

Thrivent Large Cap Value Fund

Q4 2023 Commentary

TLVIX (Class S) • December 29, 2023

Management



Kurt Lauber, CFA

Senior Portfolio Manager

Industry: 1990
Firm: 2004
Fund: 2013



Thomas Lieu, CFA

Senior Portfolio Manager

Industry: 2000
Firm: 2019
Fund: 2022

Executive Summary

- Thrivent Large Cap Value Fund outperformed the Russell 1000 Value Index over the last quarter and year.
- For the quarter, stock selection was positive in all sectors but Industrials, and the leading sectors were Financials, Consumer Staples, and Health Care.
- For the year, stock selection was strong in Consumer Discretionary, Utilities, and Consumer Staples weak in Financial Services and Industrials.
- The Fund remains over-weight in attractively valued companies and continues to focus on companies that can improve returns that are not correctly priced into a company's valuation.

Performance factors

Positive stock selection drove the outperformance over the quarter and year relative to the Russell 1000 Value Index while allocation detracted. During the quarter, within Financials, the credit card companies Capital One and Discover Financial Services both benefited from improvement in consumer credit outlook as the economy remained more robust than investors expected. Charles Schwab and the Fund's other bank holdings, especially Comerica, benefited from investors' view that the Federal Reserve's (Fed's) actions have been successful in fighting inflation, and thus a peak in funding cost was close at hand, and odds of a soft landing improved. In Consumer Staples, Lamb Weston benefited from better pricing and cost controls in the french fry markets, especially relative to the poor price-to-cost metrics in other packaged foods companies not owned by the Fund. A new holding, Kenvue benefited from a positive ruling on the admissible evidence in the acetaminophen court case. Cisco detracted from stock selection as it was negatively impacted by customers unable to install switching equipment at a fast enough pace. Negative crop prices hurt the performance of CNH Industrial, an agricultural and construction equipment company in Industrials, as well as, CF Industries Holdings, a fertilizer company in Materials.

Positive stock selection drove the Portfolio's outperformance vs the Russell 1000 Value index over the last year while allocation detracted. Consumer Discretionary names led stock selection as travel demand aided Booking Holdings but also D.R. Horton, which reported better than expected operating performance in the face of difficult housing trends. Utilities benefited from Constellation Energy Corporation, as its nuclear utilities will benefit from higher power prices with the closing of carbon-based plants and the potential benefit of consolidation of nuclear assets in the U.S. Consumer Staples benefited from names mentioned above, but also Coty Inc. which improved from management's strategy to stabilize legacy brands and new skincare product launches. Financial services were the largest drag on the portfolio over the last year due to poor selection in PayPal and Fidelity National Services, Fidelity has been sold. The portfolio also has exited Equitable and Truist Financial and added Allstate and added to Wells Fargo, Comerica, MetLife, and Charles Schwab, which have been beneficial. The detraction from allocation was the Fund's underweighted holdings of Technology, and stock selection in Semiconductors specifically. However, the Fund's over-weight in Alphabet and Meta Platforms in Communications Services made up for this detraction in allocation and was the largest area of stock selection gain. Meta was purchased for the first time last year as the stock was under pressure due to weak digital advertising spend stemming from changes to Apple's data tracking rules for its users but given attractive free cash flow yield and anticipation of algorithm fix from Meta that would eventually lead to recovery in ad spend. The portfolio also added to Alphabet on concerns of increased competitive pressure in search from Microsoft's launch of artificial intelligence (AI) ChatGPT product, as Google is among the leaders in generative AI and also stands to benefit.

Portfolio outlook

The resilience of the U.S. economy in the face of one of the most aggressive Fed tightening has left investors wondering if the Fed could somehow pull off a perfect economic landing. Data points on inflation and Fed commentary during the fourth quarter further heightened investor expectations. Let us not forget that this is the same Fed that called inflation "transitory" not too long ago. As we noted in our outlook musings last year, this COVID-led recession and recovery is very different from the previous Great Recession, the consumer and enterprise balance sheets were in better positions, and economic demand, while slowing, remained far more resilient than expected. The combination of near-zero rates, massive quantitative easing, and similarly aggressive fiscal policy had a far more lasting impact on the economy than most had forecast. Today, employment remains robust, inflation continues to trend lower, and some fiscal stimulus, like the Inflation Reduction Act, remains in front of us, while China continues to step up its own stimulus plans. These are countered by the Fed Funds Rate that now stands at 5.25-5.50%, the 10-year yield still higher year-over-year, and the savings rate that is now below pre-pandemic levels. The market continues to vacillate between the different landing scenarios, or even perhaps no-landing; however, Thrivent Large Cap Value Fund's process is to take advantage of this dislocation and confusion by adding value through stock selection process that focuses on ranking companies on valuation, operating performance, and catalysts. For example, the buildup of inventory from supply chains reopening at the same time consumers were shifting their consumption to services has led to a freight recession allowing the fund to add exposure in this area. The Fund remains over-weighted in attractively valued stocks and focused on companies that can improve returns above those already priced into their stock.

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 Large Cap Value Fund — S share	10.24	12.93	12.93	12.50	13.09	9.46	6.85
- Expense ratio: 0.55%; Incept. date 10/29/1999							
Russell 1000 Value Index	9.50	11.46	11.46	8.86	10.91	8.40	
S&P 500® Value Index	13.63	22.23	22.23	13.11	14.11	10.01	
Morningstar Large Value Avg	9.68	11.63	11.63	9.74	11.37	8.39	

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) 20.21% of Fund, as of Nov 30 2023: Wells Fargo & Co: 2.48%, J.P. Morgan Chase & Co: 2.36%, QUALCOMM, Inc.: 2.05%, Philip Morris Int'l Inc: 2.01%, Verizon Comm, Inc.: 2.00%, Samsung Electronics Co Ltd: 2.00%, ConocoPhillips: 1.99%, Lowe's Cos, Inc.: 1.80%, Bank of America Corp: 1.77%, Exxon Mobil Corp: 1.75%

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

Russell 1000® Value Index measures the performance of U.S. large capitalization value-oriented equities.

S&P 500® Value Index measures the performance of the value stocks in the S&P 500 Index.

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Risks: Large companies may be unable to respond quickly to new competitive challenges and may not be able to attain a high growth rate. 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. Foreign investments involve additional risks, such as currency fluctuations and political, economic and market instability. 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. These and other risks are described in the prospectus.

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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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