

Value factors fared well through the rising rate market

Thrivent International Small Cap ETF | TISC

September 30, 2026

Fund management



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Senior Portfolio Manager

Industry: 2008

Fund: 2026



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Senior Portfolio Manager

Industry: 2008

Fund: 2026



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Industry: 2011

Fund: 2026

Key takeaways

- Value factor exposure could continue to add performance if global interest rates continue to rise. Low volatility is the most attractively valued factor today, and it may also provide an effective diversifying exposure should value begin to falter.
- The Fund outperformed its benchmark with a return of 3.59% versus the MSCI EAFE Small Cap Index return of 2.89%. Outperformance primarily driven by value factor exposures, especially in Japan.
- Systematic Alpha's approach to portfolio construction helps us spread risk across many sources of return and navigate markets impacted by ever-changing risks and uncertainties. We hold a broadly diverse portfolio across regions, sectors, factors and individual securities, that can help us produce consistent returns in unpredictable market conditions.

Performance factors

+ Contributors

- No single securities account for a significant portion of returns. Rather, many small active positions are used to build exposure to systematic factors that are the primary return drivers of the portfolio.
- Value factors were the most important contributors to outperformance during the quarter. In Japan, book-to-price and dividend yield are the favored value factors, while in other regions we favor cash flow or earnings yield factors. Value often performs well in a rising interest rate environment, and the near-universal rise in interest rates across the globe during the quarter supported the performance of these factors.
- Industry allocations also contributed to outperformance, mainly in line with the factor exposures. In Japan, higher yielding real estate and regional banks had positive contributions.

Detractors

- Momentum factors had modestly negative contributions to the portfolio. Momentum has performed extremely well through much of the run-up in AI-driven technology stocks, but recent performance has been weaker. That weakness has brought the valuation of momentum back to moderate levels from being priced very richly, which may lead to renewed better performance in the future.
- Likewise, low volatility factors have had weak performance recently, slightly detracting from overall portfolio performance.

Portfolio activity

- We have increased our exposure to low volatility factors. These factors are now very attractively valued, with spreads in their cheapest decile of historical valuation by our measure. Valuations at that level can be a possible indicator of improving returns in the medium term (3-12 months), so we have begun to increase our portfolio exposure.
- We are maintaining our exposure to value factors. We view these factors as fully valued after their recent run of strong performance, but we believe the rising interest rate environment globally may still allow value to perform well going forward.
- We have modestly reduced some momentum exposure as performance has weakened. Momentum was very richly valued at the outset of the quarter, causing us to pull back on that allocation.

Portfolio outlook

We see a potential for a rotation into low volatility stocks as the most compelling opportunity today. The valuation spread between high volatility and low volatility stocks is now top decile historically, indicating that low volatility stocks appear to be undervalued. We are weary of the risk in value factors today, as those factors are relatively expensive by historical measures, but that risk seems to be tempered by the potential for a continued rise in global interest rates to support further value out performance. We see a risk that, if interest rates rise too far too fast, it could impair investment and cause markets to become more risk averse. We have positioned for this environment by increasing our exposure to low volatility stocks while maintaining our value exposure. Reducing momentum risk also helps us protect against a market reversal. That positioning represents incremental tilts from our baseline of well-diversified factor exposures that we believe can help us perform consistently in a variety of market conditions.

Performance

For the period ending September 30, 2026 | 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 Small Cap ETF (NAV)	3.59	N/A	N/A	N/A	N/A	N/A	1.93
- Expense ratio: net 0.55%, gross 0.55%; Incept. date 6/15/2026							
TISC Market Price	2.83	N/A	N/A	N/A	N/A	N/A	1.70
MSCI EAFE Small Cap - USD NR	2.89	10.76	13.73	18.22	5.77	8.05	
Morningstar Foreign Small/Mid Blend Avg	1.46	11.14	13.62	17.86	6.35	8.15	

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. A fund's performance for very short time periods may not be indicative of future performance. Market returns are based on the midpoint of the bid/ask spread at market close (typically, 4 p.m. ET) and do not represent returns an investor would receive if shares were traded at other times. Current performance may be lower or higher than the performance data quoted. Visit thriventETFs.com for performance results current to the most recent month-end.

Performance returns are calculated using values carried to additional decimal places. As a result, excess return figures may not equal the difference between the rounded performance figures shown.

Top 10 Holdings (excluding derivatives and cash): 6.36% of Fund as of Aug 31 2026: Balfour Beatty plc: 0.85%, Aurizon Holdings, Ltd.: 0.73%, IG Grp Holdings plc: 0.67%, BlueScope Steel, Ltd.: 0.63%, Koninklijke BAM Groep NV: 0.62%, OVS SPA: 0.59%, IMI plc: 0.59%, Seiko Epson Corp: 0.56%, Kokusai Electric Corp: 0.56%, Tokai Tokyo Fin Holdings, Inc.: 0.56%

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Investors: contact your advisor

Risks: Investments in international securities are subject to market, equity, and foreign securities risk, including economic, political and market structures, especially in emerging markets. Equity securities of smaller companies have greater price volatility and less liquidity than larger companies. Exposure to specific regions, sectors, or styles may increase volatility. This ETF is newly formed and has a limited operating history.

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