

Thrivent Small-Mid Cap Equity ETF

Effective 01/31/2025, Thrivent Small-Mid Cap ESG ETF changed its name to Thrivent Small-Mid Cap Equity ETF and its investment strategy. See prospectus for more information.

Q4 2024 Commentary

TSME • December 31, 2024

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 year the Fund outperformed the Russell 2500 Index.
- Outperformance over the past year was due to strong stock selection in the Industrials, Information Technology and Consumer Discretionary sectors.

Performance factors

Over the past year outperformance was due to strong stock selection in the Industrials, Information Technology and Consumer Discretionary sectors. Within Industrials outperformance was due to broad-based strength from FTAI Aviation and Limbach Holdings along with several other holdings. FTAI Aviation continues to capitalize on a strong aerospace maintenance repair and overhaul market by providing a unique modular systems solution that reduces cost and saves time for their customers. FTAI Aviation is supplementing this strategy by identifying new opportunities to expand their operations and value proposition to customers. Limbach Holdings is establishing itself as a critical partner for building owners by providing a one-stop shop for critical building maintenance and operations that owners do not have the skills to optimize. Within Information Technology Celestica and Kyndryl were the largest contributors to performance. 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.

Performance during the quarter was due to good stock selection in the Industrials and Financials sectors. Industrial performance was led by Gates Industrial and Barnes Group. Gates Industrial is transforming the company to be more efficient and target growing end markets where their unique engineering and product development provide differentiated industrial solutions by reducing customer costs and downtime. Barnes Group (no longer owned) decided to sell the company and shares benefited from the higher acquisition price. Financial sector attribution was led by Raymond James Financial and Synovus Financial. Raymond James Financial continues to use their differentiated advisor platform to drive superior recruitment and retention while also benefiting from a rebound in capital markets activity. Synovus Financial is shifting focus to high value banking clients where the company can capture the entire banking relationship which will benefit financial metrics while benefiting from a more optimistic outlook for banks under the new administration. The Consumer Discretionary sector was a drag on performance. Specifically housing exposed names including NVR and Installed Building Products underperformed due to the expectation that interest rates may stay higher for longer. We remain confident in the company specific drivers for each of these companies. NVR will utilize their vertically integrated and extremely efficient operation to be successful. While Installed Building Products has the ability to outgrow their market, expand via acquisitions and improve operations to drive strong performance over the long term.

Continued...

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.

The Fund recently started new positions in Atmus Filtration Technologies, Knife River Corporation and US Foods Holding. Atmus Filtration Technologies was recently separated from Cummins Inc. The separation will allow Atmus to reorganize their supply chain infrastructure to better focus on serving aftermarket needs of their customers and enable the company to establish commercial relationships with companies that were seen as competitors to Cummins. Knife River is utilizing their focus on local markets and superior human capital policies to build a diversified and vertically integrated aggregates company that can produce unparalleled value to customers relative to their local competitors. US Foods is driving innovation for customers through their economies of scale and a team-based sales culture that provides superior service to drive above market growth.

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. Macroeconomic uncertainty hinges on the Federal Reserve's ability to successfully execute a soft landing or the prospect of a more protracted recession. Political uncertainty is having an increasing impact on the scenario analysis we conduct during our due diligence process. Based on our current assessment we believe we have positioned the Fund well to navigate the expected policies of the new administration. However, this is a topic we are following closely and will adapt, as necessary. During uncertain times we rely on our process and our long-term investment outlook to let the market provide opportunities to generate long-term value for our shareholders.

Performance

For the period ending December 31, 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-Mid Cap Equity ETF (NAV) - Expense ratio: 0.65%; Incept. date 10/5/2022	0.45	18.91	18.91	N/A	N/A	N/A	17.27
TSME Market Price	0.56	18.97	18.97	N/A	N/A	N/A	17.32
Russell 2500 Index	0.62	12.00	12.00	2.39	8.77	8.85	
S&P MidCap 400 ESG Index	-0.65	11.37	11.37	4.34	10.40	10.43	
Morningstar Mid-Cap Blend Avg	-0.04	14.40	14.40	4.07	9.80	8.92	

Top 10 Holdings (excluding derivatives and cash) 20.25% of Fund, as of Nov 29 2024: Kyndryl Holdings, Inc.: 2.73%, Fair Isaac Corp: 2.06%, Raymond James Fin Inc: 2.05%, Wyndham Hotels & Resorts Inc: 1.99%, TPG, Inc.: 1.97%, Labcorp Holdings, Inc.: 1.92%, NVR, Inc.: 1.90%, Steel Dynamics, Inc.: 1.89%, Saia, Inc.: 1.88%, OneMain Holdings, Inc.: 1.86%

Learn more: thriventETFs.com • Advisors: 800-521-5308 | 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.

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 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 or by calling 800-847-5836.

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