

Thrivent International Allocation Fund

Q1 2022 Commentary

TWAIX (Class S) • March 31, 2022

Management

Noah Monsen, CFA

Senior Portfolio Manager

Industry since: 2008

Thrivent since: 2000

Fund since: 2016

Brian Bomgren, CQF

Senior Portfolio Manager

Industry since: 2006

Thrivent since: 2006

Fund since: 2016

Goldman Sachs Asset Management

Quantitative Investment Strategies Team – Subadvisor since 2008

Len Ioffe

Portfolio Manager

Fund since: 2013

Osman Ali

Portfolio Manager

Fund since: 2013

Dennis Walsh

Portfolio Manager

Fund since: 2021

Takashi Suwabe

Portfolio Manager

Fund since: 2013

Executive Summary

- Developed markets outperformed emerging markets in an uncertain environment with increasing economic and geopolitical risks.
- Rising interest rates and inflation expectations lead to outperformance by value stocks.
- Russia's invasion of Ukraine caused a spike in energy prices and lifted shares of energy stocks, and raised the risk of economic decoupling between the Europe-led west and eastern economies centered around China.

Performance factors

Top 10 Holdings (excluding derivatives and cash) 14.82% of Fund, as of Feb 28 2022

CSL, Ltd.	1.85%
Nestle SA	1.82%
Novartis AG	1.66%
Shell plc	1.55%
Canadian National Railway Co	1.40%
ASML Holding NV	1.34%
Allianz SE	1.32%
Airbus SE	1.32%
TC Energy Corp	1.32%
Schneider Electric SE	1.24%

The first quarter of 2022 was dominated by two factors: the global inflation outlook, and Russia's invasion of Ukraine. Investors increasingly expect higher, longer lasting inflation, pushing interest rates up throughout developed markets. As a result, equity factors that positively correlated to interest rates performed well. Those factors include especially value, favoring low priced stocks over expensive ones, and stocks with high financial leverage. Conversely, growth underperformed, as higher discount rates reduce the value of futures earnings relative to current earnings. This pattern of factor performance was consistent throughout all regions, and in both developed and emerging markets.

Russia's invasion of Ukraine led to a return of investor risk aversion, and from the time of invasion, low volatility strongly outperformed, leading the low volatility investment strategy to outperform traditional market capitalization weighted strategies. The invasion also contributed to inflation as energy and food prices both surged due to the risk reduced supply as both a direct result of the conflict and economic sanctions imposed by western nations against Russia. Russia's markets were closed, and only partially reopened near the end of the quarter with limited trading, with foreign investors largely unable to trade Russian securities. In the weeks leading up to the invasion, the Fund's emerging market allocation reduced its weight in Russian holdings to be benchmark neutral. The Fund still holds Russian shares, as foreign investors have been restricted from selling on the Moscow exchange, and foreign listings' trading has been suspended.

The Fund's asset allocation benefitted performance in both the quarter and trailing year, as emerging markets, especially China, underperformed developed markets, and the Fund maintains an allocation to emerging markets below that of the benchmark. Stock selection was mixed, as the Fund had positive contribution from stock selection throughout Asia and continental Europe, while Canada and the United Kingdom contributed negatively. In Canada, underweights to Energy and Materials (especially gold mining) weighed most heavily on returns.

Portfolio outlook

We expect the inflation outlook to continue to be a strong driver of returns for the foreseeable future. In response to this, we have positioned the portfolio to maintain a neutral or higher position on value factors that we expect to benefit from the higher inflation and increasing interest rates. We have also moved to have a neutral exposure to fluctuations in interest rates. While we believe a trend toward higher interest rates is likely to continue, we also expect higher than usual volatility in rates, especially if geopolitical events lead to further bouts of risk aversion, and a flight to relative safety in U.S. Treasuries and other high quality sovereign bonds.

The portfolio generally seeks a neutral allocation across global regions and sectors relative our Morningstar peer group. This leads to a systematic underweight in emerging markets relative to the MSCI ACWI ex USA Index. The factor exposures we seek differ across regions. In Japan, we favor value factors, and avoid price momentum. In the rest of the developed world, we emphasize high quality with low volatility and low valuations. In emerging Asia, low volatility and momentum are the most favored factors, while in other emerging markets, we look for value combined with high earnings and balance sheet quality.

Performance

For the period ending March 31, 2022 • 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 International Allocation Fund — S share	-7.35	-7.35	1.72	6.25	5.09	5.19	3.16
- Expense ratio: net 0.82% Incept. date 2/29/2008							
MSCI ACWI ex-USA - USD Net Rtrns	-5.44	-5.44	-1.48	7.51	6.76	5.55	N/A
Morningstar Foreign Large Blend Avg	-7.05	-7.05	-1.61	7.23	6.26	5.85	N/A

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.

MSCI All Country World Index ex-USA - USD Net Returns measures equity market performance in global developed and emerging markets outside of the US.

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. ©2022 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: Foreign investments involve additional risks, such as currency fluctuations and political, economic and market instability, which may be magnified for investments in emerging markets. The Fund's value is influenced by a number of factors, including the performance of the broader market, the effectiveness of the Adviser's allocation strategy, and risks specific to the Fund's asset classes, market cap groups, investment styles, and issuers. Markets may also be impacted by domestic or global events, including public health threats, terrorism, natural disasters or similar events. The use of quantitative investing techniques and derivatives such as futures also involve risks. The Adviser's assessment of investments and ESG considerations may prove incorrect, resulting in losses or poor performance. The investment style employed by the Subadviser may not be complementary to that of the Adviser. The Fund may engage in active and frequent trading of portfolio securities, which may result in higher transaction costs and higher taxes. In unusual circumstances, the Fund could experience a loss when selling portfolio securities to meet redemption requests for a variety of reasons. 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.

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 are available at thriventfunds.com or by calling 800-847-4836.

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