

# Thrivent Mid Cap Value Fund

## Q4 2023 Commentary

TMCVX (Class S) • December 29, 2023

### Management



**Graham Wong, CFA**  
Senior Portfolio Manager

Industry: 2001  
Firm: 2013  
Fund: 2020



**Nicholas Griffith, MD, CFA**  
Portfolio Manager

Industry: 2021  
Firm: 2021  
Fund: 2022

### Executive Summary

- Thrivent Mid Cap Value Fund underperformed its benchmark during the quarter but outperformed on a trailing 12-month basis. Underperformance in the quarter was driven by sector allocation, while stock selection was positive. Negative sector allocation was due to being overweight Consumer Staples and Energy and underweight Real Estate. Performance was positive in seven out of 11 sectors, driven by strong stock selection in Financials, Consumer Staples, and Technology.
- For the year, the Fund's outperformance was driven by stock selection, while sector allocation was negative. Performance was positive in eight out of 11 sectors, led by Technology, Utilities, and Materials.
- Key market risks include potentially weaker consumer spending and repercussions of the large budget deficit. We do not invest based on top-down macroeconomic forecasts. Instead, we are focused on generating excess returns through bottom-up stock selection.
- The Fund is finding opportunities in industries that are less sensitive to the U.S. economic outlook, as well as those where fundamentals are already near trough levels.

### Performance factors

Thrivent Mid Cap Value Fund underperformed its benchmark, the Russell Midcap Value Index, during the quarter but outperformed on a trailing 12-month basis. For the quarter, sector allocation drove the underperformance while stock selection was positive. Negative sector allocation was due to the overweighted holdings in Consumer Staples and Energy and the underweighting in Real Estate. Performance was positive in seven out of 11 sectors, driven by strong stock selection in Financials, Consumer Staples, and Technology. In Financials, Allstate outperformed as loss ratios improved due to a combination of rate and non-rate actions and declining severity due to lower cost inflation. Allstate is a good example of our investment process. We bought when sentiment was extremely negative and margins were near trough levels, and our thesis around pricing-led margin recovery is playing out well leading to an improvement in investor sentiment. In Consumer Staples, Dollar Tree outperformed as the company's initiatives to drive higher traffic is bearing fruit. In Technology, semiconductor equipment company MKS Instruments outperformed on strong reported margins driven by strong execution and favorable product mix.

Stock selection was weakest in Industrials. Barnes Group was hurt by a weaker macroeconomic outlook and difficulty managing labor and materials inflation. Sensata Technologies was hurt by the automotive end market softening, mostly due to the UAW strike. In Communications, IMAX Corp was hurt by delays in film releases due to the Hollywood strikes during the quarter. We continue to believe that the headwinds facing these companies are transitory and maintain our favorable long-term views.

On a trailing 12-month basis, the Fund's outperformance was driven by stock selection as sector allocation was negative. Performance was positive in eight out of 11 sectors, led by Technology, Utilities, and Materials.

### Portfolio outlook

The market had a strong recovery in the fourth quarter as investor sentiment turned positive following a pause in rate hikes along with the updated Federal Reserve's (Fed) dot plot that shows potentially three rate cuts in 2024. The key risk in the market now is whether the lagged effects of high-interest rates are still to come and will drive the economy into a recession. Consumer spending is a key area of focus, as various sources indicate that excess savings stored up during the pandemic have been depleted leading to signs of consumer distress, particularly among those with lower incomes. The U.S. government's budget deficit is another area of concern, as the deficit is running at levels typically seen only during recessions or

war, and levels this high risk crowding out private sector spending. The Fund does not invest based on top-down macroeconomic forecasts, but rather on generating potential alpha through bottom-up stock selection. Our risk management process considers many factors, including how macroeconomic risks could affect our holdings and what the downside might be. Our goal is to generate excess returns while minimizing top-down macroeconomic and market risks.

The Fund continues to find new investment opportunities in companies with improving operating performance or where we feel business quality is underappreciated by the market. We are also finding opportunities to invest in companies whose industries are less sensitive to the US economy. For example, we recently added Hexcel to the Fund as there is strong visibility into the aerospace build cycle, and due to lengthy delivery times, orders tend not to be canceled, making the industry less cyclically tied to the US economy. We have similarly found opportunity in the trucking industry as fundamentals are already at trough levels. Lastly, we have opportunistically added exposure to the packaged foods group as we saw an opportunity to take advantage of excessive negative reactions to the impact of weight loss drugs.

## 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 Value Fund — S share	10.89	13.30	13.30	12.29	N/A	N/A	16.61
- Expense ratio: net 0.90%, gross 2.04%; Incept. date 2/28/2020							
Russell MidCap Value Index	12.11	12.71	12.71	8.36	11.16	8.26	
S&P MidCap 400 Value Index	13.62	15.39	15.39	11.95	12.91	9.17	
Morningstar Mid-Cap Value Avg	11.38	13.94	13.94	10.44	11.76	7.70	

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**Top 10 Holdings** (excluding derivatives and cash) 21.10% of Fund, as of Nov 30 2023: Flowserve Corp: 2.41%, Allstate Corp: 2.34%, Celanese Corp: 2.24%, Carlyle Grp, Inc.: 2.10%, Lab Corp of America Holdings: 2.07%, General Dynamics Corp: 2.07%, JB Hunt Transport Svcs, Inc.: 2.07%, US Foods Holding Corp: 2.00%, Berry Plastics Grp, Inc.: 1.91%, MKS Instruments, Inc.: 1.89%

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® Value Index** measures the performance of U.S. medium-capitalization value-oriented equities.

**S&P Midcap 400 Value Index** measures the performance of U.S. medium-capitalization value-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 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 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](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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