

MARCH 31, 2018

# THRIVENT SMALL CAP STOCK FUND

Class S Shares | A Quarterly Update from the Portfolio Management Team

Q1 2018  
COMMENTARY

- 🕒 This commentary from the Fund's portfolio management team summarizes the performance of the Thrivent Small Cap Stock Fund. The managers explain the impact of economic factors, offer their outlook, and outline the Fund's positioning for the future.

## MANAGEMENT



**Matt Finn, CFA**  
Senior Portfolio Manager

Industry Since: 1985  
Fund Since: 2013



**James Tinucci, CFA**  
Associate Portfolio Manager

Industry Since: 2008  
Fund Since: 2015

## Performance Factors

Thrivent Small Cap Stock Fund outperformed its Lipper peer group median during the first quarter of 2018 due to both stock selection and sector allocation, although it lagged its benchmark. The Fund was down -0.27% for the quarter while the Lipper Small Cap Core Median was down -0.99% and the S&P SmallCap 600 Index was up 0.57%. The Fund ranked in the 35th percentile of its Lipper peer group for the quarter. Over the past year, the Fund ranked in the 5th percentile of its Lipper peer group, with a return of 15.51% vs 9.61% for the Lipper median. The S&P SmallCap 600 Index was up 12.68% over the past year. The Fund ranked in the 1st percentile of its Lipper peer group over both the past three and five-year time periods. The underweight in Real Estate Investment Trusts (REITs) and the overweight in financials helped performance as REITs were down over 7% during the quarter and financials were positive in a down quarter. Stock selection was strong in the technology sector which included an acquisition of one of the Fund's holdings that helped performance.

Stock selection was weak in the consumer discretionary sector. Nutrisystems and Tupperware both reported fourth quarter earnings that were below expectations hurting performance.

## Portfolio Outlook

Financials remain the largest overweighted sector in the Fund. The overweight in industrials has been reduced and technology is now underweighted as certain positions achieved our objectives and have been reduced or eliminated. Underweighted sectors continue to include real estate, consumer discretionary and basic materials. The weight in consumer discretionary rose during the quarter as we added to the position in retailer Children's Place. Energy has also been an area of increasing exposure in the portfolio. We feel we are late in the economic cycle as the Federal Reserve Bank has accelerated the pace of interest rate increases and corporate tax rates have been lowered. Given the low level of short-term interest rates it is unclear how soon rate increases will affect the economy.

# Thrivent Small Cap Stock Fund Performance

**Class S Shares** | For the period ending March 31, 2018

Trailing Returns	3-Month	YTD	1-Year	3-Year	5-Year	10-Year
<b>Thrivent Small Cap Stock Fund</b> Expense ratio: 0.81%	-0.27	-0.27	15.51	12.64	13.52	8.89
<b>S&amp;P SmallCap 600® Index</b>	0.57	0.57	12.68	10.76	13.56	11.35
<b>Lipper Small Cap Core Median</b>	-0.99	-0.99	9.61	7.53	10.58	9.28
<b>Lipper Rank %</b>	35 355 of 1035	35 355 of 1035	5 40 of 991	1 4 of 812	3 18 of 697	61 310 of 512

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**Risks:** The Fund primarily invests in securities of small companies. Smaller, less seasoned companies often have greater price volatility, lower trading volume, and less liquidity than larger, more established companies. The value of the Fund is influenced by factors impacting the overall market, certain asset classes, certain investment styles, and specific issuers. The Fund may incur losses due to investments that do not perform as anticipated by the investment adviser.

This article refers to specific securities which Thrivent Small Cap Fund owns. This information should not be considered investment advice or a recommendation of any particular security, strategy or product. Investment decisions should always be made based on an investor's specific financial needs, objectives, goals, time horizon, and risk tolerance. A complete listing of the holdings for each of the Thrivent Mutual Funds is available on ThriventFunds.com.

The Lipper median represents the median annualized total return for all reported funds in the classification. Lipper medians do not include sales charges or fees. If included, returns would have been lower. All rankings are based on total return and do not reflect sales charges. The lower the Lipper percentile ranking, the better the fund performed against its peers. Source for ranking is Lipper, Inc., a Thomson Reuters company. Lipper assigns each fund to a category after scrutinizing its portfolio and assessing the fund manager's flexibility and aggressiveness. Once return figures have been determined, Lipper ranks the relative performance of all funds in a particular category against their respective peer group.

**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 in a mutual fund involves risks, including the possible loss of principal. The prospectus contains more complete information on the investment objectives, risks, charges and expenses of the fund, which investors should read and consider carefully before investing. Prospectuses are available at ThriventFunds.com or by calling 800-847-4836.**

The principal underwriter for the Thrivent Mutual Funds is Thrivent Distributors, LLC. Thrivent Distributors, LLC, is a registered broker/dealer and member of FINRA with its principal place of business at 625 Fourth Avenue South, Minneapolis, MN 55415. Asset management services provided by Thrivent Asset Management, LLC. Both entities are wholly owned subsidiaries of Thrivent Financial for Lutherans.



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