	Discover Financial Services	1,089,712
5,300	Goldman Sachs Group, Inc.	1,257,107
22,800	Hartford Financial Services Group, Inc.	1,263,804
56,600	KeyCorp	1,065,212
103,260	Regions Financial Corporation	1,572,650
8,670	Reinsurance Group of America, Inc.	1,209,725
	Total	15,908,090
Health Care (13.8%)		
9,100	Alexion Pharmaceuticals, Inc. ^a	1,276,639
13,090	BioMarin Pharmaceutical, Inc. ^a	1,218,286
20,100	Bristol-Myers Squibb Company	1,281,174
4,300	C.R. Bard, Inc.	1,378,150
20,750	Danaher Corporation	1,779,935
9,744	Envision Healthcare Corporation ^a	437,993
6,200	Humana, Inc.	1,510,506
23,100	Merck & Company, Inc.	1,479,093
6,800	Shire Pharmaceuticals Group plc ADR	1,041,352
10,300	Vertex Pharmaceuticals, Inc. ^a	1,566,012
35,554	Wright Medical Group NV ^a	919,782
8,100	Zimmer Biomet Holdings, Inc.	948,429
	Total	14,837,351
Industrials (10.8%)		
7,720	Alaska Air Group, Inc.	588,804
24,800	Colfax Corporation ^a	1,032,672

Shares	Common Stock (98.8%)	Value
Industrials (10.8%) - continued		
4,120	FedEx Corporation	\$929,389
22,625	Fortive Corporation	1,601,624
14,500	Fortune Brands Home and Security, Inc.	974,835
11,710	IDEX Corporation	1,422,414
19,100	Ingersoll-Rand plc	1,703,147
6,200	Lockheed Martin Corporation	1,923,798
9,150	WABCO Holdings, Inc. ^a	1,354,200
	Total	11,530,883

Shares	Common Stock (98.8%)	Value
Information Technology (22.5%)		
8,470	Adobe Systems, Inc. ^a	1,263,554
4,240	Alphabet, Inc., Class A ^a	4,128,573
16,940	Apple, Inc.	2,610,793
8,200	Broadcom, Ltd.	1,988,828
12,980	Cavium, Inc. ^a	855,901
21,300	CommScope Holding Company, Inc. ^a	707,373
14,200	Ellie Mae, Inc. ^a	1,166,246
57,800	Gogo, Inc. ^{a,b}	682,618
20,200	Inphi Corporation ^{a,b}	801,738
62,200	Intel Corporation	2,368,576
15,800	Luxoft Holding, Inc. ^a	755,240
35,600	Micron Technology, Inc. ^a	1,400,148
13,340	Monolithic Power Systems, Inc.	1,421,377
17,200	Paycom Software, Inc. ^a	1,289,312
20,600	Salesforce.com, Inc. ^a	1,924,452
4,800	Tyler Technologies, Inc. ^a	836,736
	Total	24,201,465

Shares	Common Stock (98.8%)	Value
Materials (3.2%)		
5,800	Albemarle Corporation	790,598
10,030	Eagle Materials, Inc.	1,070,201
7,200	Ecolab, Inc.	925,992
6,900	LyondellBasell Industries NV	683,445
	Total	3,470,236

Shares	Common Stock (98.8%)	Value
Real Estate (3.4%)		
7,600	Boston Properties, Inc.	933,888
48,000	Brandywine Realty Trust	839,520
5,900	Public Storage, Inc.	1,262,541
27,186	RLJ Lodging Trust	598,092
	Total	3,634,041

Shares	Common Stock (98.8%)	Value
Telecommunications Services (1.8%)		
40,600	AT&T, Inc.	1,590,302
6,110	T-Mobile US, Inc. ^a	376,743
	Total	1,967,045

Shares	Common Stock (98.8%)	Value
Utilities (3.2%)		
15,900	American Electric Power Company, Inc.	1,116,816
11,340	Atmos Energy Corporation	950,746
19,200	PG&E Corporation	1,307,328
	Total	3,374,890

Total Common Stock (cost \$87,002,643) 106,075,600

Shares	Collateral Held for Securities Loaned (2.0%)	Value
2,162,825	Thrivent Cash Management Trust	2,162,825
	Total Collateral Held for Securities Loaned (cost \$2,162,825) 2,162,825	

The accompanying Notes to Schedule of Investments are an integral part of this schedule.

