

Thrivent International Allocation Fund

Q1 2024 Commentary

TWAIX (Class S) • March 28, 2024

Management



Noah Monsen, CFA
Senior Portfolio Manager

Industry: 2008
Firm: 2000
Fund: 2016



Brian Bomgren, CQF
Senior Portfolio Manager

Industry: 2006
Firm: 2006
Fund: 2016



Jing Wang, CFA
Senior Portfolio Manager

Industry: 2008
Firm: 2019
Fund: 2023

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Shu Guo
Senior Portfolio Manager

Industry: 2011
Firm: 2022
Fund: 2024

Executive Summary

- The Fund matched the return of its Index benchmark, the MSCI All Country World Index ex USA (MSCI ACWI ex USA) during the quarter primarily due to security selection within segment allocations.
- For the trailing year, the Fund outperformed, with an underweight to Emerging Markets providing a tailwind to returns.
- For both the year and the quarter, international stock returns were led by developed market large caps, with developed market small caps and Emerging Markets performing similarly over both periods.

Performance factors

The Fund is managed in three separate strategies – developed market large cap, developed market small cap, and Emerging Markets – and each strategy is managed to its own internal benchmark. During the quarter, Emerging Markets had the lowest returns, and the Fund was underweighted to the benchmark weight of this segment, while the developed market large cap and small cap segments produced similar returns. The pattern was similar for the full year, as well.

The international large cap segment of the Fund underperformed its benchmark for the quarter and for the trailing year. In Europe, price momentum was the best performer over the past year. Otherwise, European factors were mostly near flat in performance except for value factors, which also outperformed. Likewise in Japan, value has been the dominant investment theme. Dividend factors traditionally perform well in Japan, and they have been especially effective over the past year. This quarter also saw uncharacteristic positive performance from momentum in Japan, where it typically does not work well. Regionally, performance in the quarter and full year was strong in Japan, where the outperformance of value factors aligned with the portfolio's positioning and led to strong stock selection, while other regions were negative for the quarter.

The international small cap segment of the Fund also outperformed its benchmark for the quarter and outperformed for the trailing year. During the second quarter of 2023, this segment of the Fund transitioned from a sub-advised portfolio managed by Goldman Sachs Asset Management to internal management. Since the transition, the performance of the segment has been strong, based on stock selection, and especially the influence of value factors. Stock selection has been strong across most sectors, but especially in Real Estate, Industrials, and Consumer Staples. Europe and Japan have both had strong stock selection performance in small caps.

In Emerging Markets, performance closely matched the returns of its index over the past year while outperforming in the most recent quarter. The segment's relative performance has been driven by security selection. Across economic sectors, we had positive contributions from stock selection in Financials, Telecommunications Services, and Utilities, while other sectors had returns close to the benchmark. Regionally, all Asian regions (China, South Asia and Korea/Taiwan) had significant positive returns from stock selection, while South America and Europe were close to even with the benchmark. On a factor level, exposure to value factors added the most value and momentum to the portfolio's returns, while growth exposures detracted, reflecting the overall performance of quantitative factors in the emerging market universe.

Portfolio outlook

The Fund maintains allocations to three distinct strategies – developed market large cap and small cap strategies, and Emerging Markets. Performance during the quarter and trailing year is primarily the result of the performance of these strategies relative to their respective benchmarks. The Fund maintains a smaller allocation to Emerging Markets stocks and a higher allocation to small cap stocks than the MSCI ACWI ex USA index. In each of these segments, we seek to maintain a diverse set of exposures to factors that have historically been shown to forecast future stock returns.

Among these factors, we also assess the valuation characteristics of factors for opportunities to increase or decrease exposures. In Europe, some measures of quality appear attractive, while growth factors remain expensive relative to historical ranges. Factor valuations in Japan still appear to offer the most opportunities, with high-quality stocks and momentum remaining at low valuations, while yield and value factors look less attractive following a period of very strong outperformance. In emerging Asia, we continue to see attractive valuations to growth, higher quality, and momentum factors following underperformance of many of those factors, while low volatility appears less attractive at this time. In other emerging market countries, momentum is still showing attractive valuation, while dividend yield appears to be richly priced.

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 International Allocation Fund — S share - Expense ratio: 0.81%; Incept. date 2/29/2008	4.70	4.70	14.76	3.48	5.49	3.78	3.31
MSCI ACWI ex-USA Index - USD NR	4.69	4.69	13.26	1.94	5.97	4.25	
Morningstar Foreign Large Blend Avg	5.24	5.24	13.54	2.92	6.56	4.53	

Learn more: thriventfunds.com • Advisors: 800-521-5308 | sales@thriventfunds.com • Investors: 800-847-4836 | contact your advisor

Top 10 Holdings (excluding derivatives and cash) 13.99% of Fund, as of Feb 29 2024: ASML Holding NV: 2.22%, Novartis AG: 2.18%, Shell plc: 1.72%, Novo Nordisk AS: 1.24%, Toyota Motor Corp: 1.21%, CSL, Ltd.: 1.16%, Alimentation Couche-Tard Inc: 1.15%, Canadian National Railway Co: 1.07%, HSBC Holdings plc: 1.03%, Holcim AG: 1.01%

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

MSCI All Country World Index ex-USA - USD Net Returns measures equity market performance in global developed and emerging markets outside of the US.

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: Foreign investments involve additional risks, such as currency fluctuations and political, economic and market instability, which may be magnified for investments in emerging markets. The Fund's value is influenced by a number of factors, including the performance of the broader market, the effectiveness of the Adviser's allocation strategy, and risks specific to the Fund's asset classes, market cap groups, investment styles, and issuers. The use of derivatives such as futures involves additional risks and transaction costs. The Adviser's assessment of investments may prove incorrect, resulting in losses or poor performance. The use of quantitative investing techniques also involves risks. These and other risks are described in the prospectus.

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All data represents past performance. Past performance does not guarantee future results. The investment return and principal value of the investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than the original cost. Current performance may be lower or higher than the performance data quoted. Call 800-847-4836 or visit thriventfunds.com for performance results current to the most recent month-end.

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 or by calling 800-847-4836.

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