

Q4 2023

# Investing for a thriving world

Themes of Putnam's sustainable equity investing approach,  
connecting companies to global priorities

**Putnam Sustainable  
Leaders Fund**  
PNOYX

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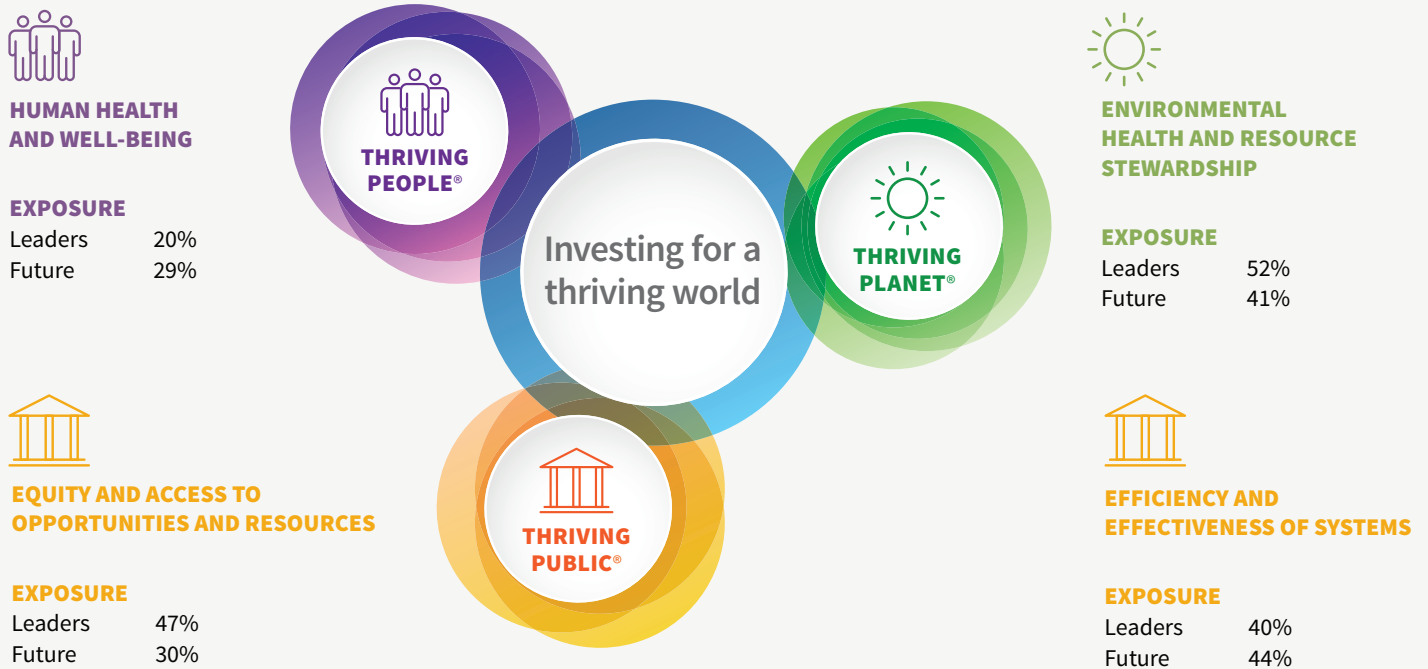
**Putnam Sustainable  
Future Fund**  
PMVYX

# Putnam’s sustainable equity investing approach

Identify companies whose excellence in relevant sustainability issues is driving potential long-term outperformance

This paper explains how Putnam’s Sustainable Equity team organizes its research to identify the connections between companies we can invest in and the world’s evolving sustainability challenges. While these themes help us to keep our efforts organized, we will articulate a high degree of interconnection, dynamism, and overlap among them.

## Our sustainability research focuses on three overarching categories



*Some holdings address multiple themes; therefore, exposures do not add up to 100%. Data reflects Putnam calculations based on internal analysis and is as of December 31, 2022. For illustrative purposes only.*

## Putnam's two sustainable equity portfolios

Our Sustainable Equity team has managed two equity strategies since 2018. Our investment process aims to identify companies whose long-term fundamental prospects are enhanced by context-specific, forward-looking sustainability strategies. Part of this process involves thematic research, the focus of this paper. Here we will describe a number of relevant themes, highlight selected portfolio holdings that illustrate those themes, and note our overall portfolio exposures to each major category.

