

# Thrivent Small Cap Stock Fund

## Q1 2024 Commentary

TSCSX (Class S) • March 28, 2024

### Management



**Matthew Finn, CFA**

VP, Head of Equity Funds

Industry: 1985  
Firm: 2004  
Fund: 2013



**James Tinucci, CFA**

Senior Portfolio Manager

Industry: 2008  
Firm: 2014  
Fund: 2015



**Katelyn Young, CPA**

Senior Portfolio Manager

Industry: 2010  
Firm: 2022  
Fund: 2023

### Executive Summary

- The Fund underperformed the Russell 2000 Index over the past year and outperformed over the last quarter, driven mostly by security selection. The largest detractors to the past quarter and year were within the Information Technology sector.
- New positions were initiated in multiple sectors, taking advantage of the volatility in stock prices.
- The focus remains on finding solid companies that are attractively priced with long runways for growth in sales, income, and free cash flow.

### Performance factors

During the past quarter, the Fund outperformed mainly due to security selection. Positive security selection was led by the Financials sector, while Information Technology was the largest negative contributor. The largest detractor owned within the Information Technology sector was Plexus, an electronics manufacturing services company, as volumes and margins were both lower than expected. Insurance provider Kinsale Capital Group was the largest contributor to the positive stock selection within Financials. We remain positive on both Kinsale and Plexus.

The Fund's sector weightings result from our security selection based on bottom-up industry and company research. Sector allocation impact for the quarter was small in most sectors; the overweighting of the Industrials sector was the largest contributor to positive allocation performance, offset by the underweighting in the Biotechnology sub-sector contributing to negative allocation performance.

During the quarter we initiated a position in Lancaster Colony, a manufacturer of specialty food products for the retail and food service markets. Our research uncovered that the investments made in the business over the last couple of years have put them in a competitively advantaged position to accelerate growth. Our expectation of improved operating outcomes coupled with a long runway for continued margin expansion allowed us to add a quality company to the portfolio at an attractive price.

Over the past 12 months, the Fund underperformed due to security selection. Negative security selection was led by the Information Technology sector. Littelfuse, a manufacturer of fuses, circuit protection, and other electronic components was the largest detractor owned in the sector. The position was reviewed, and we remain positive on Littelfuse.

Sector allocation for the past year was positive in most sectors, with the largest negative contributor being the underweighting in the Energy sector.

### Portfolio outlook

With the current level of business uncertainty and the Federal Funds rate remaining unchanged during the quarter, it is unclear how much and how long the economy will be impacted. However, investor sentiment about the economy fluctuates much more rapidly and with greater amplitude than actual changes in activity. These swings in economic sentiment often result in sharp movements in stock prices, which can present opportunities. As a result, positions were added to or initiated in multiple sectors, while other positions were reduced or sold as investment theses played out or proved no longer valid. Our focus remains on finding solid companies that are attractively priced with long runways ahead of them for growth in sales, income, and free cash flow.

## Performance

For the period ending March 28, 2024 • 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 Small Cap Stock Fund — S share - Expense ratio: 0.81%; Incept. date 12/29/1997	6.17	6.17	13.72	5.16	12.31	11.17	9.25
Russell 2000 Index	5.18	5.18	19.71	-0.10	8.11	7.58	
S&P SmallCap 600® Index	2.46	2.46	15.93	2.28	9.15	8.80	
Morningstar Small Blend Avg	5.66	5.66	18.93	3.43	9.33	7.66	

**Learn more:** [thriventfunds.com](http://thriventfunds.com) • Advisors: 800-521-5308 | [sales@thriventfunds.com](mailto:sales@thriventfunds.com) • Investors: 800-847-4836 | contact your advisor

**Top 10 Holdings** (excluding derivatives and cash) 19.28% of Fund, as of Feb 29 2024: TTM Tech, Inc.: 2.28%, Badger Infrastruct Sols Ltd: 2.24%, Kinsale Capital Grp Inc: 2.21%, Ally Fin, Inc.: 2.13%, RLI Corp: 1.94%, Houlihan Lokey, Inc.: 1.76%, Enovis Corp: 1.70%, Air Lease Corp: 1.70%, Tennant Co: 1.66%, National Storage Affiliates Trust: 1.66%

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

**Russell 2000® Index** measures the performance of U.S. small capitalization equities.

**S&P SmallCap 600® Index** represents the average performance of a group of 600 small 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. ©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:** 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 and issuers. 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 Thrivent Mutual Funds may own. A complete listing of the holdings for each of the Thrivent Mutual Funds is available on [thriventfunds.com](http://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](http://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](http://thriventfunds.com) or by calling 800-847-4836.**

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