

Product profile
Q2 | 2017

Putnam Stable Value Fund

Fund inception date

February 28, 1991

Total portfolio assets

\$6.1B

Total strategy assets

\$6.6B

as of June 30, 2017	Putnam Stable Value
Weighted average maturity	2.93
Effective duration	2.89
Net crediting rate	2.04%
Wrap and GIC issuers	9
Number of contracts	32
Total underlying securities	794
Market/Book value	100.7%

Data as of fiscal year-end

Fiscal year-end	12/31/16
Management fee	0.15%
Wrap fee*	0.16%
Other/Administrative fee	0.01%
Total expense ratio	0.32%
CUSIP	74686Q801

The expense ratio is for the fiscal year ended December 31, 2016 and is subject to change.

Portfolio issuers
Synthetic wrap providers

Prudential Life	22.0%
Pacific Life	21.5%
JPMorgan Chase	1.3%

Insurance separate account

Mass Mutual	16.4%
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Traditional GIC issuers

Metropolitan Life	9.9%
Jackson National Life	7.7%
Protective Life	6.1%
Principal Life	6.0%
New York Life	1.7%
Prudential Life	1.7%

Net cash

Putnam Money Market Portfolio	4.1%
Cash Investments	1.6%

Percent of portfolio	100.0%
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Objective

Deliver intermediate-bond-like returns while seeking to maintain a stable net asset value

Product highlights

- Seeks to maintain the stability of a money market fund while offering returns similar to those of intermediate-term bonds: 50–75 basis points above the benchmark over a full interest-rate cycle
- Liquidity, stability, and consistency are essential to the portfolio construction process, which emphasizes diversifying the sources of returns, industries, and issuers within the portfolio
- Utilizes the full opportunity set within the stable value universe, including cash alternatives, GICs, managed synthetics, and constant duration synthetics

Portfolio management

Steven A. Horner, CFA	D. William Kohli
Portfolio Manager	Chief Investment Officer, Fixed Income
Industry since 1991	Industry since 1988

Annualized portfolio performance as of June 30, 2017 (15 bps management fee)

	BofA Merrill Lynch U.S. 3 Month Treasury Bill Index	
	(%)	(%)
Q2	0.50	0.20
YTD	0.98	0.31
1 year	1.91	0.49
3 years	1.86	0.23
5 years	1.86	0.17
10 years	2.83	0.58

Periods less than one year are not annualized.

Data is historical. Past performance is not a guarantee of future results. More recent returns may be higher or lower than those shown. Investment returns and principal value will fluctuate and you may have a gain or a loss when you sell your shares. All performance is shown net of fees. For the most recent month end performance information please contact Putnam Investments.

*Wrap fees are calculated based on total synthetic wrap fees (in dollars) divided by the Fund's average assets. Synthetic wrap contracts account for only a part of the overall portfolio. As a result, the Fund's blended expense is 0.16% for the twelve-month period ended December 31, 2016, although the average wrap fee, on a contract basis, is higher. For example, if the Fund had half its assets in synthetic wrap contracts over the period, and the contracts had wrap fees of 0.20%, the Fund's reported wrap fees would be 0.10% of assets. Current wrap fees may be higher than the fees shown. Implicit expenses associated with traditional guaranteed investment contracts and other portfolio investments that do not charge an explicit wrap fee are not included in the table, but are reflected in the Fund's performance and crediting rate. The fund (or any other fund in which it invests) also bears its other operating expenses, such as custody, middle office services and accounting fees, audit fees, legal expenses and any other miscellaneous expenses.

Please note that the expense information above is calculated in accordance with Department of Labor requirements, which require that wrap fees be reflected as a separate expense item. Expense information in the Fund's annual report, which is prepared under U.S. general accounting principles, does not reflect these fees, and will differ as a result.

Investment commentary

Performance review

The strategy posted positive absolute return and outperformed its benchmark for the period. Our weighted average maturity (WAM) as of June 30, 2017, was 2.93 years with a duration of 2.89 years. The overall fund duration remains in line with our neutral range of 2.75 - 3.25 years.

Our actively managed strategy generated a moderate contribution to the overall return for the quarter. Our overweight to corporate credit was the most significant contributor to return for the quarter within the actively managed strategy; returns were again boosted from an overweight allocation to the financial sector, followed by positioning within the communications sector.

