

Thrivent International Allocation Fund

Q3 2021 Commentary

TWAIX (Class S) • September 30, 2021

Management



Noah J. Monsen, CFA
Senior Portfolio Manager
Industry since: 2008
Thrivent since: 2000
Fund since: 2016



Brian W. Bomgren, CQF
Senior Portfolio Manager
Industry since: 2006
Thrivent since: 2006
Fund since: 2016

Goldman Sachs Asset Management Quantitative Investment Strategies Team

Fund since: 2008

- **Len Ioffe** GSAM since: 1994
PM since: 1996
- **Osman Ali** GSAM since: 2003
PM since: 2005
- **Takashi Suwabe** GSAM since: 2004
PM since: 2004
- **Dennis Walsh** GSAM since: 2005
PM since: 2015

Executive summary

- China led Emerging Markets lower in the quarter, as government intervention in a wide variety of industries, from education to food delivery to technology, caused increased volatility across China's stock markets.
- The Chinese Communist Party's renewed emphasis on "shared prosperity" called into question the long-term profit potential of many businesses. Uncertainty around offshore listings of Chinese companies and the government's assertion of power to access data from technology companies added to the headwinds facing Chinese stocks.
- Outside China, stock returns were close to flat during the quarter, as economic recovery from the COVID-19 pandemic was tempered by resurgent virus outbreaks in some areas and concerns over economic slowing due to supply constraints. As a result of these forces, the Fund benefitted from being underweight Emerging Markets, including China, relative to the MSCI ACWI ex US Index.

Performance factors

The Fund benefitted from its underweight to Emerging Markets, and corresponding overweight to Developed Markets. As a result, the Fund was underweight Chinese stocks, and overweight Japanese stocks, which both contributed to outperformance. Within the Emerging Markets allocation, the Fund benefitted from stock selection within China as that segment of the Fund outperformed the MSCI Emerging Markets Index. The Developed Markets segment saw its largest positive contribution to performance come from stock selection in Japan.

All the segments of the Fund are managed using quantitative investment processes. Through our quantitative process, positions in the Fund are determined by stocks' exposure to factors that have historically helped to forecast outperformance. Positions in individual stocks are adjusted regularly to maintain the Fund's exposure to those factors. Those regular adjustments did not result in any material changes to sector or country allocations in the Fund. Allocations among the segments remained unchanged through the quarter.

Due to the increase in volatility and regulatory uncertainty in China, the Fund reduced the size of its active positions in Chinese stocks during the quarter. This did not result in a change in the Fund's allocation to China but reduced the size of active weights in individual stocks within that allocation.

For the trailing year, the Fund's underweight to China was a significant contributor to its outperformance vs the Index. Stock selection was strong throughout the Developed Markets, with outperformance in all regions. Stock selection performance was driven by exposure to quantitative factors, with value, momentum, and size factors all helping performance.

Portfolio outlook

We remain cautious about risk taking in Chinese equities as government intervention in the economy still looms as potential long-term obstacle to stock selection. We expect to maintain our current positioning with respect to Chinese equities, with smaller active positions in a large number of stocks to reduce the idiosyncratic risk of individual companies' exposure to increased regulation. In other regions, the outlook has moved improved as confidence has increased that lifting of pandemic restrictions will be enduring and economies will recover fully, although this optimism may be somewhat tempered by concern that increased demand and supply chain challenges could spark inflationary pressures. The Fund remains structurally overweight small-cap stocks and maintains Emerging Market exposure below the level of the benchmark index.

Thrivent International Allocation Fund performance Class S shares | For the period ending September 30, 2021

Average annualized returns (%) <small>Periods less than one year are not annualized.</small>	3 months	YTD	1 year	3 years	5 years	10 years
Thrivent International Allocation Fund Class S share; Expense ratio: 0.81%	-0.51	10.28	25.13	6.61	6.94	7.18
MSCI ACWI ex-USA Index USD - Net Returns¹	-2.99	5.90	23.92	8.03	8.94	7.48
Lipper International Multi-Cap Core Median	-1.39	7.80	24.83	7.32	8.35	7.96
Lipper rank %	19 (64 of 354)	11 (36 of 344)	42 (141 of 339)	69 (214 of 312)	84 (222 of 264)	82 (138 of 169)

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Any indexes shown are unmanaged and do not reflect the typical costs of investing. Investors cannot invest directly in an index.

¹MSCI All Country World Index ex-USA - USD Net Returns measures equity market performance in all global developed and emerging markets outside of the US.

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. Markets may also be impacted by domestic or global events, including public health threats, terrorism, natural disasters or similar events. The use of quantitative investing techniques and derivatives such as futures also involve risks. The Adviser's assessment of investments may prove incorrect, resulting in losses or poor performance. The investment style employed by the Subadviser may not be complementary to that of the Adviser. The Fund may engage in active and frequent trading of portfolio securities, which may result in higher transaction costs and higher taxes. These and other risks are described in the prospectus.

This commentary may refer to specific securities which the Fund(s) may own. This information should not be considered investment advice or a recommendation of any particular security, strategy or product. 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/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 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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