

# Thrivent Mid Cap Growth Fund

## Q1 2024 Commentary

TMCGX (Class S) • March 28, 2024

### Management



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Senior Portfolio Manager



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Senior Portfolio Manager

Industry: 2012  
Firm: 2015  
Fund: 2021

Industry: 1996  
Firm: 2022  
Fund: 2023

### Executive Summary

- The Fund outperformed the Russell Midcap Growth Index during the first quarter but underperformed the Index on a trailing 12-month basis.
- Positive stock selection in Industrials, Healthcare, Energy and Consumer Staples drove the first quarter out-performance partially offset by weak stock selection and performance in Consumer Discretionary, Information Technology and Financials sub-sectors.
- The Fund continues to be overweighted in sectors such as Information Technology, Materials, Consumer Staples and Real Estate, and is underweighted in Health Care, Energy, Consumer Discretionary, Communications Services, Financials and Industrials sectors.

### Performance factors

Thrivent Mid Cap Growth Fund outperformed the Russell Midcap Growth Index during the quarter with the outperformance driven by positive stock selection in Industrials, Healthcare, Energy and Consumer Staples subsectors. Within Industrials, positive performance was driven by several owned stocks including Howmet Aerospace Inc., Advanced Drainage Systems, Inc., Carlisle Companies Inc., nVent Electric plc, Saia, Inc. and Regal Rexnord Corporation. Within Healthcare, the sub-sector outperformance was driven by Shockwave Medical, Inc., as the company posted strong December quarter results and with the stock having a number of catalysts going forward including preferential reimbursement in the inpatient coronary setting and several new product launches in the currently subdued peripheral portfolio. Zoetis Inc., adversely impacted performance during the quarter – the company late last year launched a new canine pain mAb medication in the U.S. branded as Librela. The injectable drug is intended for pain relief in aged canines and there has been some negative early feedback in the U.S. in terms of drug side-effects though the drug has been available in Europe for many years with over two million canines treated with acceptable side-effects.

Consumer Staples continues to be a positive performance driver for the Portfolio with the quarterly performance led by strong sales, market share gains and margins by Celsius Holdings Inc., a rapidly growing energy drinks provider. Strong results from Lancaster Colony Corporation also aided performance as the company continues to grow retail sales and share through its growing portfolio of leading-restaurant branded sauces and dressings.

Within Energy, the Fund benefited from outperformance by TechniFMC plc as the company continues to generate strong orders from its global offshore customer base for its differentiated sub-sea oil & gas extraction solutions.

Stock selection within Consumer Discretionary was weak. Lululemon Athletica, a leading manufacturer of athletic sportswear guided to softer quarterly and fiscal year 2024 results given the near-term weakness in U.S. consumer spending. With the stock at an all-time high entering the year and expectations high after a period of sustained outperformance, the softer guide significantly impacted stock performance. Similarly, Five Below, Inc.—a leading off-price retailer—posted softer margins and gave lower-than-expected guidance on operating margins as the company continues to be impacted by industry-wide phenomena of increased shrinkage.

Within Information Technology, strong returns by CrowdStrike Holdings, Inc., and Palantir Technologies, Inc. impacted performance as the Fund did not own these stocks. The Fund's position in Dynatrace adversely impacted performance too. Dynatrace is a leading provider of observability software solutions, the company has a strong pipeline and growing product portfolio but some of the larger deals are taking longer to convert into sales. Within Technology, the Fund benefited from continued strong performance in Lam Research Corporation, a leading memory-heavy semicap equipment provider and in Arista Networks, Inc.—a leading provider of networking switches for public cloud infrastructure companies and enterprises.

Within Financials, strong performance by Kinsale Capital Group, Inc. aided performance. This was offset by strong performance by Apollo Global Management Inc, which is not owned by the Fund, and the Fund's underweighting to asset managers.

Within Materials, Marietta Materials, Inc. put up strong results driven by its leadership position as an aggregates material supplier in key growth geographies in the U.S. which allowed the company to extract significant pricing from its customers.