Term structure risk positioning (duration) was the primary detractor within the active strategy. U.S. Treasury rates moved materially higher in the short end of the curve. Overall duration positioning was slightly short and our tactical yield curve positioning was not beneficial during a period in which the yield curve was flattening. Positioning at quarter end remains marginally short the Bloomberg Barclays Intermediate Aggregate Index with the expectation for rates to move higher, from either the Fed beginning to unwind its balance sheet or possibly a rate hike near the end of the year.

Overall, exposure to AAA-rated, commercial mortgage-backed securities within mortgage credit risk and prepayment risk both produced marginally positive results.

The structured cash flow contract generated positive absolute performance and outperformed the Bloomberg Barclays 1-5 Year Government/Credit Index on a relative basis. The portfolio benefitted primarily from sector selection within investment grade credit, particularly banking. Overall duration positioning was essentially neutral.

Traditional GICs contributed coupon return to the strategy and added to the overall outperformance versus the benchmark. This sector continued to look attractive relative to the cash markets with spreads of 25-35 bps higher for comparable duration.

Outlook

Within the U.S. macroeconomic landscape, most tracking estimates of Q2 GDP growth are around 2.5% (QoQ, Saar). Given the Q1 figure of 1.4%, which has not been revised up as much as expected, the first half seems to have been slightly weaker than expected at the beginning of the year. This is likely due to the impact of the rise in inflation early in the year on real incomes and real consumption growth, as well as the performance of private investment. However, it seems that the economy continues to grow at a pace a little over 2.0%. There are a few data points that look slightly stronger including the recent bounce in the manufacturing ISM; although, other areas look less encouraging, including auto sales, the housing market, and Market PMI.

The June labor market report was generally positive. As in past months, when one aspect of the report is strong, another aspect is a bit weaker, which was the case in this report. The pace of job creation was a strong, with an upward revisions to past months, while participation and hours also rose. On the other hand, wages rose less than expected and the unemployment rate ticked up as participation rose. The overall pattern remains in place: the labor market is tightening, but there are no signs of wages rising at the pace as one might expect.

With the Senate consumed with the health care debate, attention in the House has shifted to budget issues. There are several items at play including the debt ceiling problem, a budget resolution for the next fiscal year, and the debate around tax reform. These are all closely related; for example, the health care debate has implications for the tax debate due to the role of the ACA taxes. The latest suggestions from Washington imply that we need to lower our expectations further. It is worth bearing in mind how delayed the Trump agenda is after six months into the administration; little that is economically significant has happened.

The June Fed meeting resulted in a widely-expected rate hike, and the post-meeting press conference was perceived as being somewhat hawkish. Additionally, the Fed clearly thinks it will hike once more this year and that active balance sheet reduction may begin as early as September. Overall, it will require significant data disappointments to hold the Fed back from more tightening measures in the second half of the year.

The views expressed herein are exclusively those of the portfolio manager as of the end of the period covered, and are subject to change without notice. It is not intended to provide investment advice, and should not be considered the primary basis on which you make these decisions.

Holdings and sectors will vary over time. This is not an offer to sell or a recommendation to buy any individual security.

Strategy

We remain constructive on the U.S. investment grade corporate bond market given solid fundamentals, favorable technicals, and fair valuation. Regarding fundamentals, 1Q17 earnings results largely exceeded expectations, with strength in the Banking, Technology, and Energy sectors, and the only notable weakness in Telecommunications. Our outlook is for continued improving fundamentals, subject to as yet unknown government policy initiatives. Regarding technicals, June's new issue supply of \$72.8 billion was slightly below expectations and down -16% year-over-year; bringing YTD supply down -0.9% year-over-year. Inflows have remained strong through the year-to-date period, preliminarily totaling roughly \$36 billion. Our FY17 outlook is still for elevated new issue supply, tempered by the decline in pending M&A transactions and, on the margin, issuers utilizing the euro and gilt markets given the positive technicals driven in part by central bank actions. U.S. spreads will likely continue to be supported by a solid fundamental backdrop, international flows, and ECB and BOE corporate buying programs over the near-term. We continue to find current spread levels to be appropriate versus underlying fundamental risk. Though, we think it will be challenging for corporate spreads to perform as strongly as they did in 2016.

