

# Thrivent Mid Cap Growth Fund

## Q4 2023 Commentary

TMCGX (Class S) • December 29, 2023

### Management



**Siddharth Sinha, CFA**  
Senior Portfolio Manager

Industry: 2012  
Firm: 2015  
Fund: 2021



**Michael Hubbard**  
Senior Portfolio Manager

Industry: 2007  
Firm: 2018  
Fund: 2022



**Mark Militello, CFA**  
Senior Portfolio Manager

Industry: 1996  
Firm: 2022  
Fund: 2023

### Executive Summary

- Thrivent Mid Cap Growth Fund underperformed the Russell Midcap Growth Index during the fourth quarter and on a trailing 12-month basis. Adverse stock selection in Industrials, Communications Services, Information Technology, and Health Care drove the 12-month underperformance, partially offset by strong stock selection and performance in Consumer Staples, Energy, and Materials sectors.
- Versus the Russell Midcap Growth Index, the Fund continues to be overweight in sectors such as Information Technology, Materials, Consumer Staples, and Real Estate and is underweighted in Health Care, Energy, Consumer Discretionary, Communications Services, Financials, and Industrials sectors.

### Performance factors

Thrivent Mid Cap Growth Fund underperformed the Russell Midcap Growth Index during the trailing 12 months with the underperformance driven by weak stock selection in Industrials, Communications Services, Information Technology, and Health Care sectors. Within Industrials, performance was mainly negatively impacted by a significant sell-off in Driven Brands (no longer held), a leading operator of oil change, car wash, and collision repair centers. The company reported softer than anticipated second-quarter results in conjunction with appointing a new CFO and resetting financial guidance lower for the full year. These near-term performance issues combined with the firm's high debt leverage and low free-cash flows, due to its focus on growing its store base, severely impacted stock performance. Stock selection was neutral across the rest of the industrial sub-sectors. Within Consumer Discretionary, performance was impacted by weak performance from Planet Fitness (no longer held) and Fox Factory Holdings. Planet Fitness is a leading provider of franchise-operated low-cost, high-value fitness clubs. Planet's franchisees struggled to open new fitness clubs at prior committed build rates as higher interest rates and elevated construction costs post covid are driving lower per-store returns vs pre-COVID economics. These factors combined with an abrupt CEO change impacted stock performance. Fox Factory reported weak 3rd quarter results as its automotive business was significantly impacted by the UAW strike, further, the company made an ill-timed and unexpected acquisition outside its core-suspension competence. Within Information Technology, strong returns by CrowdStrike Holdings, Inc., MongoDB Inc., Cadence Design Systems, and Palantir Technologies, Inc. impacted performance as the Fund did not own these stocks. Further, poor performance by Calix, Inc. a leading provider of broadband connectivity solutions, impacted performance as the stock was impacted by softer spending by its fiber broadband customers given elevated interest rates. Within Technology, the Fund benefited from continued strong performance in Synopsis, Inc. – a leading software provider of semiconductor chip design and emulation software as well as in Guidewire, Inc. – a leading provider of vertical software solutions for the insurance industry, Palo Alto Networks, Inc – a leading next-gen security solutions provider and in Arista Networks, Inc – a leading provider of networking switches for the public cloud infrastructure companies and enterprises. Stock selection in Communications Services was particularly weak – this sector was the second best-performing group in the benchmark but the Fund's holdings ZoomInfo Technologies, Inc., (no longer held) and Ziff Davis, Inc. materially under-performed on poor end-market trends.

The Fund outperformed the Russell Midcap Growth Index over the trailing 12 months in Consumer Staples, Energy, and Materials sectors. Within Consumer Staples, the Fund benefited from outperformance in Celsius Holdings, Inc. as the company continues to garner strong share gains in the energy drinks category on the back of its recent PepsiCo Inc., (not owned) distribution agreement. Within Materials, Marietta Materials, Inc. put up strong results driven by its leadership position as an aggregates material supplier in key growth geographies in the U.S., which allowed the company to extract significant pricing from its customers. Finally, within Energy, the Fund benefited from outperformance by TechnipFMC plc as the company continues to generate strong orders from its global offshore customer base for its differentiated sub-sea oil & gas extraction solutions.

## Portfolio outlook

The Fund maintains an overweight position in Information Technology, Materials, Consumer Staples, and Real Estate and is underweight in the Health Care, Energy, Consumer Discretionary, Communications Services, Financials, and Industrials sectors. The Fund's over- and underweighted positioning is due to bottom-up stock selection rather than making macro bets. The Fund initiated new positions in Align Technology, Inc., CoStar Group, Inc., and Enphase Energy, Inc., while exiting Entegris, Inc., Five9 Inc., and Maravai Lifesciences Holdings during the quarter. The Portfolio's management team continues to identify and invest in companies with sustainable growth opportunities and strong competitive advantages that can execute regardless of the market or economic environment. In addition, given the continued high volatility in growth stocks this year, the team is using the dislocations to initiate new positions in names with long-term secular growth potential. We believe these situations present an opportunity to evaluate new secular growth stocks in these sectors that fit the Portfolio mandate.

## 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 Mid Cap Growth Fund — S share	9.73	16.94	16.94	-2.22	N/A	N/A	9.92
- Expense ratio: net 0.90%, gross 2.09%; Incept. date 2/28/2020							
Russell MidCap Growth Index	14.55	25.87	25.87	1.31	13.81	10.57	
S&P MidCap 400 Grwth Index	9.94	17.49	17.49	4.22	11.91	9.04	
Morningstar Mid-Cap Growth Avg	12.38	21.37	21.37	-0.86	12.46	9.23	

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**Top 10 Holdings** (excluding derivatives and cash) 22.01% of Fund, as of Nov 30 2023: Howmet Aerospace, Inc.: 3.17%, Synopsys, Inc.: 2.73%, Palo Alto Networks Inc: 2.25%, Chipotle Mexican Grill Inc: 2.22%, Kinsale Capital Grp Inc: 2.17%, Tyler Tech Inc: 1.97%, PTC, Inc.: 1.91%, MSCI, Inc.: 1.90%, Five Below, Inc.: 1.86%, Dexcom, Inc.: 1.83%

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.

**Russell Midcap® Growth Index** measures the performance of U.S. medium-capitalization growth-oriented equities.

**S&P Midcap 400 Growth Index** measures the performance of U.S. medium-capitalization growth-oriented equities.

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. ©2024 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:** Medium-sized companies often have greater price volatility, lower trading volume, and less liquidity than larger, more established companies. The Fund's value is influenced by factors impacting the overall market, certain asset classes, certain investment styles, and specific issuers. 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. Common stocks of companies that rely extensively on technology, science or communications in their product development or operations may be more volatile than the overall stock market and may or may not move in tandem with the overall stock market. 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](https://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](https://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](https://thriventfunds.com) or by calling 800-847-4836.

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