The **Sustainable Future** portfolio invests in companies whose products and services provide **solutions to essential sustainability challenges**. Our investment thesis is that solutions-oriented companies with potential to create positive social and environmental impact also demonstrate potential for strong growth and long-term financial performance. The stocks of these companies are typically, but not always, considered to be growth stocks and are often mid cap or small cap in size.

The **Sustainable Leaders** portfolio invests in companies that have demonstrated **leadership in the sustainability issues that are financially material** to their businesses. Our investment thesis is that companies that exhibit this type of commitment also often demonstrate potential for strong long-term financial performance. The stocks of these companies are typically, but not always, considered to be growth stocks and often are large cap in size.

## Sustainable Development Goals (SDGs)

The SDGs are a set of 17 global priorities developed by countries, non-governmental organizations (NGOs), businesses, scientific communities, and other stakeholders from around the world. While they are not explicitly devised as an investment framework, they serve as a guide for both companies and investors, as they determine their long-term sustainability efforts. The SDGs are also a mandate to address the imminent challenges facing our world. They are at the heart of the 2030 Agenda for Sustainable Development, which was adopted by all United Nations Member States in 2015.

As investment managers, we believe that an effective, sustainable global economy is essential to the creation of potential long-term value. In this paper, we will show the connections between the companies selected for our portfolios and the priorities reflected in the SDGs. At the end of the paper, we cross-reference our investment categories and themes with the 17 SDGs to make the connections as clear as possible.

**“We believe companies that help to sustain thriving individuals, effective systems, and a healthy planet often also have potential to generate strong financial returns.”**

**KATHERINE COLLINS, CFA, MTS**



THRIVING PEOPLE



## Human health and well-being

Healthy individuals are a foundation of a healthy society. Human health includes elements of preventive care, chronic disease treatment, and mental health support. Companies that support human health include conventional healthcare products and service providers as well as those that focus on holistic wellness through nutrition and fitness.

### Theme | Treatments for chronic conditions

Chronic diseases are a significant challenge for individuals and the broader healthcare system. Nearly half of all Americans suffer from at least one chronic disease, and this number is growing. Chronic diseases also account for almost 90% of total healthcare spending and an even larger proportion of public insurance (Medicare and Medicaid) spending. Chronic diseases are responsible for 70% of all deaths in the United States, concentrated in the top five diseases: heart disease, cancer, stroke, chronic obstructive pulmonary disease (COPD), and diabetes.<sup>1</sup>

Diabetes is particularly costly in the United States — both financially and in terms of its toll on human well-being. More than 34 million Americans are currently living with diabetes, and another 88 million are believed to have pre-diabetes.<sup>2</sup> The average individual with diabetes incurs out-of-pocket healthcare expenses of nearly \$2,000 per year,<sup>3</sup> and the American Diabetes Association estimates that Americans with diabetes have 2.3x greater healthcare costs than others, leading to an estimated \$237 billion in annual direct medical costs.

### Stock | Dexcom (DXCM)

Dexcom helps individuals control their diabetes through continuous glucose monitoring (CGM) systems. CGM systems are discreet devices that individuals with both Type I and Type II diabetes can wear under clothing to continuously monitor blood sugar levels. The CGM systems send alerts when blood sugar levels are too high or too low, often to a smartphone or other device. The continuous nature of this monitoring leads to better blood sugar control, which in turn leads to better patient outcomes, including lower rates of heart attacks. Additionally, eliminating the need for fingerstick pricks makes CGM systems a much more comfortable and convenient solution. Dexcom's CGM use is clinically proven to lower A1C and reduce hyper- and hypoglycemia for diabetics.<sup>4</sup>

- We believe Dexcom offers strong growth potential as adoption of CGM systems increases among both Type I and Type II diabetics, and as reimbursement coverage expands for CGM systems, especially for Type II.
- Dexcom is also developing new products such as its upcoming G7, which will be smaller and have more interoperability and data-sharing capabilities.
- As Dexcom continues to innovate and penetration of CGM systems grows, we expect the company could continue to grow its revenues at a rapid clip.

