Tactical allocation and security selection combined to help drive quarterly outperformance

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All Retirement Advantage vintages delivered positive absolute returns, benefitting from a rally in equities to start the year.

Both tactical asset allocation and security selection were additive, helping all Retirement Advantage vintages to outperform their respective benchmarks.

Retirement Advantage portfolios ranked in the 6th percentile on average relative to Morningstar category peers, including five portfolios that finished in the 1st percentile in their respective categories.

How were market conditions in the first quarter of calendar 2024?

Throughout the quarter, investor sentiment fluctuated around central bank policy. Anticipation of Fed rate cuts sparked rallies, while delays in potential timing for the cuts led to declines.

US stocks rose significantly during the first quarter overall, advancing for five consecutive months, as stronger-than-expected fourth-quarter earnings reports, ongoing economic resilience, and hopes for interest-rate cuts drove major indexes to record highs. The US Federal Reserve (Fed) kept the federal funds target rate unchanged at a 23-year high at its two meetings during the quarter as it sought to control elevated inflation but maintained its outlook for three rate cuts in 2024. At the post-meeting press conference in March, Chair Jerome Powell indicated that a robust labor market would not be a reason to postpone rate cuts.

Headline US Consumer Price Index (CPI) rose slightly to 3.2% (year-on-year) in February, driven by a 0.4% increase across the month, but core inflation fell slightly to 3.8%. Elsewhere, non-farm payrolls rose by 303,000 in March, while growth for the fourth quarter of 2023 was revised up to 3.4% on an annualized basis, driven by robust consumer spending. Signs of improving economic conditions and market demand influenced an expansion of US manufacturing production in March, according to purchasing managers' index (PMI) data from S&P Global, while the services sector also grew, albeit at a more subdued pace.

For the three-month reporting period, US stocks returned 10.56%, as measured by the S&P 500 Index. International stocks rose 5.93%, as measured by the MSCI EAFE Index, while emerging market (EM) stocks, as measured by the MSCI EM Index, returned 2.44%. Global equities, as measured by the MSCI World Index, returned 9.01%.

Over the same period, investment-grade bonds experienced relative weakness, as the Bloomberg US Aggregate Bond Index returned -0.78%. The yield on the 10-year US Treasury note began the quarter at 3.88% and ended the quarter at 4.20%. The yield curve remained inverted over the three months, which in past economic cycles has been an indicator of recession. [The yield curve is a graphical representation of the yields/interest rates of bonds with equal credit quality but differing maturity dates.] High-yield bonds returned 1.95%, as measured by the JPMorgan Developed High Yield Index, while global bonds, as measured by the FTSE World Government Bond Index, returned -2.42%.

How did the glide path – or starting point for each portfolio – impact performance during the three months ended March 31, 2024?

All Retirement Advantage vintages delivered positive absolute returns. Gains for the longer-dated portfolios resulted from their high equity allocations during a period of strength across global equity markets. Shorter-dated, fixed-income-oriented strategies also benefited from this rally in equities but finished with slightly smaller positive returns. Returns for Class X ranged from 3.89% to 10.69%.

Each Putnam Retirement Advantage Trust invests in a mix of stocks and bonds, creating a diversified target-date portfolio designed for a retirement saver expecting to retire around the date in each trust's name. We use an important tool called a glide path to adjust allocations among asset classes over time, helping reduce risk approaching the target date. With the glide path as a reference point, our portfolio managers make tactical decisions and invest in actively managed strategies, seeking to outperform their index-based benchmarks.

What strategies contributed to or detracted from benchmark-relative performance?

Both tactical asset allocation and security selection were additive, helping all Retirement Advantage vintages outperform their respective benchmarks.

Tactical asset allocation decisions contributed to benchmark-relative performance across all vintages, particularly conservative vintages closer to retirement. We held a modest overweight position to equity risk for most of the period and shifted to a neutral position towards the end of the first quarter. This benefited performance as equities experienced strength. With respect to interest-rate risk, we were very tactical, which also aided performance. The portfolios entered the quarter neutrally positioned. In early January, we shifted to a modest underweight position, and by mid-February shifted back to neutral.

Our security selection decisions further boosted benchmark-relative performance across all retirement vintages. Our quantitative US large-cap core equity strategy was a significant contributor to relative results, as were our fundamental US large-cap value and quantitative international equity strategies. Our opportunistic fixed income strategy also enhanced results. Vintages furthest from retirement experienced additional gains from our fundamental emerging market equity strategy.

In total, how did the glide path, tactical allocation, and security selection impact performance relative to peers?

