

Thrivent International Allocation Fund

Q4 2023 Commentary

TWAIX (Class S) • December 29, 2023

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

Executive Summary

- The Fund underperformed its MSCI ACWI (All Country World Index) ex US benchmark and peer group 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 the year, international stock returns were led by developed market large caps, followed by developed market small caps, and the lowest returns were in Emerging Markets. Developed Markets also outperformed emerging for the most recent quarter.

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 this segment, while the developed market large cap and small cap segments produced similar returns. For the trailing year, large cap was the best returning segment, and Emerging Markets had the lowest returns.

The international large cap segment of the Fund outperformed its benchmark for the quarter and for the trailing year. In Europe, value and yield factors were the best performers over the past year. European factors broadly performed well, with only growth and momentum factors producing negative returns over the period. 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. The recent quarter saw much more muted factor performance in Japan, with most factors producing small but positive returns. 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 international small cap segment of the Fund also outperformed its benchmark for the quarter and outperformed for the trailing year. During the second quarter, this segment transitioned from a sub-advised portfolio management 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.

Factor performance in Emerging Markets has been dominated by value factors in the past year, with a variety of valuation metrics, including dividend yields, providing positive returns. In contrast, growth factors have been among the worst performing for the year, and they were the only factor group to produce significant negative returns. The return pattern in the most recent quarter was similar. It is notable that low volatility flipped to negative returns in the quarter after producing solid returns earlier in the year.

The Emerging Markets segment's performance has closely matched the returns of its benchmark index over the past year and in the most recent quarter. The Fund's relative performance has been driven by security selection. Across economic sectors, we had positive contribution from stock selection in Financials, Telecommunications Services, and Utilities, while other sectors had returns close to the benchmark. By country, we had excellent stock selection results in China and India but lost relative performance in South Korea. On a factor level, exposure to value factors added the most value to the portfolio's returns, while growth and momentum 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 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 currently. In other emerging market countries, momentum and analyst earnings revisions are showing attractive valuations, while quality and growth factors appear to be richly priced.

Performance

For the period ending December 29, 2023 • 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	10.88	18.09	18.09	3.32	6.62	3.49	3.07
- Expense ratio: 0.81%; Incept. date 2/29/2008							
MSCI ACWI ex-USA Index - USD NR	9.75	15.62	15.62	1.55	7.08	3.83	
Morningstar Foreign Large Blend Avg	9.81	16.25	16.25	2.43	7.62	3.98	

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) 13.22% of Fund, as of Nov 30 2023: Novartis AG: 2.18%, ASML Holding NV: 1.68%, Shell plc: 1.43%, Sanofi SA: 1.24%, Toyota Motor Corp: 1.20%, Nestle SA: 1.17%, Novo Nordisk AS: 1.14%, CSL, Ltd.: 1.12%, AstraZeneca plc: 1.08%, HSBC Holdings plc: 0.98%

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.

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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. Securities markets generally tend to move in cycles with periods when security prices rise and periods when security prices decline. 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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