*As of 12/31/23, Dexcom was 2.88% of Putnam Sustainable Future Fund assets. It was not held in Putnam Sustainable Leaders Fund.*

## Theme | Noninvasive therapies

Cancer is the second most common cause of death in the U.S., behind heart disease. The American Cancer Society projects 1.9 million new cancer cases in 2022 and over 600,000 cancer deaths in the U.S.<sup>5</sup>

Encouragingly, from 2001 to 2020, cancer death rates dropped 27%.<sup>6</sup> In addition to emerging targeted therapies, one of the driving factors behind this reduction in cancer mortality has been improved cancer screenings. Cancer screening aims to detect cancer at earlier stages, when treatment may be more effective. Despite well-established screening guidelines for more common and treatable cancers like breast, cervical, lung, and colorectal, screening adherence remains low. Recent data from the CDC found that of those recommended for lung cancer screening, only one in eight individuals had been screened in the past year.<sup>7</sup> This is despite lung cancer being the leading cause of cancer-related death.

## Stock | Exact Sciences (EXAS)

Death from colorectal cancer (CRC) is among the most preventable cancer deaths given its relatively slower progression and availability of effective treatment. However, it remains the second leading cause of cancer deaths in the U.S., behind lung cancer, with approximately 150,000 new cases and 50,000 deaths annually given suboptimal screening rates.<sup>8</sup> If caught early, the 5-year survival rate for individuals with localized stage CRC is over 90%. However, if identified at a later stage once the cancer has spread to distant parts of the body, the 5-year survival rate decreases to just 15%.<sup>9</sup> According to the American Cancer Society, approximately 45% of Americans between the ages of 45 to 85 who are at average risk for colorectal cancer, or over 40 million individuals, are not up to date with screening.<sup>10</sup>

Exact Sciences has developed Cologuard, a noninvasive screening test that can detect biomarkers associated with colorectal cancer and pre-cancer from a stool sample. Unlike a traditional colonoscopy that requires significant preparation and an in-office exam, the Cologuard collection kit can be used entirely at home then shipped to a lab. This added level of convenience could continue to improve screening rates and help prevent avoidable cancer deaths.

- The convenience and accuracy of Cologuard has led to growing adoption. As of 2021, more than 7.5 million individuals had used Cologuard since its FDA approval in 2014.<sup>11</sup>
- The company is currently developing a version with improved accuracy referred to as Cologuard 2.0 and is also exploring a blood-based cancer screen for early detection of a variety of cancer types. This is driving greater than 20% revenue growth.
- We believe Exact Sciences could continue to rapidly grow its Cologuard test volumes. It is the first and only FDA-approved noninvasive stool-based DNA screening for colorectal cancer, and a large portion of individuals remain unscreened.

*As of 12/31/23, Exact Sciences was 1.44% of Putnam Sustainable Future Fund assets. It was not held in Putnam Sustainable Leaders Fund.*



**The American Cancer Society estimates that 45% of Americans between the ages of 45 to 85 with average risk for colorectal cancer are not up to date with screening.**

*As of December 2022, approximately 20% of Putnam Sustainable Leaders holdings and 29% of Putnam Sustainable Future holdings were invested in companies whose core business directly supports human health and well-being, as determined by Putnam.*

*Within the UN SDG framework, this category links most directly to SDG 3, which focuses on healthy lives and well-being for all ages.*



THRIVING PUBLIC



## Equity and access to opportunity and resources/ Efficiency and effectiveness of systems

Healthy systems and societies are the connection between the health of individuals and the health of the planet. At this connective layer, we consider two major sets of topics and the companies that address them: first, access to information and opportunity, security, and data privacy; and, second, efficiency and effectiveness across all types of operations and systems.

### Theme | Security and privacy

With increasing global connectivity and more consumer and business data moving to the cloud, security and data privacy are vital. Businesses must maintain the integrity of their data in an efficient way that also ensures high levels of security. This is particularly true as cyber attacks increase from both state-sponsored and independent actors. Individuals face increasing privacy and security risks as well and often have to compromise privacy for optimized services and access to information.



Individuals often have to compromise privacy for optimized services and access to information.

### Stock | CrowdStrike (CRWD)

CrowdStrike is a cloud native security software company that protects endpoints (such as laptops, smart phones, and servers) that sit outside of a company's firewall. This is an increasing challenge as more employees move to remote work settings. CrowdStrike's products detect incoming threats to devices, and its cloud-based platform allows companies to better adapt to and predict the quickly changing nature of incoming threats.

- The company has been growing revenues at greater than 65% for the fiscal year ended January 2022.
- We believe CrowdStrike's better technological offering and new product innovation in areas such as protecting cloud workloads has potential to lead to ongoing and durable growth over the long term.