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(unaudited)

Shares or Principal Amount	Short-Term Investments (1.3%) ^a	Value
	Thrivent Core Short-Term Reserve Fund	
138,782	1.340%	\$1,387,822
	Total Short-Term Investments (cost	1,387,822
	\$1,387,822)	
	Total Investments (cost	\$109,626,247
	\$90,553,290) 102.1%	
	Other Assets and Liabilities, Net	(2,208,940)
	(2.1%)	
	Total Net Assets 100.0%	\$107,417,307

The following table presents the total amount of securities loaned with continuous maturity, by type, offset by the gross payable upon return of collateral for securities loaned by Thrivent Partner All Cap Portfolio as of September 29, 2017:

Securities Lending Transactions	
Common Stock	\$2,108,960
Total lending	\$2,108,960
Gross amount payable upon return of collateral for securities loaned	\$2,162,825
Net amounts due to counterparty	\$53,865

Definitions:

ADR - American Depositary Receipt, which are certificates for an underlying foreign security's shares held by an issuing U.S. depository bank.

- a Non-income producing security.
- b All or a portion of the security is on loan.
- c The interest rate shown reflects the yield, coupon rate or the discount rate at the date of purchase.

Fair Valuation Measurements

The following table is a summary of the inputs used, as of September 29, 2017, in valuing Partner All Cap Portfolio's assets carried at fair value.

Investments in Securities	Total	Level 1	Level 2	Level 3
Common Stock				
Consumer Discretionary	12,591,602	12,591,602	-	-
Consumer Staples	8,236,023	8,236,023	-	-
Energy	6,323,974	6,323,974	-	-
Financials	15,908,090	15,908,090	-	-
Health Care	14,837,351	14,837,351	-	-
Industrials	11,530,883	11,530,883	-	-
Information Technology	24,201,465	24,201,465	-	-
Materials	3,470,236	3,470,236	-	-
Real Estate	3,634,041	3,634,041	-	-
Telecommunications Services	1,967,045	1,967,045	-	-
Utilities	3,374,890	3,374,890	-	-
Subtotal Investments in Securities	\$106,075,600	\$106,075,600	\$-	\$-

Other Investments *	Total
Short-Term Investments	1,387,822
Collateral Held for Securities Loaned	2,162,825
Subtotal Other Investments	\$3,550,647
Total Investments at Value	\$109,626,247

* Certain investments are measured at fair value using a net asset value per share that is not publicly available (practical expedient). According to disclosure requirements of Accounting Standards Codification (ASC) 820, Fair Value Measurement, securities valued using the practical expedient are not classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the Statement of Assets and Liabilities.

There were no significant transfers between Levels during the period ended September 29, 2017. Transfers between Levels are identified as of the end of the period.

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Investment in Affiliates

Affiliated issuers, as defined under the Investment Company Act of 1940, include those in which the Portfolio's holdings of an issuer represent 5% or more of the outstanding voting securities of an issuer, any affiliated mutual fund, or a company which is under common ownership or control with the Portfolio. The Portfolio owns shares of Thrivent Cash Management Trust for the purpose of securities lending and Thrivent Core Short-Term Reserve Fund primarily to serve as a cash sweep vehicle for the Portfolio. Thrivent Cash Management Trust and Thrivent Core Short-Term Reserve Fund are established for the sole use of affiliated portfolios.

A summary of transactions (in thousands) for the fiscal year to date, in Partner All Cap Portfolio, is as follows:

Portfolio	Value 12/31/2016	Gross Purchases	Gross Sales	Gain/ (Loss)	Unrealized		Value 9/29/2017	Income Earned 1/1/2017 - 9/29/2017
					Appreciation/ (Depreciation)	Shares Held at 9/29/2017		
Cash Management Trust- Collateral Investment	\$1,232	\$17,136	\$16,205	\$-	\$-	2,163	\$2,163	\$20
Core Short-Term Reserve Fund	1,339	11,605	11,556	-	-	139	1,388	11
Total Value and Income Earned	\$2,571			\$-	\$-		\$3,551	\$31

The accompanying Notes to Schedule of Investments are an integral part of this schedule.

