

Thrivent Small Cap Growth Fund

Q3 2021 Commentary

TSCGX (Class S) • September 30, 2021

Management



David Lettenberger, CFA
Senior Portfolio Manager
Industry since: 1993
Thrivent since: 2013
Fund since: 2018

Key Personnel



Siddharth Sinha, CFA
Senior Portfolio Manager
Industry since: 2012
Thrivent since: 2015
Fund since: 2018



Patrick Farley, CFA
Senior Portfolio Manager
Industry since: 2018
Thrivent since: 2018
Fund since: 2021

Kirk Streckfus, CFA
Senior Portfolio Manager
Industry since: 2003
Thrivent since: 2019
Fund since: 2019

Executive summary

- The Fund outperformed the Russell 2000 Growth Index in both the third quarter and the last 12 months.
- While stock selection was the primary driver of outperformance in both periods, the Fund also benefitted from overweight exposures to both the Technology and Industrial sectors, as well as a significant underweight position in Health Care, the worst performing sector in both periods.
- The Fund's largest sector overweight is Industrials, while the Health Care sector remains a significant underweight relative to the Russell 2000 Growth Index.

Performance factors

Thrivent Small Cap Growth Fund generated a return of 0.00% during the third quarter, exceeding the Russell 2000 Growth Index return of -5.65%. Stock selection was relatively strong in the Technology, Health Care and Industrial sectors. Within Technology, long-time holding Monolithic Power Systems advanced 30% as the company's many initiatives drove sustained growth despite the semiconductor shortage situation. Similarly, SiTime Corporation, a fabless semiconductor company leading the conversion from quartz-based to silicon-based timing devices, advanced more than 60% in the quarter as shortages of quartz materials allowed them to accelerate several customer conversions. Elsewhere in Technology, both Sprout Social and Workiva lead overall strong relative returns in the software space. While Health Care was the worst performing sector during the quarter, the Fund had several Health Care positions with strong, double-digit returns, including Repligen up over 40%, Inspire Medical Systems up 20%, and Silk Road Medical up 15%. The Fund also owned some laggards in Health Care, including LHC Group, a leading provider of home healthcare services whose shares fell over 20% in the quarter on wage inflation concerns. Within Industrials, performance was led by Chart Industries, a leading provider of equipment and services to the alternative energy sector, as well as Regal-Beloit, a provider of electric motors and power transmission products that is closing on a transformative acquisition early in the fourth quarter. As mentioned earlier, returns in the quarter also benefitted from overweight exposures to both the Technology and Industrial sectors, as well as the significant underweight to the Health Care sector. As has been the case since the inception of the Fund, within Health Care, the biotechnology industry is the Fund's area of greatest underweight.

From a positioning perspective, the biggest sector changes were a reduction in the Technology sector and increases in both the Industrial and Financial sectors. Technology remains overweight relative to the Russell 2000 Growth Index, however the magnitude has been reduced as several existing positions were trimmed and some smaller positions were exited in the quarter. The Industrial sector is now the Fund's largest sector overweight.

Thrivent Small Cap Growth Fund delivered solid returns for the previous 12 months. The Fund's return of 40.92% was ahead of the Russell 2000 Growth Index return of 33.27%. Stock selection was additive in Consumer Discretionary, Consumer Staples, Financials, Industrials, Technology, Materials and Real Estate. While stock selection was relatively neutral in the Health Care sector, the Fund's significant underweight to this sector was a positive contributor as the Health Care sector was the worst performing sector over the 12-month period.

Portfolio outlook

The Small Cap Growth portfolio management team continues to focus on its mission of identifying and investing in those companies with sustainable growth opportunities and strong competitive advantages that can execute regardless of the market or economic environment. While the Fund remains overweight the cyclical growth sectors of Industrials and Materials, this positioning is a direct result of the process described above - identifying individual companies with specific, sustainable growth opportunities.

Thrivent Small Cap Growth Fund performance

Class S shares | For the period ending September 30, 2021

Average annualized returns (%) Periods less than one year are not annualized.	3 months	YTD	1 year	3 years	Since inception Feb. 28, 2018
Thrivent Small Cap Growth Fund Class S share; Expense ratio: 0.95% net, ¹ 2.47% gross	0.00	10.14	40.92	20.50	22.18
Russell 2000[®] Growth Index²	-5.65	2.82	33.27	11.70	—
S&P SmallCap 600 Growth Index³	-1.49	14.75	48.99	10.14	—
Lipper Small Cap Growth Median	-2.01	8.49	36.78	14.61	—
Lipper rank %	22 (152 of 710)	42 (292 of 708)	31 (219 of 707)	13 (83 of 671)	—

¹The 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. Refer to the Fees & Expenses table in the Fund's [prospectus](#). If this waiver had not been in effect, performance would have been lower.

Financial professionals: Contact us at sales@thriventfunds.com or call 800-521-5308

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

²Russell 2000[®] Growth Index measures the performance of U.S. small-capitalization growth-oriented equities.

³S&P Small Cap 600 Growth Index represents the growth companies of the S&P SmallCap 600 Index, which is a market-cap weighted index that represents the average performance of a group of 600 small-capitalization U.S. stocks.

Risks: Smaller, less seasoned 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. Markets may also be impacted by domestic or global events, including public health threats, terrorism, natural disasters or similar events. 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. The Adviser's assessment of investments may prove incorrect, resulting in losses or poor performance. These and other risks are described in the prospectus.

This commentary may refer to specific securities which the Fund(s) may own. This information should not be considered investment advice or a recommendation of any particular security, strategy or product. A complete listing of the holdings for each of the Thrivent Mutual Funds is available on thriventfunds.com.

The Lipper median represents the median annualized total return for all reported funds in the classification. Lipper medians do not include sales charges/fees. If included, returns would have been lower. All rankings are based on total return and do not reflect sales charges. The lower the Lipper percentile ranking, the better the fund performed against its peers. Source for ranking is Lipper, Inc., a Thomson Reuters company. Lipper assigns each fund to a category after scrutinizing its portfolio and assessing the fund manager's flexibility and aggressiveness. Once return figures have been determined, Lipper ranks the relative performance of all funds in a particular category against their respective peer group.

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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