*As of 12/31/23, CrowdStrike was 2.00% of Putnam Sustainable Future Fund assets. It was not held in Putnam Sustainable Leaders Fund.*

## Theme | Efficiency and effectiveness — Business processes

For many systems, the greatest and quickest improvements can be made by reducing waste and improving effectiveness. For example, approximately 40% of food is wasted between production and consumption.<sup>12</sup> Up to 50% of water used outdoors is lost due to inefficient irrigation systems, and approximately 60% of electricity is lost in conversion and transmission.<sup>13,14</sup> Beyond these physical systems, we all have experienced painful inefficiencies in personal and professional processes that squander time and energy and often increase security or privacy risks. Leadership and solutions within this category include companies that lower the cost of healthcare services, improve resource use within manufacturing processes, or save time and improve security for data management and information flows.

### Stock | Adobe (ADBE)

Adobe is a software company that helps enable businesses and individuals to design and deliver creative digital experiences. Adobe's products help improve document productivity by providing more efficient ways to collaborate on and edit documents. The company's Creative Cloud products also help students, individuals, small-business owners, and others unlock creativity and easily create images, designs, and media content. Experience Cloud products help businesses create customer-facing content and gather data and insights to inform marketing and other workflows.

- Adobe's secure and efficient document productivity solutions have driven increased customer adoption and opportunities to cross-sell other creative and digital marketing solutions.
- Adobe's products and dominant market position create value and efficiency for customers, which gives the company opportunity to increase prices over time.
- Adobe has consistently grown revenues in the high teens and generates strong free cash flow. We believe Adobe's consistent growth is sustainable as companies continue to digitize their businesses and more workflows and consumption move online.

*As of 12/31/23, Adobe was 2.39% of Putnam Sustainable Future Fund assets and 2.34% of Putnam Sustainable Leaders Fund assets.*

## Theme | Access and opportunity

Access to information, healthcare, education, economic opportunity, and financial inclusion are vital ingredients for both individual and collective progress, with a positive impact that compounds over time. Access to affordable healthcare is a particularly challenging and important issue in the U.S. From 1970 to 2021, total healthcare spending per person increased from an average of \$1,951 to \$12,914 in 2021 dollars and total healthcare spending as a percentage of U.S. GDP increased from 6.9% to 18.3%.<sup>15</sup> In addition, out-of-pocket expenses per capita have more than doubled since 1970.<sup>16</sup>

Over the past decade, the percentage of covered workers enrolled in a high deductible health plan (HDHP) has risen steadily.<sup>17</sup> Given higher out-of-pocket expenses, HDHPs come with the risk that enrollees may forego necessary healthcare services such as routine checkups. In response to these concerns, federal legislation has enabled individuals with HDHPs to access tax-efficient vehicles known as health savings accounts, or HSAs, to better save for future healthcare expenses. Corporate leadership and solutions in this area include businesses and products that improve access to healthcare, information, education, technology, and financial platforms.

## Stock | HealthEquity (HQY)

HealthEquity is a technology-driven healthcare provider that aims to make healthcare more affordable and accessible. HealthEquity offers a digital platform for employee benefits, including tax-advantaged HSAs, commuter benefits, and dependent care. By using these services, consumers can save money on out-of-pocket healthcare expenses and take control of their overall health and wellness spending. The company also provides tools and resources to help consumers make informed decisions about their healthcare, such as quality and cost information for medical procedures, which ultimately can reduce healthcare costs for their end consumers, potentially making healthcare more affordable for everyone.

- We believe that the company should continue to benefit from strong growth in HSAs, as employers increasingly look to transition to high deductible healthcare plans within the U.S.
- Additionally, the company's acquisition of WageWorks offers a more differentiated and comprehensive benefits platform relative to standalone HSA providers that helps customers make informed and tax-efficient financial decisions.
- We believe the company can continue to grow accounts and assets under management, leading to durable earnings growth.