In mortgage credit-sensitive areas, we hold an allocation to commercial mortgage-backed securities (CMBS). The underlying fundamentals for commercial real estate continue to be stable overall, as employment growth, low interest rates, and a positive GDP trajectory provide a tailwind for the CMBS sector. Nonetheless, we believe the growth in property prices experienced over the past few years will be difficult to maintain going forward. While we do predict some regional mall related losses, we do not believe it will translate into fundamental losses at the BBB- tranche level, much less at the AAA tranche level where we are positioned.

Generally, we find prepayment risk attractive in an environment where mortgage lending standards have yet to ease materially. We maintain a neutral to slight short position to the mortgage basis, and have an up-in-coupon bias. The potential for divergent performance among different coupon and vintage MBS pools and TBAs in response to changes in refinancing activity and Federal Reserve policy continue to provide active trading opportunities.

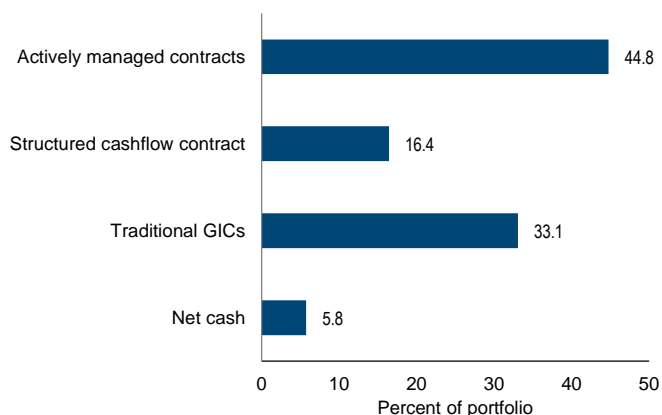
The broad positioning across the Putnam Stable Value strategy continues to remain focused on liquidity, diversification, and preservation of principal.

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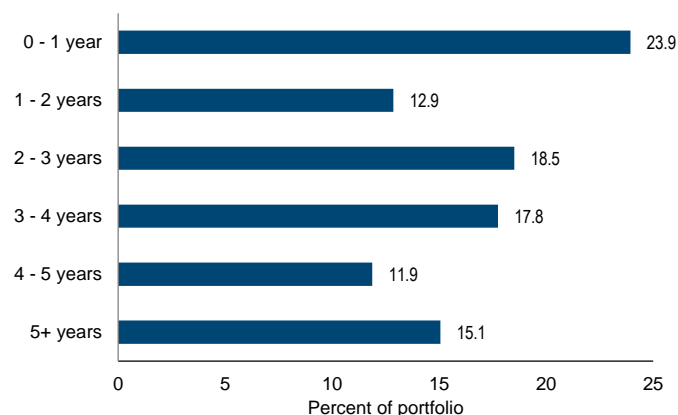
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Portfolio details as of June 30, 2017