NOTES TO SCHEDULE OF INVESTMENTS

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SIGNIFICANT ACCOUNTING POLICIES

Valuation of Investments — Securities traded on U.S. or foreign securities exchanges or included in a national market system are valued at the official closing price at the close of each business day unless otherwise stated below. Over-the-counter securities and listed securities for which no price is readily available are valued at the current bid price considered best to represent the value at that time. Security prices are based on quotes that are obtained from an independent pricing service approved by the Board of Directors (the “Board”). The pricing service, in determining values of fixed-income securities, takes into consideration such factors as current quotations by broker/dealers, coupon, maturity, quality, type of issue, trading characteristics, and other yield and risk factors it deems relevant in determining valuations. Securities which cannot be valued by the approved pricing service are valued using valuations from dealers that make markets in the securities. Exchange-listed options and futures contracts are valued at the last quoted sales price. Swap agreements are valued at the clearinghouse end of day prices as furnished by an independent pricing service. Forward foreign currency exchange contracts are marked-to-market based upon foreign currency exchange rates provided by the pricing service. Investments in open-ended mutual funds are valued at their net asset value at the close of each business day.

Securities held by the Money Market Portfolio are valued on the basis of amortized cost (which approximates market value), whereby a portfolio security is valued at its cost initially and thereafter valued to reflect a constant amortization to maturity of any discount or premium. The Money Market Portfolio and the Adviser follow procedures designed to help maintain a constant net asset value of \$1.00 per share.

The Board has delegated responsibility for daily valuation of the Portfolios' securities to the Adviser. The Adviser has formed a Valuation Committee (“Committee”) that is responsible for overseeing the Portfolios' valuation policies in accordance with Valuation Policies and Procedures. The Committee meets on a monthly and on an as-needed basis to review price challenges, price overrides, stale prices, shadow prices, manual prices, money market pricing, international fair valuation, and other securities requiring fair valuation.

The Committee monitors for significant events occurring prior to the close of trading on the New York Stock Exchange that could have a material impact on the value of any securities that are held by the Portfolios. Examples of such events include trading halts, national news/events, and issuer-specific developments. If the Committee decides that such events warrant using fair value estimates, the Committee will take such events into consideration in determining the fair value of such securities. If market quotations or prices

are not readily available or determined to be unreliable, the securities will be valued at fair value as determined in good faith pursuant to procedures adopted by the Board.

In accordance with U.S. Generally Accepted Accounting Principles (“GAAP”), the various inputs used to determine the fair value of the Portfolios' investments are summarized in three broad levels. Level 1 includes quoted prices in active markets for identical securities, typically included in this level are U.S. equity securities, futures, options and registered investment company funds. Level 2 includes other significant observable inputs such as quoted prices for similar securities, interest rates, prepayment speeds and credit risk, typically included in this level are fixed income securities, international securities, swaps and forward contracts. Level 3 includes significant unobservable inputs such as the Adviser's own assumptions and broker evaluations in determining the fair value of investments. Of the Level 3 securities, those for which market values were not readily available or were deemed unreliable were fair valued as determined in good faith under procedures established by the Board. The valuation levels are not necessarily an indication of the risk associated with investing in these securities or other investments. Investments measured using net asset value per share as a practical expedient for fair value and that are not publicly available-for-sale are not categorized within the fair value hierarchy.

Valuation of International Securities — Because many foreign markets close before the U.S. markets, events may occur between the close of the foreign market and the close of the U.S. markets that could have a material impact on the valuation of foreign securities. The Portfolios, under the supervision of the Board, evaluate the impacts of these events and may adjust the valuation of foreign securities to reflect the fair value as of the close of the U.S. markets. The Board has authorized the Adviser to make fair valuation determinations pursuant to policies approved by the Board.

Foreign Currency Translation — The accounting records of each Portfolio are maintained in U.S. dollars. Securities and other assets and liabilities that are denominated in foreign currencies are translated into U.S. dollars at the daily closing rates of exchange.

Foreign currency amounts related to the purchase or sale of securities and income and expenses are translated at the exchange rate on the transaction date. Net realized and unrealized currency gains and losses are recorded from closed currency contracts, disposition of foreign currencies, exchange gains or losses between the trade date and settlement date on securities transactions, and other translation gains or losses on dividends, interest income and foreign withholding taxes. The Portfolios do not separately report the effect of changes in foreign exchange rates from changes in prices on securities held. Such changes are

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included in net realized and unrealized gain or loss from investments in the Statement of Operations.

For federal income tax purposes, the Portfolios treat the effect of changes in foreign exchange rates arising from actual foreign currency transactions and the changes in foreign exchange rates between the trade date and settlement date as ordinary income.

Foreign Denominated Investments — Foreign denominated assets and currency contracts may involve more risks than domestic transactions including currency risk, political and economic risk, regulatory risk, and market risk. Certain Portfolios may also invest in securities of companies located in emerging markets. Future economic or political developments could adversely affect the liquidity or value, or both, of such securities.

