

# Thrivent Low Volatility Equity Fund

## Q1 2024 Commentary

TLVOX (Class S) • March 28, 2024

### Management



**Noah Monsen, CFA**  
Senior Portfolio Manager

Industry: 2008  
Firm: 2000  
Fund: 2017



**Brian Bomgren, CQF**  
Senior Portfolio Manager

Industry: 2006  
Firm: 2006  
Fund: 2018



**Jing Wang, CFA**  
Senior Portfolio Manager

Industry: 2008  
Firm: 2019  
Fund: 2023

### Executive Summary

- In another quarter and full year that delivered strong equity returns, the low volatility strategy underperformed the broad market (MSCI World Index), while the Fund only slightly underperformed its low volatility benchmark index (MSCI World Minimum Volatility Index).
- The U.S. portion of the Fund outperformed international stocks in both the quarter and trailing year, as U.S. stocks continued to outpace international stocks.
- Factor performance struggled in North America but delivered strong results internationally relative to benchmark returns.

### Performance factors

During the quarter, market expectations for interest rate cuts, especially in the U.S., were pared back substantially, and the market now expects the Federal Reserve (Fed) to cut rates three times in 2024, versus as many as six rate cuts being priced in at the beginning of the year. The market defied our expectations by continuing to deliver strong equity returns despite the more hawkish outlook on rates. Stronger-than-expected economic growth may have boosted investors' confidence that stocks can continue to outperform despite higher rates, and that earnings growth can continue without reigniting inflation.

In factor performance, momentum in the United States has been the dominant factor of the past year, even as growth factors faded and some of the highest-flying mega-cap stocks pulled back after huge previous gains. Other factors produced mostly lackluster gains, although value factors began to pick up performance later in the quarter. In Europe, value and momentum were the best performers over the past year as well. Other European factors were close to flat, while dividend yield was modestly negative. 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. Recent periods have also seen uncharacteristic positive momentum performance in Japan, where it typically performs poorly.

From an attribution standpoint, the Fund's performance relative to its benchmark was driven by asset selection in the fourth quarter. Stock selection was strong, especially in Financials, Industrials and Communications Services sectors, and weakest in Information Technology and Consumer Discretionary. For the year, selection was also strong in Financials and Industrials. 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. The portfolio also saw gains in Europe, while in the U.S. and Canada, stock selection was a drag on the Fund's performance.

### Portfolio outlook

The market continues to price in interest rate cuts in the second half of 2024, albeit later and at a slower pace than previously expected. We see a risk that rate cuts get pushed further out into the future, as strong growth and inflation that remains above the Fed's target prevent the Fed from acting in the near term. Markets have taken this in stride so far, but we continue to believe there is a risk of a short-term pullback in equities if the market foresees rates that remain higher for longer.

In evaluating factors to emphasize in building the portfolio, we consider the long-term performance of factors along with the current valuation of factors that may influence their future performance. In U.S. factors, several factors, such as high profitability and low leverage, are beginning to look richly priced, and we are beginning to position the portfolio for the risk of low-quality stocks outperforming. 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. The Fund generally seeks a neutral allocation across global regions and sectors, and the factor exposures we seek differ across regions.

## 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 Low Volatility Equity Fund — S share	5.61	5.61	10.97	5.85	6.41	N/A	7.12
- Expense ratio: net 0.95%, gross 1.42%; Incept. date 2/28/2017							
MSCI World Min Vol Index - USD NR	5.63	5.63	11.14	4.93	5.97	7.67	
Morningstar Global Large-Stock Blend Avg	7.00	7.00	19.06	6.03	9.67	7.89	

**Learn more:** [thriventfunds.com](http://thriventfunds.com) • Advisors: 800-521-5308 | [sales@thriventfunds.com](mailto:sales@thriventfunds.com) • Investors: 800-847-4836 | contact your advisor

**Top 10 Holdings** (excluding derivatives and cash) 19.89% of Fund, as of Feb 29 2024: Cisco Syst, Inc.: 2.35%, McDonald's Corp: 2.23%, Verizon Comm, Inc.: 2.16%, Merck & Co, Inc.: 2.10%, Motorola Solutions Inc: 1.96%, Marsh & McLennan Co Inc: 1.95%, Colgate-Palmoive Co: 1.87%, Cboe Globa Mkts Inc: 1.86%, Canon, Inc.: 1.75%, Johnson & Johnson: 1.66%

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.

**MSCI World Minimum Volatility Index - USD Net Returns** is designed to measure the performance of a minimum variance strategy applied to a universe of large- and mid-cap stocks in 23 developed market countries. It is an optimized version of the MSCI World Index.

**NOTE:** Pending shareholder approval, Thrivent Low Volatility Equity Fund will merge into Thrivent Global Stock Fund on July 19, 2024. It will be closed to new shareholder accounts at the close of business May 3, 2024. See prospectus for more information.

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:** The Fund may experience volatility due to investments in equity securities. 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 use of quantitative investing techniques and derivatives such as futures also involves risks. Foreign investments involve additional risks, such as currency fluctuations and political, economic and market instability. The Adviser's assessment of investments may prove incorrect, resulting in losses or poor performance. 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](http://thriventfunds.com).

**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](http://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](http://thriventfunds.com) or by calling 800-847-4836.**

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