Retirement Advantage portfolios ended the quarter ranked in the 6th percentile on average relative to Morningstar category peers, including five portfolios that finished in the 1st percentile in their respective categories.

In our near-retirement portfolios, we reduce equity risk below the industry average, seeking to protect investors from significant losses when account balances are largest and recovery time is shortest. In these portfolios, we have repeatedly demonstrated the ability to better help protect investors approaching retirement from retirement-endangering drawdowns. Despite the conservative nature of our glide path approaching the target date and strong stock over bond performance during the first quarter,tactical asset allocation and security selection strength meant portfolios that take less risk still generally finished ahead of peers. Portfolios near retirement finished well above their peer group median, as did the Maturity portfolio.

In portfolios where we have a similar equity allocation compared to peers, we benefited from the asset allocation and security selection strength described earlier. Portfolios furthest from retirement typically have a slightly higher equity allocation than industry peers. A higher glide path equity allocation was positive for these portfolios, as was asset allocation and security selection strength.

Across the suite of vintages, our 2035, 2045, 2055, 2060, and 2065 vintages each finished the quarter ranked in the 1st percentile.

What is your near-term outlook for the markets?

Our near-term outlook for equities is neutral. Our breadth-thrust signal [a technical indicator that measures market momentum] expired in late-March, leading us to downgrade our view on equities. However, with economic data still coming in strong we are hesitant to be underweight, preferring to be neutrally positioned.

Our near-term outlook for interest-rate-sensitive fixed income is also currently neutral. In early 2024, markets were overly optimistic about the Fed cutting cycle, pricing in a total of six cuts starting in March. After recent economic data releases, the bond market has converged towards Fed guidance and scaled back its forecast for interest-rate cuts to a level more consistent with the soft-landing narrative.

Finally, we do not enter the quarter with a position in commodities. Many physical markets remain tight, but the potential for recession and tighter financial conditions are risks to the downside. Commodity volatility has also increased significantly.

Against this backdrop, we continue to have conviction in our active investment strategies and expect to adapt the portfolios to changing market conditions.

Morningstar Category Rank
As of 3/31/2024

Class X	1 year	3 years	5 years	10 years	Since inception	Inception date
Retirement Advantage 2065	1% (2/256)	1% (2/166)	—	—	1% (2/144)	1/5/2021
Retirement Advantage 2060	1% (2/279)	1% (2/252)	1% (2/178)	—	1% (2/135)	2/10/2016
Retirement Advantage 2055	1% (2/330)	1% (2/303)	1% (2/217)	1% (2/124)	3% (2/50)	12/22/2010
Retirement Advantage 2050	1% (3/277)	1% (3/253)	3% (10/193)	5% (9/136)	2% (2/59)	1/3/2008
Retirement Advantage 2045	1% (3/327)	1% (2/300)	8% (28/217)	11% (20/124)	2% (2/56)	1/3/2008
Retirement Advantage 2040	1% (3/279)	3% (5/252)	16% (45/193)	12% (28/138)	3% (3/70)	1/3/2008
Retirement Advantage 2035	2% (5/329)	2% (4/301)	21% (53/217)	22% (33/123)	13% (7/61)	1/3/2008
Retirement Advantage 2030	16% (45/278)	18% (24/252)	49% (97/193)	44% (63/136)	24% (12/69)	1/3/2008
Retirement Advantage 2025	41% (137/327)	65% (170/300)	84% (187/216)	72% (100/124)	68% (40/62)	1/3/2008
Retirement Maturity Fund	14% (23/288)	41% (69/259)	14% (36/199)	6% (6/115)	9% (6/61)	1/3/2008
Average Percentile Rank	**8%**	**13%**	**22%**	**22%**	**13%**	**—**

Funds were ranked within the appropriate Morningstar category, specifically: US SA Target-Date 2065+, US SA Target-Date 2060, US SA Target-Date 2055, US SA Target-Date 2050, US SA Target-Date 2045, US SA Target-Date 2040, US SA Target-Date 2035, US SA Target-Date 2030, US SA Target-Date 2025, and US SA Target-Date Retirement.