Derivative Financial Instruments — Each of the Portfolios, with the exception of the Money Market Portfolio, may invest in derivatives. Derivatives, a category that includes options, futures, swaps, foreign currency forward contracts and hybrid instruments, are financial instruments whose value is derived from another security, an index or a currency. Each applicable Portfolio may use derivatives for hedging (attempting to offset a potential loss in one position by establishing an interest in an opposite position). This includes the use of currency-based derivatives to manage the risk of its positions in foreign securities. Each applicable Portfolio may also use derivatives for replication of a certain asset class or speculation (investing for potential income or capital gain). These contracts may be transacted on an exchange or over-the-counter (OTC).

A derivative may incur a mark to market loss if the value of the derivative decreases due to an unfavorable change in the market rates or values of the underlying derivative. Losses can also occur if the counterparty does not perform under the derivative. A Portfolio's risk of loss from the counterparty credit risk on OTC derivatives is generally limited to the aggregate unrealized gain netted against any collateral held by such Portfolio. With exchange traded futures and centrally cleared swaps, there is minimal counterparty credit risk to the Portfolios because the exchange's clearinghouse, as counterparty to such derivatives, guarantees against a possible default. The clearinghouse stands between the buyer and the seller of the derivative; thus, the credit risk is limited to the failure of the clearinghouse. However, credit risk still exists in exchange traded futures and centrally cleared swaps with respect to initial and variation margin that is held in a broker's customer accounts. While brokers are required to segregate customer margin from their own assets, in the event that a broker becomes insolvent or goes into bankruptcy and at that time there is a shortfall in the aggregate amount of margin held by the broker for all its clients, U.S. bankruptcy laws will typically allocate that shortfall on a pro-rata basis across all the broker's

customers, potentially resulting in losses to the Portfolios. Using derivatives to hedge can guard against potential risks, but it also adds to the Portfolios' expenses and can eliminate some opportunities for gains. In addition, a derivative used for mitigating exposure or replication may not accurately track the value of the underlying asset. Another risk with derivatives is that some types can amplify a gain or loss, potentially earning or losing substantially more money than the actual cost of the derivative.

In order to define their contractual rights and to secure rights that will help the Portfolios mitigate their counterparty risk, the Portfolios may enter into an International Swaps and Derivatives Association, Inc. Master Agreement ("ISDA Master Agreement") or similar agreement with its derivative contract counterparties. An ISDA Master Agreement is a bilateral agreement between a Portfolio and a counterparty that governs OTC derivatives and foreign exchange contracts and typically includes, among other things, collateral posting terms and netting provisions in the event of a default and/or termination event. Under an ISDA Master Agreement, each Portfolio may, under certain circumstances, offset with the counterparty certain derivatives' payables and/or receivables with collateral held and/or posted and create one single net payment. The provisions of the ISDA Master Agreement typically permit a single net payment in the event of a default (close-out netting) including the bankruptcy or insolvency of the counterparty. Note, however, that bankruptcy and insolvency laws of a particular jurisdiction may impose restrictions on or prohibitions against the right of offset in bankruptcy, insolvency or other events.

Collateral and margin requirements vary by type of derivative. Margin requirements are established by the broker or clearinghouse for exchange traded and centrally cleared derivatives (futures, options, and centrally cleared swaps). Brokers can ask for margining in excess of the minimum in certain situations. Collateral terms are contract specific for OTC derivatives (foreign currency exchange contracts, options, and swaps). For derivatives traded under an ISDA Master Agreement, the collateral requirements are typically calculated by netting the mark to market amount for each transaction under such agreement and comparing that amount to the value of any collateral currently pledged by the Portfolio and the counterparty. For financial reporting purposes, non-cash collateral that has been pledged to cover obligations of the Portfolio has been noted in the Schedule of Investments. To the extent amounts due to the Portfolio from its counterparties are not fully collateralized, contractually or otherwise, the Portfolio bears the risk of loss from counterparty nonperformance. The Portfolios attempt to mitigate counterparty risk by only entering into agreements with counterparties that they believe have the financial resources to honor their obligations and by monitoring the financial stability of those counterparties.