## Portfolio outlook

The Fund maintains an overweight position in Information Technology, Materials, Consumer Staples and Real Estate and is underweight in the Healthcare, Energy, Consumer Discretionary, Communications Services, Financials and Industrials sectors. The Fund's over and underweight positioning is due to bottom-up stock selection rather than making macro bets. During the March quarter, the Fund initiated new positions in Chemed Corporation, Globant SA, JFrog Ltd, MongoDB Inc, nVent Electric plc, and Rockwell Automation while exiting Calix, Inc., EPAM Systems, Inc. and Willscott Mobile Mini Holdings. The Fund's management team continues to identify and invest in companies with sustainable growth opportunities and strong competitive advantages that can execute regardless of the market or economic environment. In addition, given the continued high volatility in growth stocks this year, the team is using the dislocations to initiate new positions in names with long-term secular growth potential. We believe these situations present an opportunity to evaluate new secular growth stocks in these sectors that fit the Fund mandate.

## Performance

For the period ending March 28, 2024 • Periods less than one year are not annualized.

Average annualized returns (%)	3 months	YTD	1 year	3 years	5 years	10 years	Since Inception
Thrivent Mid Cap Growth Fund — S share	9.53	9.53	19.71	0.80	N/A	N/A	11.76
- Expense ratio: net 0.90%, gross 1.82%; Incept. date 2/28/2020							
Russell MidCap Growth Index	9.50	9.50	26.28	4.61	11.82	11.35	
S&P MidCap 400 Grwth Index	15.60	15.60	29.30	6.43	12.04	10.40	
Morningstar Mid-Cap Growth Avg	9.42	9.42	23.04	1.14	10.63	10.12	

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**Top 10 Holdings** (excluding derivatives and cash) 18.75% of Fund, as of Feb 29 2024: Howmet Aerospace, Inc.: 3.06%, Chipotle Mexican Grill Inc: 1.88%, Tyler Tech Inc: 1.83%, Advanced Drainage Syst, Inc.: 1.77%, PTC, Inc.: 1.73%, Synopsys, Inc.: 1.71%, MSCI, Inc.: 1.70%, Monolithic Power Syst, Inc.: 1.69%, Veeva Syst, Inc.: 1.69%, Amphenol Corp: 1.69%

The Adviser has contractually agreed, for a period of one year from the date of the most recent prospectus, to waive certain fees and/or reimburse certain expenses associated with the Fund. If not waived, returns would have been lower. Refer to the Fees & Expenses table in the prospectus.

Any indexes shown are unmanaged and do not reflect the typical costs of investing. Investors cannot invest directly in an index.

**Russell Midcap<sup>®</sup> Growth Index** measures the performance of U.S. medium-capitalization growth-oriented equities.

**S&P Midcap 400 Growth Index** measures the performance of U.S. medium-capitalization growth-oriented equities.

The Morningstar average represents the average total return annualized when greater than one year for all reported funds in the category. Morningstar averages do not include sales charges/fees. If included, returns would have been lower. ©2024 Morningstar, Inc. All rights reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

**Risks:** Medium-sized companies often have greater price volatility, lower trading volume, and less liquidity than larger, more established companies. The Fund's value is influenced by a number of factors, including the performance of the broader market, and risks specific to the Fund's asset classes, investment styles and issuers. The Adviser's assessment of investments may prove incorrect, resulting in losses or poor performance. 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. These and other risks are described in the prospectus.

This commentary may refer to specific securities which Thrivent Mutual Funds may own. A complete listing of the holdings for each of the Thrivent Mutual Funds is available on [thriventfunds.com](https://thriventfunds.com).

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Investing involves risks, including the possible loss of principal. The prospectus and summary prospectus contain more complete information on the investment objectives, risks, charges and expenses of the fund, and other information, which investors should read and consider carefully before investing. Prospectuses and summary prospectuses are available at [thriventfunds.com](https://thriventfunds.com) or by calling 800-847-4836.

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