*As of 12/31/23, HealthEquity was 1.39% of Putnam Sustainable Future Fund assets. It was not held in Putnam Sustainable Leaders Fund.*



**Access to affordable healthcare is a particularly challenging and important issue in the United States.**

*As of December 2022, approximately 47% of Putnam Sustainable Leaders holdings and 30% of Putnam Sustainable Future holdings were invested in companies that are improving equity and access to resources and opportunity, as determined by Putnam.*

*As of December 2022, approximately 40% of Sustainable Leaders and 44% of Putnam Sustainable Future holdings were invested in companies that are improving efficiency and effectiveness of key systems and infrastructure.*

*Within the UN SDG framework, the equity and access category links most directly to SDGs 4 and 8, which focus on equitable quality education and lifelong learning (4), and sustainable economic growth, productive employment, and decent work (8).*

*The efficiency and effectiveness category links most directly to SDGs 9, 11, and 12, which focus respectively on resilient infrastructure and innovation; inclusive, safe, resilient, and sustainable cities; and sustainable consumption and production patterns.*





## THRIVING PLANET



# Environmental health

A healthy planet supports all human activity. The effects of climate change — extreme weather events, temperature change, and ocean and soil degradation — are becoming more visible and more acute. As a result, many companies are building climate resiliency into their business models while others are focused on creating solutions to mitigate climate change and its impacts.

## Theme | Decarbonization — Renewable energy

Shifting to renewable energy sources is one important way to reduce greenhouse gas emissions, which are the key contributor to climate change. Costs for renewable energy — especially solar and wind — have fallen dramatically, which has driven adoption by both utility-scale operators and individual homeowners. In 2020, renewable energy made up 20% of U.S. utility-scale electricity generation.<sup>18</sup> The levelized cost of energy (LCOE) for utility-scale solar and onshore wind has now fallen to less than \$35 per MWh, which is below that of competing power sources like coal, natural gas peaking capacity, and nuclear power.<sup>19</sup>

Utilities are increasingly adopting renewable energy for both economic and regulatory reasons. Individual homeowners are also increasingly employing residential or distributed solar (solar roof panels). The costs in many geographies are now competitive with homeowners' existing utility bills, and homeowners want cleaner energy powering their homes. Improving battery technology can increase the resiliency and reliability of a residential solar system versus relying solely on the power grid.

The International Energy Agency (IEA) estimates that renewable electricity generation grew by nearly 5% in 2020 despite global energy demand falling by 5%.<sup>20</sup> The IEA also estimates that total global renewable power capacity will expand by 50% between 2019 and 2024, led by solar PV (Photovoltaic) growth, and that distributed (residential) solar PV will more than double over that same time frame.<sup>21</sup>

## Stock | SolarEdge Technologies (SEDG)

SolarEdge is a leading provider of solar inverters, power optimizers, and monitoring systems for residential and commercial solar installations. The company has a strong focus on technological innovation, which has enabled them to develop cutting-edge products that offer improved energy efficiency and performance. Their optimizer technology allows solar panels to produce more electricity and more consistent power output, which reduces the number of solar panels needed to produce the same amount of energy and can reduce downtime and maintenance costs on solar arrays. In terms of sustainability, this reduces key raw materials needed for solar panel manufacturing, including silicon and other minerals, and more generally helps enable growth of renewable energy infrastructure.

- The company is a leader within the global market for solar inverters, which are critical components in solar energy systems that convert direct current (DC) electricity produced by solar panels into alternating current (AC) electricity that can be used by homes and businesses.
- The market for solar inverters is not as commoditized as other parts of the solar panel supply chain, such as solar panels themselves, which has enabled the company to achieve economies of scale and invest heavily in research and development, including EV storage and uninterrupted power supply.
- The company’s comprehensive range of products and strong track record of customer satisfaction has helped them gain market share in the U.S. and Europe.
- The company benefits from continued adoption of solar products and favorable regulatory policies, most notable the Inflation Reduction Act, which provides key incentives and supports growth of the solar industry and increased demand for SolarEdge’s products.
- We expect that continued growth in residential solar demand could lead to strong growth in installation volumes and cash flow for the company.

*As of 12/31/23, SolarEdge Technologies represented 0.91% of Putnam Sustainable Future Fund and was not held in Putnam Sustainable Leaders Fund.*

## Theme | Sustainable agriculture

Roughly 24% of global greenhouse gas emissions come from the agriculture, forestry, and land use sectors of the economy.<sup>22</sup> More sustainable farming practices like crop rotation, reducing or eliminating tillage, and reducing the use of chemical pesticides can help improve the environmental impact of farms and drive higher profits for farmers. As the global population grows, there is a need to employ increasingly efficient and sustainable farming practices to meet growing demand with limited supply. Additionally, consumers increasingly are willing to pay a premium for sustainably sourced ingredients.