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Options — All Portfolios, with the exception of the Money Market Portfolio, may buy put and call options and write put and covered call options. The Portfolios intend to use such derivative instruments as hedges to facilitate buying or selling securities or to provide protection against adverse movements in security prices or interest rates. The Portfolios may also enter into options contracts to protect against adverse foreign exchange rate fluctuations. Option contracts are valued daily and unrealized appreciation or depreciation is recorded. A Portfolio will realize a gain or loss upon expiration or closing of the option transaction. When an option is exercised, the proceeds upon sale for a written call option or the cost of a security for purchased put and call options is adjusted by the amount of premium received or paid.

Buying put options tends to decrease a Portfolio's exposure to the underlying security while buying call options tends to increase a Portfolio's exposure to the underlying security. The risk associated with purchasing put and call options is limited to the premium paid. There is no significant counterparty risk on exchange-traded options as the exchange guarantees the contract against default. Writing put options tends to increase a Portfolio's exposure to the underlying security while writing call options tends to decrease a Portfolio's exposure to the underlying security. The writer of an option has no control over whether the underlying security may be bought or sold, and therefore bears the market risk of an unfavorable change in the price of the underlying security. The counterparty risk for purchased options arises when the Portfolio has purchased an option, exercises that option, and the counterparty doesn't buy from the Portfolio or sell to the Portfolio the underlying asset as required. In the case where the Portfolio has written an option, the Portfolio doesn't have counterparty risk. Counterparty risk on purchased over-the-counter options is partially mitigated by the Portfolio's collateral posting requirements. As the option increases in value to the Portfolio, the Portfolio receives collateral from the counterparty. Risks of loss may exceed amounts recognized on the Statement of Assets and Liabilities.

During the three months ended September 29, 2017, Opportunity Income Plus Portfolio, Diversified Income Plus Portfolio and Balanced Income Plus Portfolio used treasury options to manage the duration of the Fund versus the benchmark. Options on mortgage backed securities were used to generate income.

Futures Contracts — All Portfolios, with the exception of the Money Market Portfolio, may use futures contracts to manage the exposure to interest rate and market or currency fluctuations. Gains or losses on futures contracts can offset changes in the yield of securities. When a futures contract is opened, cash or other investments equal to the required "initial margin deposit" are held on deposit with and pledged to the broker. Additional securities held by the Portfolios may be earmarked to cover open futures

contracts. The futures contract's daily change in value ("variation margin") is either paid to or received from the broker, and is recorded as an unrealized gain or loss. When the contract is closed, realized gain or loss is recorded equal to the difference between the value of the contract when opened and the value of the contract when closed. Futures contracts involve, to varying degrees, risk of loss in excess of the variation margin disclosed in the Statement of Assets and Liabilities. Exchange-traded futures have no significant counterparty risk as the exchange guarantees the contracts against default.

During the three months ended September 29, 2017, Aggressive Allocation Portfolio, Moderately Aggressive Allocation Portfolio, Moderate Allocation Portfolio, Moderately Conservative Allocation Portfolio, Growth and Income Plus Portfolio, Balanced Income Plus Portfolio, Diversified Income Plus Portfolio, Opportunity Income Plus Portfolio, Partner Worldwide Allocation Portfolio, Multidimensional Income Portfolio, Income Portfolio and Limited Maturity Bond Portfolio used treasury futures to manage the duration and yield curve exposure of the Portfolio versus the benchmark.

During the three months ended September 29, 2017, Aggressive Allocation Portfolio, Moderately Aggressive Allocation Portfolio, Moderate Allocation Portfolio, Moderately Conservative Allocation Portfolio, Growth and Income Plus Portfolio, Balanced Income Plus Portfolio, Diversified Income Plus Portfolio, Opportunity Income Plus Portfolio, Small Cap Index Portfolio, Mid Cap Index Portfolio, Partner Worldwide Allocation Portfolio, Large Cap Stock Portfolio, Large Cap Growth Portfolio, Large Cap Index Portfolio and Low Volatility Equity Portfolio used equity futures to manage exposure to the equities market.

Foreign Currency Forward Contracts — In connection with purchases and sales of securities denominated in foreign currencies all Portfolios, with the exception of the Money Market Portfolio, may enter into foreign currency forward contracts. Additionally, the Portfolios may enter into such contracts to mitigate currency and counterparty exposure to other foreign-currency-denominated investments. These contracts are recorded at value and the related realized and change in unrealized foreign exchange gains and losses are included in the Statement of Operations. In the event that counterparties fail to settle these forward contracts, the Portfolios could be exposed to foreign currency fluctuations. Foreign currency contracts are valued daily and unrealized appreciation or depreciation is recorded daily as the difference between the contract exchange rate and the closing forward rate applied to the face amount of the contract. A realized gain or loss is recorded at the time a forward contract is closed. These contracts are over-the-

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counter and the Portfolio is exposed to counterparty risk equal to the discounted net amount of payments to the Portfolio.