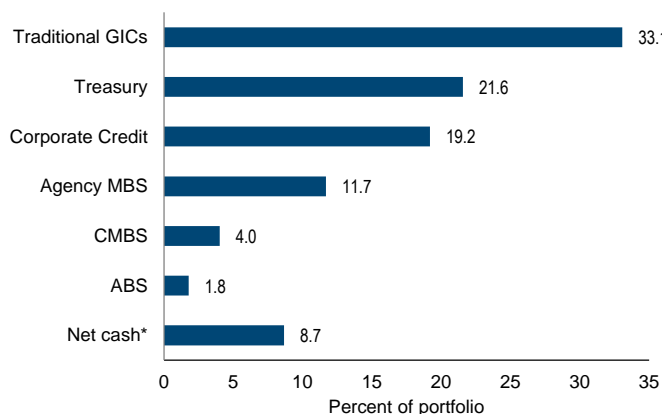
Portfolio structure



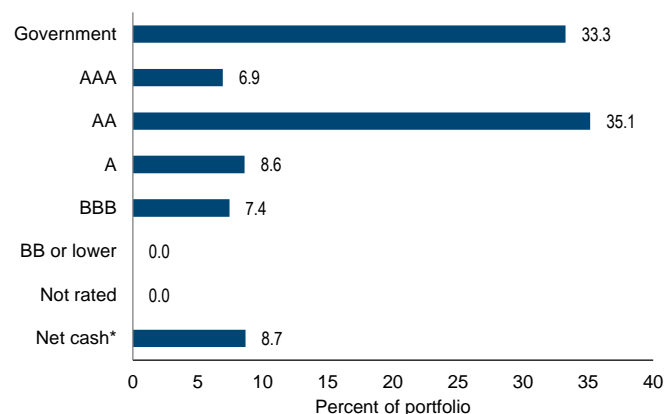
Duration distribution



Sector allocation



Quality



* Total Net cash shown within the Sector & Quality distributions reflects total cash, including wrapped cash and cash held outside of managed strategies. Net cash in the Portfolio Structure distribution only reflects unwrapped cash held for daily portfolio activity.

Credit qualities are shown as a percentage of net assets. A bond rated BBB or higher (A-3 or higher, for short-term debt) is considered investment grade. This chart reflects the highest security rating provided by one or more of Standard & Poor's, Moody's, and Fitch. Short-term cash bonds rated A-1+ are included in the AAA-rating category. Ratings and portfolio credit quality will vary over time. The fund itself has not been rated by an independent rating agency.

Plan Sponsors whose plans are invested in the Stable Value Fund and would like additional information on the fund's investments, including certain monthly information, can contact Putnam Investments. Other parties, such as prospective investors, may also obtain this information at Putnam's discretion.

Calendar year performance (%)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Stable Value Fund (@ 15 bps)	1.82	1.84	1.82	1.81	2.25	3.60	4.19	2.83	4.74	4.95
BofA Merrill Lynch U.S. 3 Month Treasury Bill Index	0.33	0.05	0.03	0.07	0.11	0.10	0.13	0.21	2.06	5.00

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Consider the risks before investing:

The fund seeks capital preservation, but there can be no assurances that it will achieve this goal. The fund's returns will fluctuate with interest rates and market conditions. The fund is not insured or guaranteed by any governmental agency.

Funds that invest in bonds are subject to certain risks including interest-rate risk, credit risk, and inflation risk. As interest rates rise, the prices of bonds fall. Long-term bonds are more exposed to interest-rate risk than short-term bonds. Unlike bonds, bond funds have ongoing fees and expenses. Lower-rated bonds may offer higher yields in return for more risk. Funds that invest in government securities are not guaranteed.

Mortgage-backed securities are subject to prepayment risk. The use of derivatives involves additional risks, such as the inability to terminate or sell derivative positions and the potential failure of the other party to the instrument to meet its obligations. The fund may be exposed to risks associated with the providers of any wrap contracts (synthetic GICs) covering the fund's assets, including credit risk and capacity risk.

Average Effective Duration

Average effective duration provides a measure of a fund's interest-rate sensitivity. In general, the longer a fund's duration, the more sensitive the fund is to shifts in interest rates. The relationship among funds with different durations is straightforward: A fund with duration of 10 years is expected to be twice as volatile as a fund with a five-year duration. Duration also gives an indication of how a fund's net asset value (NAV) will change as interest rates change. A fund with a five-year duration would be expected to lose 5% of its NAV if interest rates rose by 1 percentage point, or gain 5% if interest rates fell by 1 percentage point.

Weighted Average Maturity

Weighted average maturity is a calculation of the average time that securities in a fixed-income fund will come due. Average maturity takes into account mortgage payments in mortgage-backed securities, adjustable coupons on bonds, and puts. Call provisions are not included.

Crediting Rate

The weighted average net interest rate of all of the fund's investments (including cash) as of June 30, 2017. This rate is quoted net of all fees, including investment management fees.

The fund is a collective trust managed and distributed by Putnam Fiduciary Trust Company, a non-depository New Hampshire trust company. However, it is not FDIC insured; is not a deposit or other obligation of, and is not guaranteed by, Putnam Fiduciary Trust Company or any of its affiliates. The fund is not a mutual fund registered under the Investment Company Act of 1940, and its units are not registered under the Securities Act of 1933. The fund is only available for investment by eligible, qualified retirement plan trusts, as defined in the declaration of trust and participation agreement.

To request the offering document for the fund visit Putnam.com. The offering document includes investment objective, risks, charges, expenses and other information that you should read and consider carefully before investing.

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