## Stock | Chipotle (CMG)

Chipotle is a fast-casual restaurant chain with a deep commitment to “food with integrity” and sustainable farming practices. Chipotle was the first national restaurant brand to commit to using only responsibly raised meat, and it serves more organic ingredients than most other fast-food chains. The company has numerous programs to increase its use of sustainable products and invest in farmers who employ sustainable farming practices, especially through long-term contracts with these farmers. These practices ensure access to the high-quality ingredients that are key to the fresh food that Chipotle serves.

- We believe Chipotle has a loyal customer base and a compelling value proposition that can continue to fuel strong same-store sales growth and margin expansion for years to come.
- The company also has plenty of potential to open new locations across the country, driving sustained long-term growth.

*As of 12/31/23, Chipotle was 2.12% of Putnam Sustainable Future Fund assets and 1.55% of Putnam Sustainable Leaders Fund assets.*



**More sustainable farming practices can help improve the environmental impact of farms and drive higher profits for farmers.**

## Theme | Circular economy

The circular economy refers to an economic model that emphasizes reuse, recycling and reduction versus a linear model of extraction, consumption, and disposal. This model offers potential to improve planetary health and to dramatically improve the natural resource intensity of the global economy. Human production and consumption have already exceeded Earth's capacity to provide and replenish natural resources in key areas, due in large part to linear “take, make, waste” approaches. These linear approaches are linked to high levels of emissions, waste, and other environmental challenges, as well as increasing business risks and uncertainties.

In contrast, circular economy approaches focus on effective design; extended product life spans through reuse, repair, and recycling; and more benign decomposition. These circular approaches have direct links to new products, practices, and business models, offering possibility in some settings for enhanced growth, reduced risk, and improved financial returns. Companies are increasingly committing to reducing their waste and carbon footprints, and investing in more circular models. Investors have the opportunity to identify successful business innovations in this area, with potential for strong growth, attractive returns, and environmental benefits.

Textiles and apparel are examples of products with high resource and energy intensity, where extending product lives can have a meaningful environmental and economic impact. Business models that focus on long-lasting products, resale, or rentals are all developing quickly. Textile creation is responsible for an estimated 10% of global greenhouse gas emissions, and just 12% of material used for clothing is recycled. About 60% of textiles are made using fossil fuel-based synthetic fibers like polyester and natural fibers like cotton, which are very water intensive to produce.<sup>23</sup> The average closet in the United States is estimated to contain about 25 unworn items, and the average clothing item is worn just 7 to 10 times before being discarded.<sup>24</sup> This backdrop presents an opportunity to decrease unworn items, extend use of existing items, and divert waste from landfill through repair, reuse, and resale.

## Stock | Levi Strauss (LEVI)

Levi Strauss focuses on durability and long-term appeal, as opposed to “fast fashion” approaches. The company has become more active in resale and repair, including its SecondHand resale marketplace. Levi's also has made significant investments in improving materials and resource intensity for its products, contributing to improved profitability and better environmental impact. For example, the company's cottonized hemp material requires less water and fewer pesticides, making the finished products about 20% less water intensive.<sup>25</sup> These newer offerings also have potential to engage customers and create new revenue streams.<sup>26</sup>

- We believe the company's products are durable and on trend, backed by a long history of innovation and sustainability investments.
- The company is making progress on changing from wholesale to direct channel sales, which have higher gross margins. It is also improving margins as it moves away from its most unprofitable retail partners and toward healthier partners.
- We believe that the resilience of the Levi's brand and the margin expansion opportunity can continue to drive earnings and cash flow growth.

*As of 12/31/23, Levi Strauss was 1.39% of Putnam Sustainable Future Fund assets. It was not held in the Putnam Sustainable Leaders Fund.*

*As of December 2022, approximately 52% of Putnam Sustainable Leaders holdings and 41% of Putnam Sustainable Future holdings were invested in companies that are improving planetary health, as determined by Putnam.*

*In general, the Leaders portfolio includes many companies that are improving the resource intensity of their own organizations and the partners around them. The Future portfolio includes many companies whose products and services are contributing to the transition to renewable energy, to the health or remediation of water and soil, or to technologies that support lower material and resource intensity.*

*Within the UN SDG framework, this category links most directly to SDGs 6, 7, and 13, which focus on availability and sustainability of water and sanitation; affordable, reliable, sustainable, and modern energy; and urgent action to combat climate change.*

## Guide to thematic research

The preceding review explored a small selection of the sustainability themes and ideas that our team is researching. Below is a guide to our expanded range of ideas across three overarching categories. It continues to evolve as our research unlocks new ideas.