During the three months ended September 29, 2017, Partner Worldwide Allocation Portfolio used foreign currency forward contracts in order to gain active currency exposure and to hedge unwanted currency exposure.

Swap Agreements — All Portfolios, with the exception of the Money Market Portfolio, may enter into swap transactions, which involve swapping one or more investment characteristics of a security or a basket of securities with another party. Such transactions include market risk, risk of default by the other party to the transaction, risk of imperfect correlation and manager risk and may involve commissions or other costs. Swap transactions generally do not involve delivery of securities, other underlying assets or principal. Accordingly, the risk of loss with respect to swap transactions is generally limited to the net amount of payments that the Portfolio is contractually obligated to make, or in the case of the counterparty defaulting, the net amount of payments that the Portfolio is contractually entitled to receive. Risks of loss may exceed amounts recognized on the Statement of Assets and Liabilities. If there is a default by the counterparty, the Portfolio may have contractual remedies pursuant to the agreements related to the transaction. The contracts are valued daily and unrealized appreciation or depreciation is recorded. Swap agreements are valued at the clearinghouse end of day prices as furnished by an independent pricing service. The pricing service takes into account such factors as swap curves, default probabilities, recent trades, recovery rates and other factors it deems relevant in determining valuations. Daily fluctuations in the value of the centrally cleared credit default contracts are recorded in variation margin in the Statement of Assets and Liabilities and recorded as unrealized gain or loss. The Portfolio accrues for the periodic payment and amortizes upfront payments, if any, on swap agreements on a daily basis with the net amount recorded as realized gains or losses in the Statement of Operations. Receipts and payments received or made as a result of a credit event or termination of the contract are also recognized as realized gains or losses in the Statement of Operations. Collateral, in the form of cash or securities, may be required to be held with the Portfolio's custodian, or a third party, in connection with these agreements. Certain swap agreements are over-the-counter and the Portfolio is exposed to counterparty risk, which is the discounted net amount of payments owed to the Portfolio. This risk is partially mitigated by the Portfolio's collateral posting requirements. As the swap increases in value to the Portfolio, the Portfolio receives collateral from

the counterparty. Certain interest rate and credit default index swaps must be cleared through a clearinghouse or central counterparty.

Credit Default Swaps — A credit default swap is a swap agreement between two parties to exchange the credit risk of a particular issuer, basket of securities or reference entity. In a credit default swap transaction, a buyer pays periodic fees in return for payment by the seller which is contingent upon an adverse credit event occurring in the underlying issuer or reference entity. The seller collects periodic fees from the buyer and profits if the credit of the underlying issuer or reference entity remains stable or improves while the swap is outstanding, but the seller in a credit default swap contract would be required to pay the amount of credit loss, determined as specified in the agreement, to the buyer in the event of an adverse credit event in the reference entity. A buyer of a credit default swap is said to buy protection whereas a seller of a credit default swap is said to sell protection. The Portfolios may be either the protection buyer or the protection seller.

Certain Portfolios enter into credit default derivative contracts directly through credit default swaps (CDS) or through credit default swap indices (CDX Indices). CDX Indices are static pools of equally weighted credit default swaps referencing corporate bonds and/or loans designed to provide diversified credit exposure to these asset classes. Portfolios sell default protection and assume long-risk positions in individual credits or indices. Index positions are entered into to gain exposure to the corporate bond and/or loan markets in a cost-efficient and diversified structure. In the event that a position defaults, by going into bankruptcy and failing to pay interest or principal on borrowed money, within any given CDX Index held, the maximum potential amount of future payments required would be equal to the pro-rata share of that position within the index based on the notional amount of the index. In the event of a default under a CDS contract, the maximum potential amount of future payments would be the notional amount. For CDS, the default events could be bankruptcy and failing to pay interest or principal on borrowed money or a restructuring. A restructuring is a change in the underlying obligations which would include reduction in interest or principal, maturity extension and subordination to other obligations.

For financial reporting purposes, the Portfolios do not offset derivative assets and derivative liabilities that are subject to netting arrangements in the Statement of Assets and Liabilities.

Additional information for the Portfolio's policy regarding valuation of investments and other significant accounting policies can be obtained by referring to the Portfolio's most recent annual or semiannual shareholder report.