Putnam Retirement Advantage Trusts

Performance returns (%) as of 3/31/2024

Class X	Q1	1 year	5 years	10 years	Since inception*
Retirement Advantage 2025	4.13	12.02	5.02	5.39	5.37
Retirement Advantage 2025 Benchmark	2.55	9.97	5.02	5.43	5.28
Retirement Advantage 2030	5.62	16.00	7.21	6.85	6.25
Retirement Advantage 2030 Benchmark	3.61	12.80	7.17	6.89	6.24
Retirement Advantage 2035	7.55	20.81	8.93	7.97	6.99
Retirement Advantage 2035 Benchmark	5.29	16.80	8.73	7.92	6.90
Retirement Advantage 2040	8.67	23.43	9.98	8.63	7.37
Retirement Advantage 2040 Benchmark	6.17	18.97	9.67	8.56	7.26
Retirement Advantage 2045	9.40	25.27	10.61	9.03	7.64
Retirement Advantage 2045 Benchmark	6.78	20.47	10.27	8.99	7.53
Retirement Advantage 2050	9.83	26.54	11.11	9.38	7.93
Retirement Advantage 2050 Benchmark	7.22	21.58	10.79	9.38	7.82
Retirement Advantage 2055	10.19	27.83	11.60	9.70	10.61
Retirement Advantage 2055 Benchmark	7.68	22.70	11.33	9.75	10.47
Retirement Advantage 2060	10.44	28.87	11.97	—	12.78
Retirement Advantage 2060 Benchmark	8.08	23.69	11.74	—	13.07
Retirement Advantage 2065	10.69	29.36	—	—	10.65
Retirement Advantage 2065 Benchmark	8.28	24.14	—	—	8.97
Retirement Advantage Maturity	3.89	11.21	5.10	4.96	5.13
Retirement Advantage Maturity Benchmark	2.32	9.67	4.51	4.60	4.88
S&P 500 Index	10.56	29.88	15.05	12.96	10.86
Bloomberg US Aggregate Bond Index	-0.78	1.70	0.36	1.54	6.56

*Inception date is January 3, 2008, except for 2055, which is December 22, 2010, 2060, which is February 10, 2016, and 2065, which is January 5, 2021. Data is historical.

***Past performance is not a guarantee of future results**. More recent returns may be more or less than those shown. Investment return will fluctuate. Performance assumes reinvestment of distributions and does not account for taxes. Returns for periods of less than one year are not annualized. Performance data reflects the impact of a 0.35% management fee for class X shares. In certain cases, your plan's management fee may be lower and your return higher. For the most recent month-end performance, please call your plan's toll-free number.*

Indexes are unmanaged and do not incur expenses. You cannot invest directly in an index.

Morningstar rankings are based on total return without sales charge relative to all share classes of funds with similar objectives as determined by Morningstar. Morningstar rankings may differ significantly from Morningstar's risk-adjusted star ratings. Past performance is not indicative of future results.

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Each Retirement Advantage Fund has a different target date indicating when the fund's investors expect to retire and begin withdrawing assets from their account, typically at retirement. The dates range from 2025 to 2065 in five-year intervals, with the exception of the Maturity Fund, which is designed for investors at or near retirement. The funds are generally weighted more heavily toward more aggressive, higher-risk investments when the target date of the fund is far off, and more conservative, lower-risk investments when the target date of the fund is near. This means that both the risk of your investment and your potential return are reduced as the target date of the particular fund approaches, although there can be no assurance that any one fund will have less risk or more reward than any other fund. The principal value of the funds is not guaranteed at any time, including the target date.

Consider these risks before investing: All investments involve risks, including possible loss of principal. Investments in **underlying funds** are subject to the same risks as, and indirectly bear the fees and expenses of, the underlying funds. The **allocation** of assets among different strategies, asset classes and investments may not prove beneficial or produce the desired results. The **investment style** may become out of favour, which may have a negative impact on performance. **Small- and mid-cap stocks** involve greater risks and volatility than large-cap stocks. **Fixed income securities** involve interest rate, credit, inflation and reinvestment risks, and possible loss of principal. As interest rates rise, the value of fixed income securities falls. **Low-rated, high-yield bonds** are subject to greater price volatility, illiquidity, and possibility of default. **Asset-backed, mortgage-backed or mortgage-related securities** are subject to prepayment and extension risks. **International investment**s are subject to special risks, including currency fluctuations and social, economic, and political uncertainties, which could increase volatility. These risks are magnified in **emerging markets. Real estate investment trusts (REITs)** are closely linked to the performance of the real estate markets. REITs are subject to illiquidity, credit and interest rate risks, and risks associated with small- and mid-cap investments. **Convertible securities** are subject to the risks of stocks when the underlying stock price is high relative to the conversion price and debt securities when the underlying stock price is low relative to the conversion price. **Active management** does not ensure gains or protect against market declines. These and other risks are discussed in the fund's prospectus.

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