

EXPECT MORE FROM RETIREMENT<sup>SM</sup>



# Target-date strategies: Putnam Retirement Advantage Funds

Q1 | 19



**Putnam  
Retirement  
Advantage Funds**

Featuring a distinctive glide path  
to pursue better risk-adjusted  
returns for retirement investors

Not FDIC insured | May lose value | No bank guarantee

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Putnam manages money for individuals and institutions worldwide with a commitment to helping them achieve their long-term financial goals.

We are dedicated to providing a complete range of capabilities for the challenges investors face. We offer a choice of managed strategies that harness insights reached through collaborative, fundamental research.

### **Putnam has fostered the evolution of diversification strategies for investors**

Diversifying a portfolio across asset classes or risk sources is an effective way to reduce performance volatility and to take advantage of compounding through more consistent positive returns.

Diversification has been part of Putnam's story since the launch of our first fund in 1937, and today Putnam is a leader in this area thanks to the managed diversification strategies of Putnam's long-tenured Global Asset Allocation team.



# The road to retirement requires a plan for diversification.

Security. Comfort. A new endeavor. Retirement is an opportunity for people to define their future. But getting to retirement means tackling questions about how to save, how to invest, and how to manage risk over time.

For millions of working people today, the road to retirement depends on access to a workplace savings plan. Studies show that having a well-designed workplace savings plan is one of the greatest advantages for individuals to make progress toward their retirement goals.

## Putnam Retirement Advantage Funds offer convenient features and active strategies in a target-date format



### Diversification across stocks and bonds

Target-date funds invest in a mix of stocks for growth and bonds for stability.\* Combining stocks and bonds can enhance stable performance of the portfolios. This diversification allows the funds to benefit when either stocks or bonds are performing well and can help to reduce risk.



### A glide path to adjust the mix automatically

Protecting investors near retirement from significant losses is critical to a successful, sustainable retirement. That's why our portfolios follow a glide path that automatically moves assets out of volatile equities and into less volatile bonds and cash near the target date, when the savings amount is largest.



### Putnam's active strategies and competitive fees

The funds pursue active strategies managed by Putnam's long-tenured Global Asset Allocation team, and offer a Collective Investment Trust structure that keeps fees competitive.

\*Diversification does not guarantee a profit or ensure against loss. It is possible to lose money in a diversified portfolio.

# It's important to reduce an equity allocation when losses would do the most harm — just before or just after retirement.

## The volatility of an equity portfolio can be damaging to retirement planning if experienced at the wrong time

Equities are an attractive investment for a long-term goal like retirement because they have historically outperformed other asset classes. However, a sequence-of-returns comparison highlights the risk of relying on equities for retirement.

## Savings are most at risk just before and just after retirement

Before retirement, as investors contribute to retirement savings, early losses can be recovered, while late losses cannot. In retirement, as investors take withdrawals from their savings, early losses can deplete portfolios.

**Significantly reducing the risk of losses from equities just before and just after retiring can help preserve savings for a lifetime.**

### SEQUENCE-OF-RETURNS

#### SEQUENCE-OF-RETURNS COMPARISON

In this comparison, both investments achieve an 11% average return. The only difference is the sequence of returns.

### BEFORE RETIREMENT

#### ACCUMULATION PHASE

Losses late in the savings period are far more damaging than losses early in the savings period because they significantly reduce the portfolio value just before retirement.

Assumes a beginning balance of \$100,000, a salary in year 1 of \$51,324, a contribution rate of 10%, a salary adjustment for inflation of 3% per year, and a salary in year 20 of \$92,697. Returns are represented by the S&P 500 Index from 1/1/91 to 12/31/10. This illustration is hypothetical and not indicative of any fund or product. You cannot invest directly in an index.

### IN RETIREMENT

#### DISTRIBUTION PHASE

Losses early in retirement are far more damaging than losses later in retirement years because they reduce the portfolio so much that it never recovers, and it is entirely depleted after 16 years.

