

Thrivent Mid Cap Stock Fund

Q4 2023 Commentary

TMSIX (Class S) • December 29, 2023

Management



Brian Flanagan, CFA
Senior Portfolio Manager

Industry: 1993
Firm: 1994
Fund: 2004



Vikram Kaura
Senior Portfolio Manager

Industry: 1999
Firm: 2017
Fund: 2022



J.P. McKim, CFA
Senior Portfolio Manager

Industry: 2010
Firm: 2019
Fund: 2022

Executive Summary

- Thrivent Mid Cap Stock Fund underperformed the benchmark for the three- and 12-months.
- The Information Technology and Health Care sectors were underperformers for both periods while the Industrials sector somewhat offset these detractors.
- Favored companies are those that can improve productivity and effectively manage capital to improve returns in a slowing economy.

Performance factors

Thrivent Mid Cap Stock Fund had a difficult fourth quarter as it underperformed the Russell Midcap Index for the previous three- and 12-months. For the quarter, poor security selection within the Health Care, Financials, and Information Technology sectors was only partially offset by security selection within the Industrials sector. After a strong year, insurance companies Kinsale Capital Group and Arch Capital Group dragged down the Financials sector returns. While results were solid for both companies, Kinsale's growth slowed more than investors' expectations. Investors also became concerned that 2024 insurance pricing may not meet expectations as fewer 2023 catastrophe losses increased insurance company capital positions. Health Care sector returns were buffeted by Align Technologies, Sarepta Therapeutics, and Maravai Lifesciences. Align's sales fell off in the third and fourth quarters as consumers cut discretionary spending on the company's teeth straightening products. Sarepta declined as their Duchenne muscular dystrophy clinical trial failed to meet its primary endpoint. Finally, Maravai Lifesciences' demand declined as customers continued to work through their Covid vaccine inventory and funding challenges. ON Semiconductor and Ciena Corporation dragged down the Information Technology sector returns as ON saw slowing auto and industrial sector demand. Investors also feared slowing telecommunication spending would more than offset increased data center demand for Ciena's products. The Industrials sector performance partially offset the detractors as United Rentals and Axon Enterprise provided solid returns. United Rentals continued to benefit from construction spending and strong pricing given a more consolidated competitive market. The company's scale also provided a competitive advantage as it is one of the few companies that can support the mega projects driving nonresidential construction. Axon's continued transition to a recurring revenue model, new product introductions, and increased state and local government spending all helped to accelerate the company's revenues.

12-month returns were hurt by the Information Technology, Communication Services, Energy, and Health Care Sectors and were somewhat offset by strong stock selection within the Industrials sector. The Information Technology sector returns were hurt more by what was not owned than by what was owned as not owning enough high-growth, high-multiple software stocks weighed on returns. Within Communications Services, DISH Networks' slow progress toward executing their business plan, and their substantial debt load battered the stock. Investor concerns regarding Devon Energy's inventory depth dragged down the exploration and production company's stock price. Maravai Lifesciences was also the Health Care sector's largest detractor over the previous 12 months. Industrial sector returns were a bright spot for the last 12 months, as Fastenal, United Rentals, Quanta Services, and Advanced Drainage Systems all benefited from internal company initiatives to improve margins and returns.

Portfolio outlook

The economy continues to benefit from bottom-up factors including strong employment, increasing consumer net worth driven by house and stock prices, and slowing inflation. These benefits are juxtaposed against multiple top-down headwinds including two major wars, restrictive Federal Reserve monetary policy, and an uncertain 2024 presidential election. Valuation spreads widened suggesting there may be a value opportunity once these spreads peak. Company insider signals flip-flopped as insider buying increased and quickly reversed to selling as the market rallied on the Federal Reserve's messaging that they would lower rates in 2024. The two biggest changes from last quarter to this quarter are the Federal Reserve's message to lower rates in 2024, and the intensifying wars in the Middle East and Ukraine. The former should eventually help the economy while the latter is a major wildcard. While lower interest rates should eventually help the economy, the lagged impacts of the significant recent interest rate increases may slow the economy currently. The most significant opportunity in a slowing economy will be those companies that can improve

productivity and effectively manage their capital to improve returns. We continue to focus on bottom-up stock selection seeking companies with sustainable competitive advantages, generating significant or improving return on invested capital, and trading at reasonable valuations.

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 Stock Fund — S share	8.97	13.87	13.87	6.33	12.85	10.95	9.34
- Expense ratio: 0.75%; Incept. date 12/29/1997							
Russell Midcap Index	12.82	17.23	17.23	5.92	12.68	9.42	
S&P MidCap 400® Index	11.67	16.44	16.44	8.09	12.62	9.27	
Morningstar Mid-Cap Blend Avg	11.48	16.00	16.00	6.83	11.96	8.28	

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Top 10 Holdings (excluding derivatives and cash) 30.99% of Fund, as of Nov 30 2023: Kinsale Capital Grp Inc: 3.60%, NVR, Inc.: 3.49%, Arch Capital Grp, Ltd.: 3.43%, United Rentals, Inc.: 3.36%, Steel Dynamics, Inc.: 3.19%, PPG Industries, Inc.: 3.01%, Old Dominion Freight Line Inc: 2.92%, Chipotle Mexican Grill Inc: 2.83%, Advanced Drainage Syst, Inc.: 2.70%, Howmet Aerospace, Inc.: 2.46%

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

Russell Midcap® Index measures the performance of U.S. medium-capitalization equities.

S&P MidCap 400® Index represents the average performance of a group of 400 medium capitalization stocks.

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: 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 a number of factors, including the performance of the broader market, and risks specific to the Fund's asset classes, investment styles, and issuers. Securities markets generally tend to move in cycles with periods when security prices rise and periods when security prices decline. The Adviser's assessment of investments may prove incorrect, resulting in losses or poor performance. 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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