

# Thrivent Real Estate Securities Portfolio

**Ticker:** QTRESX

**Inception:** April 30, 2003

**Objective:** Thrivent Real Estate Securities Portfolio seeks to provide long-term capital appreciation and high current income.

## Portfolio key points

Thrivent Real Estate Securities Portfolio uses a top-down investment approach combined with a deep fundamental analysis framework to add value.

### Improve diversification potential

Investing in U.S. real estate companies may improve the risk adjusted returns of a traditional portfolio by offering an asset class that does not move in lock step to the stock or bond market. The Portfolio invests across the market cap spectrum and across real estate property sectors for added diversification.

### Invest in hard assets

The Portfolio focuses on income-producing common stocks and other equity securities of U.S. real estate companies. A real estate company generally derives at least 50% of its revenue from real estate ownership, leasing, management, development, financing or sale of residential commercial or industrial real estate—or it has at least 50% of its assets in real estate.

### Long-term stable cash flows

Securities that invest in real estate often provide more income than traditional bonds. It also offers the potential for increasing income. This is due to the ability to increase rent payments annually on long-term leases. Real estate companies often have contractual lease obligations with their tenants that include annual rent increases as part of the lease contract.

## Investment process

Our process starts at the top. First, the portfolio management team wants to understand what is happening on a macroeconomic scale. Then they want to understand both the private and public Real Estate investment outlook. After that, they analyze the individual property sectors to determine where we want to be over or underweight. Lastly, the management team searches for the best-in-class companies in each sector that they want to own using fundamental analysis.

### Macroeconomic Factors

- Economic growth
- Interest rates
- Productivity
- Inflation

### Real Estate Investment Outlook

- Investment demand
- Debt/equity availability
- Fundamental outlook

### Security Selection

- Search for best-in-class companies
- Search for qualified management teams
- Search for proven track records
- Search for attractive growth outlook

### Property Sector Review

- Secular trends
- Cyclical outlook
- New construction supply
- Rental rate trends

## Management



**Reginald Pfeifer, CFA**  
 Senior Portfolio Manager  
 Sector: Real Estate  
 Industry since: 1986  
 Thrivent since: 1990  
 Portfolio since: 2003

“We strive to add value by attempting to pick the right Real Estate companies to invest in by rigorously conducting bottom-up fundamental research on the companies and their corresponding sector.”

Investing in U.S. real estate companies may provide diversification benefits to a traditional portfolio. The chart to the right shows the correlation<sup>1</sup> of the MSCI USA/Real Estate Sector, over the past 15 years, to other common indexes used in portfolio construction. While diversifying a traditional stock/bond portfolio with U.S. Real Estate exposure can't eliminate risk, it can help reduce volatility and may improve risk-adjusted returns over the long term.

### MSCI USA/Real Estate Correlation to common indexes

Nov. 1, 2005 – Dec. 31, 2020

1	S&P 500	1.00											
2	S&P MidCap 400	0.94	1.00										
3	S&P SmallCap 600	0.90	0.97	1.00									
4	MSCI World	0.97	0.92	0.87	1.00								
5	MSCI EM	0.77	0.76	0.70	0.85	1.00							
6	Bloomberg Barclays US Agg Bond	0.03	0.01	-0.06	0.06	0.15	1.00						
7	Bloomberg Barclays US Government	-0.32	-0.36	-0.39	-0.31	-0.22	0.86	1.00					
8	Bloomberg Barclays US Corp Bond	0.39	0.41	0.32	0.45	0.49	0.80	0.41	1.00				
9	Bloomberg Barclays US Corp High Yield	0.74	0.77	0.71	0.78	0.75	0.23	-0.25	0.65	1.00			
10	Bloomberg Commodity	0.52	0.54	0.47	0.59	0.65	0.02	-0.24	0.29	0.54	1.00		
11	<b>MSCI USA/Real Estate</b>	<b>0.72</b>	<b>0.74</b>	<b>0.72</b>	<b>0.72</b>	<b>0.59</b>	<b>0.28</b>	<b>-0.04</b>	<b>0.49</b>	<b>0.73</b>	<b>0.35</b>	<b>1.00</b>	
	Source: Morningstar	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>11</b>	

<sup>1</sup>**Correlation:** a measure, from +1 to -1, of the degree to which two securities move in relation to each other. A perfect positive correlation of 1.0 means that when one position goes up, the other moves in perfect lockstep in the same direction. A perfect negative correlation of -1.0 means that two assets move in opposite directions, while a zero correlation means that there's no relationship at all.

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

Index descriptions: **S&P 500®** is a market-cap weighted index that represents the average performance of a group of 500 large-cap stocks. **S&P MidCap 400®** represents the average performance of a group of 400 mid-cap stocks. **S&P SmallCap 600®** represents the average performance of a group of 600 small cap stocks. **MSCI World** represents large/mid cap stocks in 23 Developed Market countries. **MSCI Emerging Markets** is a component of MSCI ACWI ex USA and includes 26 emerging markets. **Bloomberg Barclays US Aggregate Bond** measures the performance of U.S. investment grade bonds. **Bloomberg Barclays US Government** measures the performance of U.S. Treasury and U.S. Agency Indexes. **Bloomberg Barclays US Corporate Bond** measures the investment grade, fixed-rate, taxable corporate bond market. **Bloomberg Barclays US Corporate High Yield Bond** measures the performance of fixed-rate non-investment grade bonds. **Bloomberg Commodity** measures the performance of future contracts on physical commodities which traded on US exchanges and London Metal Exchange. **MSCI USA/Real Estate** is designed to capture the large, mid and small cap segments of the US equity universe.

**Risks:** Real Estate Investment Trusts (REITs) are subject to numerous risks and can be affected by interest rates, values of the properties they own, and credit quality of mortgage loans they hold. Declines in real estate values, changes in interest rates or economic downturns can have a significant negative effect on companies in the real estate industry. Markets may also be impacted by domestic or global events, including public health threats, terrorism, natural disasters or similar events. The Portfolio's value is influenced by a number of factors, including the performance of the broader market, and risks specific to the Portfolio's asset classes, investment styles, 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.

The Portfolio is only available to the public through a variable life or variable annuity product. Contact the applicable insurance company for more information and a contract prospectus which will include information on the additional charges and fees that apply to the specific contract.

**Before investing, investors should consider carefully the investment objectives, risks, charges and expenses of a portfolio and the variable insurance product. This and other important information is contained in the portfolio and variable insurance product prospectuses, which may be obtained from a financial professional or by contacting the applicable insurance company. Read them carefully before investing.**

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