

Thrivent Low Volatility Equity Fund

Q4 2023 Commentary

TLVOX (Class S) • December 29, 2023

Management



Noah Monsen, CFA
Senior Portfolio Manager

Industry: 2008
Firm: 2000
Fund: 2017



Brian Bomgren, CQF
Senior Portfolio Manager

Industry: 2006
Firm: 2006
Fund: 2018



Jing Wang, CFA
Senior Portfolio Manager

Industry: 2008
Firm: 2019
Fund: 2023

Executive Summary

- In a quarter and full year that delivered strong equity returns, the low-volatility strategy outperformed its low-volatility benchmark index, the MSCI World Minimum Volatility Index.
- The US portion of the portfolio outperformed international stocks in both the quarter and trailing year, reflecting the strong performance of the U.S. market.
- Factor performance in the low volatility space was muted, as growth was the dominant driver of returns throughout the year.

Performance factors

During the past quarter, market perceptions that interest rates have hit their peak and cuts are likely in the coming year helped spark a strong rally in stocks across markets globally. This dynamic especially affected riskier assets, resulting in low volatility strategies, which feature lower risk and higher quality stocks, to underperform broad market indices. Interest rate-sensitive industries, such as Real Estate, also benefitted from the expectation of lower interest rates in the future, and those areas of the market benefitted most from the rally.

In factor performance, growth in the United States has been the dominant factor of the past year, as characterized by the outperformance of the mega-cap technology companies. However, the most recent quarter saw weak performance from nearly all traditional quantitative factors in the US, as value, quality, and momentum all produced negative returns, and growth factors were flat for the quarter. 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.

From an attribution standpoint, the Fund's performance relative to its benchmark was driven by asset selection in the fourth quarter. Stock selection was strong especially in Health Care, a reverse from previous quarters, while other sectors hewed close to benchmark returns. For the year, selection was strong in Financials, Consumer Staples, and Industrials, while a strong fourth quarter brought the Health Care Sector back to near benchmark performance after underperforming in previous quarters. 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. In the U.S., selection was strong as well for both the quarter and full year.

Portfolio outlook

With near certainty that the Federal Reserve's interest rate raising cycle is complete, our outlook on the impact of rates on the global markets has shifted since last quarter. Interest rates globally are expected to see cuts in 2024, except for Japan, where rates are finally expected to sustainably remain positive after years of the Bank of Japan struggling to break out of a pattern of deflation. If expected interest rate cuts materialize, that would likely stimulate performance on lower quality, more highly leveraged stocks. The expectation is likely what drove the rally in those stocks already in the fourth quarter of 2023. However, if rate cuts prove smaller or later than the market expects, those gains are likely to reverse. In evaluating factors to emphasize in building the portfolio, we consider the long-term performance of factors along with the current valuation of factors that may influence their future performance. In U.S. factors, we see most factors in their historical valuation ranges, such that we do not expect large deviations from historical performance patterns. 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. The portfolio generally seeks a neutral allocation across global regions and sectors, and the factor exposures we seek differ across regions.

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 Low Volatility Equity Fund — S share	6.88	8.03	8.03	4.52	7.38	N/A	6.53
- Expense ratio: net 0.95%, gross 1.41%; Incept. date 2/28/2017							
MSCI World Min Vol Index - USD NR	6.69	7.42	7.42	3.45	6.95	7.31	
Morningstar Global Large-Stock Blend Avg	10.55	18.12	18.12	5.31	10.60	7.23	

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) 19.45% of Fund, as of Nov 30 2023: Cisco Syst, Inc.: 2.40%, Johnson & Johnson: 2.33%, Verizon Comm, Inc.: 2.28%, Cboe Globa Mkts Inc: 1.94%, Gilead Sciences, Inc.: 1.94%, Merck & Co, Inc.: 1.86%, Colgate-Palmoive Co: 1.81%, Novartis AG: 1.66%, Duke Energy Corp: 1.64%, Microsoft Corp: 1.59%

The Adviser has contractually agreed, for a period of one year from the date of the most recent prospectus, to waive certain fees and/or reimburse certain expenses associated with the Fund. If not waived, returns would have been lower. Refer to the Fees & Expenses table in the prospectus.

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

MSCI World Minimum Volatility Index - USD Net Returns is designed to measure the performance of a minimum variance strategy applied to a universe of large- and mid-cap stocks in 23 developed market countries. It is an optimized version of the MSCI World Index.

The Morningstar average represents the average total return annualized when greater than one year for all reported funds in the category. Morningstar averages do not include sales charges/fees. If included, returns would have been lower. ©2023 Morningstar, Inc. All rights reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

Risks: The Fund may experience volatility due to investments in equity securities. 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. The use of quantitative investing techniques and derivatives such as futures also involves risks. 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.

This commentary may refer to specific securities which Thrivent Mutual Funds may own. A complete listing of the holdings for each of the Thrivent Mutual Funds is available on thriventfunds.com.

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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