

# Thrivent Small-Mid Cap Equity ETF

Effective January 31, 2025, the Fund changed its name from Thrivent Small-Mid Cap ESG ETF and no longer pursues ESG considerations as a principal investment strategy. See prospectus for more information.

## Q1 2025 Commentary

TSME • March 31, 2025

### Management



**Charles (Chad) Miller, CFA**  
Senior Portfolio Manager

Industry: 2010  
Firm: 2013  
Fund: 2022



**Simon Bizien, CFA**  
Portfolio Manager

Industry: 2013  
Firm: 2022  
Fund: 2023

### Executive Summary

- Over the past twelve months the Fund return was modestly below the Russell 2500 Index. Strong performance in Information Technology and Consumer Discretionary sectors was offset by poor performance in Health Care and Consumer Staples.
- During the first quarter, the Fund underperformed the Russell 2500 Index by 203 bps. Poor stock selection in Industrials and Financials was only partially offset by strong stock selection in the Information Technology and Consumer Discretionary sectors.

### Performance factors

Over the past year strong stock selection in the Information Technology and Consumer Discretionary sectors was offset by poor stock selection in the Health Care, Consumer Staples and Financials sectors. Within Information Technology Celestica, Kyndryl and Fair Isaac were the largest contributors to alpha. Celestica continues to generate extraordinarily strong results by focusing on key strategic industries where they can help form deep relationships with customers to achieve success including hardware, communications, and data compute. Kyndryl is on a journey to help companies build, manage, and modernize the mission critical technology systems that help organizations run effectively and efficiently that will improve growth and profitability. Fair Isaac continues to provide trusted advice to the lending industry which has led to enhanced product pricing and software partnerships to help customers expand credit relationships and minimize losses. Health Care returns were negatively impacted by Align Technology and Haemonetics. Align Technology was not able to escape poor consumer confidence globally which negatively impacted clear aligner case sales. Haemonetics faced challenges in plasma collection volumes and competition in their interventional technologies segment that negatively impacted financial results. It is no longer owned in the Fund.

During the first quarter, poor stock selection in the Industrials and Financials sector resulted in the Fund underperformance. Within Industrials, many companies underperformed the broader indices due to increasing economic uncertainty and spending slowdown related to tariffs and broader capital expenditure in data center industries. Financials returns were negatively impacted by Triumph Financial. Triumph Financial continues to invest heavily to create a new payments offering within the transportation industry during a weak freight market backdrop.

The Fund recently started new positions in I3 Verticals. I3 Verticals is embarking on a strategy to reduce their exposures to payment solutions and invest to expand on their state and local government software business. We believe their software solutions and long-term vision for investing in new services will position the company well over the coming years to create higher more durable growth that will improve profitability and financial returns.

**This fund is different from traditional ETFs.** Traditional ETFs tell the public what assets they hold each day. This fund will not. This may **create additional risks** for your investment. For example:

- You may have to pay more money to trade the fund's shares. This fund provides less information to traders, who tend to charge more for trades when they have less information.
- The price you pay to buy fund shares on an exchange may not match the value of the fund's portfolio. The same is true when you sell shares. These price differences may be greater for this fund compared to other ETFs because it provides less information to traders.
- These additional risks may be even greater in bad or uncertain market conditions.
- The fund publishes on its website each day a "Proxy Portfolio" designed to help trading in shares of the fund. While the Proxy Portfolio includes some of the fund's holdings, it is not the fund's actual portfolio. The differences between this fund and other ETFs may also have advantages. By keeping certain information about the fund nontransparent, this fund may face less risk that other traders can predict or copy its investment strategy. This may improve the fund's performance. If other traders are able to copy or predict the fund's investment strategy, however, this may hurt the fund's performance. For additional information regarding the unique attributes and risks of the fund, see the Principal Risks in the prospectus.

## Portfolio outlook

The Fund continues to focus on identifying long-term investment opportunities that are uncovered by our proprietary investment process. The Fund looks for companies that can sustainably and successfully serve primary stakeholders, address financially material topics, and outperform their peers. Due to the economic and political uncertainty the Fund is more diversified than usual. This positioning will allow us to be opportunistic when we find great long-term opportunities that are negatively impacted by near term uncertainty. Political uncertainty is having an increasing impact on the scenario analysis we conduct during our due diligence process. During uncertain times we rely on our process and our long-term investment process to let the market provide opportunities that we believe will generate long-term value for our shareholders. We expect this could provide more opportunities than usual over the coming months for long-term focused investors, and we look forward to capturing these opportunities for our shareholders.

## Performance

For the period ending March 31, 2025 • 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-Mid Cap Equity ETF (NAV)	-9.53	-9.53	-3.90	N/A	N/A	N/A	10.88
- Expense ratio: 0.65%; Incept. date 10/5/2022							
TSME Market Price	-9.52	-9.52	-3.79	N/A	N/A	N/A	10.93
Russell 2500 Index	-7.50	-7.50	-3.11	1.78	14.91	7.46	
S&P MidCap 400 ESG Index	-5.54	-5.54	-2.67	3.84	17.13	9.24	
Morningstar Mid-Cap Blend Avg	-4.55	-4.55	-0.13	4.46	16.02	7.99	

**Top 10 Holdings** (excluding derivatives and cash) 21.97% of Fund, as of Feb 28 2025: Kyndryl Holdings, Inc.: 3.06%, Ftai Aviation Ltd: 2.67%, Labcorp Holdings, Inc.: 2.21%, NiSource, Inc.: 2.16%, OneMain Holdings, Inc.: 2.03%, Grp 1 Automotive, Inc.: 2.02%, Bel Fuse, Inc.: 2.01%, Celestica Inc.: 1.97%, Steel Dynamics, Inc.: 1.95%, Littelfuse, Inc.: 1.89%

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

**Risks:** Performance is influenced by several factors, including the performance of the broader market and risks to specific asset classes, market cap groups, investment styles, and issuers. Small- and mid-sized companies often have greater price volatility, lower trading volume, and less liquidity than larger, more established companies. Transactions in shares of ETFs may result in brokerage commissions, which will reduce returns. These and other risks are described 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 2500™ Index** is a market-cap-weighted stock market index featuring US small-and mid-cap stocks.

**S&P MidCap 400® ESG Index** is a market-cap-weighted index designed to measure the performance of securities meeting sustainability criteria, while maintaining similar weights as the S&P MidCap 400 Index.

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. ©2025 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.

This commentary refers to specific securities which Thrivent ETFs may own. Additional information about the holdings of the ETFs is available on [thriventETFs.com](http://thriventETFs.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. A fund's performance for very short time periods may not be indicative of future performance. Market returns are based on the midpoint of the bid/ask spread at market close (typically, 4 p.m. ET) and do not represent returns an investor would receive if shares were traded at other times. Current performance may be lower or higher than the performance data quoted. Call 800-847-4836 or visit [thriventETFs.com](http://thriventETFs.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 [thriventETFs.com](http://thriventETFs.com) or by calling 800-847-5836.

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