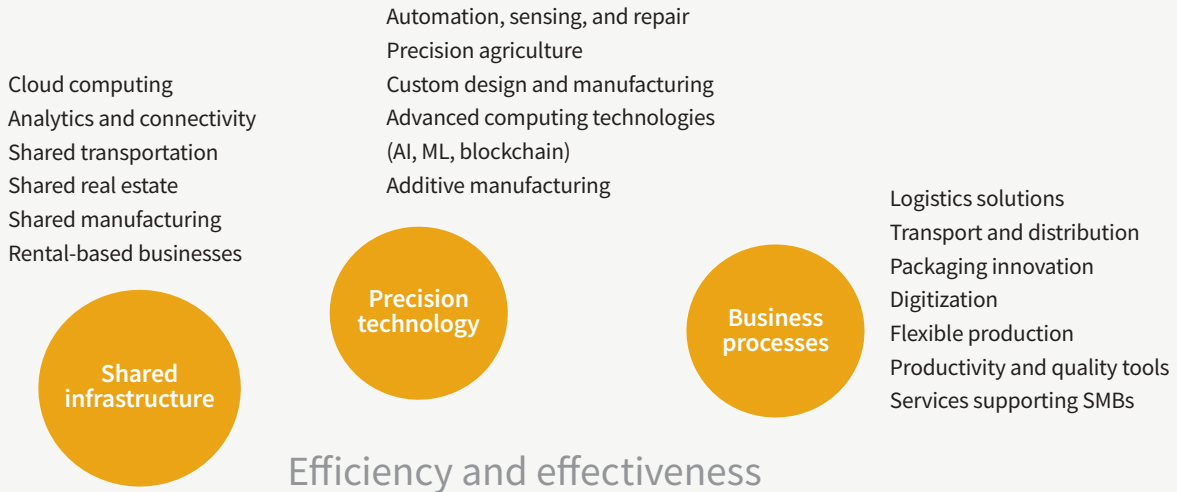
## Specific issues with potentially outsized impact form the core of our fund strategies and performance

### Leadership

Companies going beyond ESG compliance to demonstrate leadership through relevant, proactive, transparent, and impactful sustainability strategies

### Solutions

Companies whose products are solving key sustainability challenges and helping customers to do the same




## Thriving Public®

### Equity and access




## Mapping Putnam investment categories to the UN SDGs

The United Nations Sustainable Development Goals (listed in the far left columns of the tables below) serve as a guide to the world’s most important sustainability priorities. Here we show the connections between our investment themes and the SDG framework. As more companies link their own operating activities to the SDG framework, we expect this type of analysis to extend and deepen over time.




















**Thriving People**



**Thriving Public**

● Direct connection

● Indirect connection

United Nations Sustainable Development Goals (SDGs)	Delivery of care	Tools and therapies	Preventive care and wellness	Access and opportunity	Stakeholder wellness and equity	Security and privacy	Business processes
 Poverty	●	●	●	●	●		
 Hunger	●	●	●	●	●		
 Health	●	●	●	●	●		
 Education	●	●	●	●	●		
 Economy				●	●	●	●
 Infrastructure and industry						●	●
 Cities				●	●	●	●
 Consumption and production					●		●
 Water and sanitation				●			
 Energy				●			●
 Climate change							●
 Oceans							
 Land							
 Gender equality	●	●	●	●	●	●	
 Reduced inequalities	●	●	●	●	●	●	
 Peace and justice	●	●	●	●	●	●	
 SDG partnership							


















### Endnotes

- 1 <https://www.cdc.gov/chronicdisease/about/costs/index.htm>
- 2 <https://www.cdc.gov/chronicdisease/about/costs/index.htm>
- 3 <https://khn.org/news/cost-of-diabetes-drugs-often-overlooked-but-it-shouldnt-be/>
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- Direct connection
- Indirect connection

