

# Thrivent Mid Cap Value Fund

## Q1 2024 Commentary

TMCVX (Class S) • March 28, 2024

### Management



**Graham Wong, CFA**  
Senior Portfolio Manager

Industry: 2001  
Firm: 2013  
Fund: 2020



**Nicholas Griffith, MD, CFA**  
Portfolio Manager

Industry: 2021  
Firm: 2021  
Fund: 2022

### Executive Summary

- Thrivent Mid Cap Value Fund underperformed its benchmark, the Russell Midcap Value Index, during the quarter. The underperformance in the quarter was driven by stock selection while sector allocation was a slight positive. Stock selection was positive in 6 out of 11 sectors, but the large underperformance in Industrials more than offset that.
- For the year, the Fund's performance was below benchmark with positive stock selection in 6 out of 11 sectors.
- The timing and magnitude of rate cuts continue to be hard to predict and is a risk to positive market sentiment. The Fund is focused on generating excess returns through bottom-up stock selection.
- The Fund is finding opportunities in companies that could generate significant shareholder value through company-specific execution rather than solely based on the direction of the economy.

### Performance factors

Thrivent Mid Cap Value Fund underperformed its benchmark during the quarter. For the quarter, underperformance was driven by stock selection while sector allocation was a slight positive. Stock selection was positive in 6 out of 11 sectors, led by Technology, Utilities, and Real Estate. However, the large underperformance in Industrials more than offset the positive selection in those sectors.

In Industrials, Hexcel (HXL), a manufacturer of aerospace structural materials, was weak due to destocking pressure tied to Boeing's (not owned in the Fund) narrow body aircraft production challenges and delays. We continue to hold HXL as the company is over-indexed to wide-body plane models, as well as to Boeing's competitor Airbus (not owned in the Fund). Werner (WERN), a trucking company, continues to struggle at the bottom of the trucking cycle but expects the environment to improve in the second half of 2024. Lastly, the underweight in Construction Machinery and Heavy Transportation Equipment was a detractor.

On the positive side, stock selection was strongest in Technology. MKS Instruments (MKS), a semiconductor capital equipment company, outperformed on strong outlook for capital spending required for artificial intelligence-related hardware. Commvault Systems (CVLT), a data management and protection software provider, continues to outperform on strong subscription revenue growth for its products.

On a trailing 12-month basis, performance was below the benchmark with positive stock selection in 6 out of 11 sectors.

### Portfolio outlook

The market continued to perform well in the first quarter despite many signs of weaker consumer spending and the dampening of rate cut expectations. Expectations for a strong AI-led tech spending cycle and the slowing of inflation trends continue to drive positive investor sentiment. The timing and magnitude of rate cuts continue to be hard to predict, which adds to market volatility. The Fund does not invest based on top-down macroeconomic forecasts, but rather on generating alpha through bottom-up stock selection. Our risk management process considers many factors, including how macroeconomic risks could affect our holdings and what the downside might be. Our goal is to generate excess returns while minimizing top-down macroeconomic and market risks.

The Fund continues to find new investment opportunities in companies with improving operating performance or where we feel business quality is underappreciated by the market. We are finding opportunities to invest in companies where excess shareholder returns can be generated through the company's execution, rather than solely based on the economic environment. For example, the Fund invested in Devon Energy (DVN), an exploration

and production company, during the quarter. Devon's underperformance in 2023 was driven by infrastructure bottlenecks that forced the company to rely on lower-yield acreage. Devon has since invested to alleviate bottlenecks and will be drilling in more productive areas in 2024. Another new idea in the fund is Crown Castle (CCI), a telecom tower REIT. CCI is currently in a strategic review of its fiber assets, a sale of which could significantly lower the company's capital intensity and unlock value for shareholders.

## 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 Value Fund — S share - Expense ratio: net 0.90%, gross 1.56%; Incept. date 2/28/2020	6.23	6.23	18.91	8.30	N/A	N/A	17.26
Russell MidCap Value Index	8.23	8.23	20.40	6.80	9.94	8.57	
S&P MidCap 400 Value Index	4.12	4.12	17.20	7.25	10.88	9.18	
Morningstar Mid-Cap Value Avg	7.75	7.75	20.80	8.00	10.61	8.23	

**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) 21.64% of Fund, as of Feb 29 2024: Flowserve Corp: 2.97%, Carlyle Grp, Inc.: 2.70%, MKS Instruments, Inc.: 2.17%, General Dynamics Corp: 2.12%, Celanese Corp: 2.02%, U.S. Bancorp: 2.01%, Allstate Corp: 2.00%, Lab Corp of America Holdings: 1.91%, Werner Enterprises Inc: 1.89%, Hexcel Corp: 1.85%

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® Value Index** measures the performance of U.S. medium-capitalization value-oriented equities.

**S&P Midcap 400 Value Index** measures the performance of U.S. medium-capitalization value-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. 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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