  
**Thriving Public**

  
**Thriving Planet**

United Nations Sustainable Development Goals (SDGs)	Precision tech and shared infstr.	Circular economy	Biological solutions	Sustainable agriculture	Resource stewardship	Water quality and access	Decarbonization
 Poverty					●		
 Hunger	●		●	●	●		
 Health	●		●	●	●		
 Education							
 Economy	●	●	●				
 Infrastructure and industry	●	●	●	●	●	●	●
 Cities	●	●			●	●	●
 Consumption and production	●	●	●	●	●	●	●
 Water and sanitation	●	●		●	●	●	
 Energy	●	●	●		●		●
 Climate change	●	●	●	●	●	●	●
 Oceans		●	●	●	●	●	●
 Land		●	●	●	●	●	●
 Gender equality					●		
 Reduced inequalities					●		
 Peace and justice					●		
 SDG partnership							

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## Putnam Sustainable Leaders Fund (PNOYX)

5-year up capture ratio: 99.78%

5-year down capture ratio: 96.99%

Annualized total return performance as of 12/31/23

Inception 7/19/94	Class Y shares	S&P 500 Index	Putnam Sustainable Leaders Linked Benchmark
Q4	13.96%	11.69%	11.69%
1 year	26.56	26.29	26.29
3 years	6.57	10.00	10.00
5 years	16.26	15.69	16.41
10 years	12.82	12.03	13.15

Total expense ratio: 0.74%

## Putnam Sustainable Future Fund (PMVYX)

5-year up capture ratio: 97.34%

5-year down capture ratio: 100.62%

Annualized total return performance as of 12/31/23

Inception 4/2/02	Class Y shares	Russell Midcap Growth Index	Putnam Sustainable Future Linked Benchmark
Q4	17.46%	14.55%	14.55%
1 year	28.99	25.87	25.87
3 years	-3.25	1.31	1.31
5 years	12.54	13.81	13.81
10 years	8.46	10.57	9.50

Total expense ratio: 0.81%

*Current performance may be lower or higher than the quoted past performance, which cannot guarantee future results. Share price, principal value, and return will vary, and you may have a gain or a loss when you sell your shares. Performance of class Y shares assumes reinvestment of distributions and does not account for taxes. Class Y shares, available to investors through an asset-based fee program or for institutional clients, are sold without an initial sales charge and have no CDSC. Performance for class Y shares before their inception are derived from the historical performance of class A shares (inception 8/31/90 and 11/1/99), which have not been adjusted for the lower expenses; had they, returns would have been higher. For the most recent month-end performance, please visit [putnam.com](http://putnam.com).*

*Capture ratios are used to evaluate how well an investment manager performed relative to an index during specific periods (periods of positive return in the case of up capture, negative return in the case of down capture). The ratio is calculated by dividing the manager's returns by the returns of the index during the period and multiplying that factor by 100.*

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**Consider these risks before investing:** The value of investments in the fund's portfolio may fall or fail to rise over extended periods of time for a variety of reasons, including general economic, political, or financial market conditions; investor sentiment and market perceptions; government actions; geopolitical events or changes; and factors related to a specific issuer, geography, industry, or sector. These and other factors may lead to increased volatility and reduced liquidity in the fund's portfolio holdings.

Growth stocks may be more susceptible to earnings disappointments, and the market may not favor growth-style investing. Investments in small and midsize companies increase the risk of greater price fluctuations. International investing involves currency, economic, and political risks. Emerging market securities have illiquidity and volatility risks.

Investing with a focus on companies that exhibit a commitment to sustainable business practices may result in the fund investing in certain types of companies, industries, or sectors that underperform the market as a whole. From time to time, the fund may invest a significant portion of its assets in companies in one or more related industries or sectors, which would make the fund more vulnerable to adverse developments affecting those industries or sectors. The technology industries may be significantly affected by technological obsolescence, short product cycles, falling prices and profits, competitive pressures, and general market conditions. In evaluating an investment opportunity, we may make investment decisions based on information and data that is incomplete or inaccurate. In addition, a company's business practices, products, or services may change over time. As a result of these possibilities, among others, the fund may temporarily hold securities that are inconsistent with the fund's sustainable investment criteria.

Our investment techniques, analyses, and judgments may not produce the outcome we intend. The investments we select for the fund may not perform as well as other securities that we do not select for the fund. We, or the fund's other service providers, may experience disruptions or operating errors that could have a negative effect on the fund. You can lose money by investing in the fund.

The S&P 500® Index is an unmanaged index of common stock performance. You cannot invest directly in an index.

The Russell Midcap® Growth Index is an unmanaged index of those companies in the Russell Midcap Index chosen for their growth orientation.

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