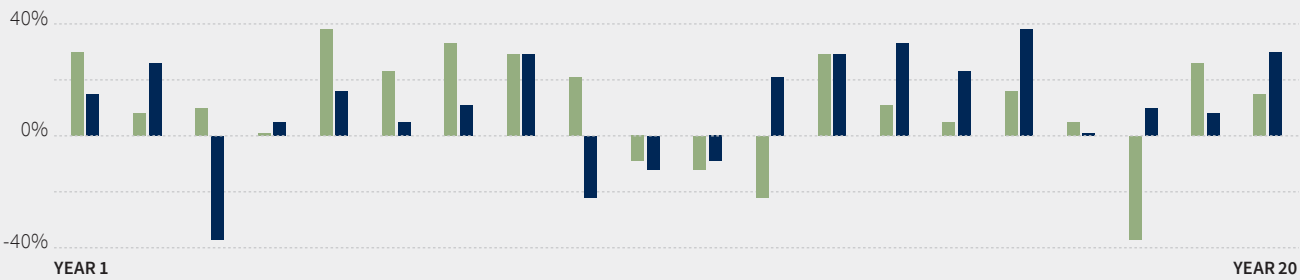
Assumes an ending salary of \$92,697, a beginning balance of \$1,054,016, income replacement of 75% of ending salary (\$69,523 in Year 1), and distribution adjustment for inflation of 3% per year. Returns are represented by the S&P 500 Index from 1/1/91 to 12/31/10. This illustration is hypothetical and not indicative of any fund or product. You cannot invest directly in an index.

**Two investors who experience the same long-term average returns can have much different outcomes based on when the returns occur**

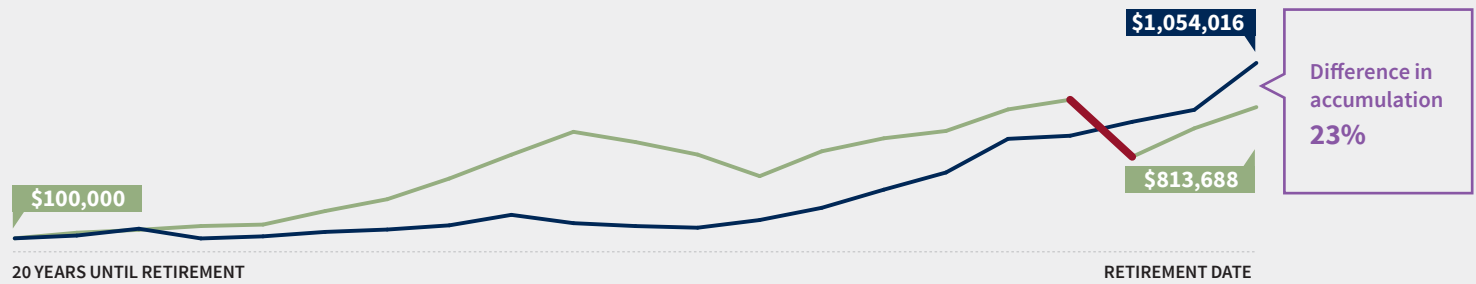
Investors have no control over when an equity market downturn occurs, and the impact can be significant if the investors have large equity allocations.

**AVERAGE RETURN: 11%**

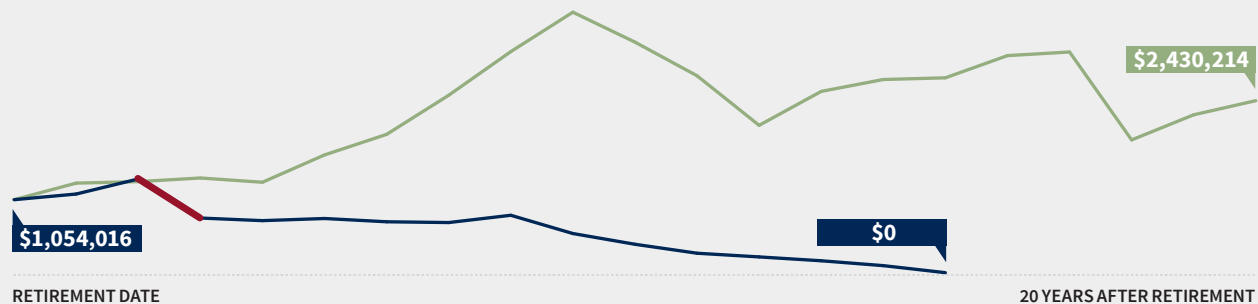
Return Inverse sequence of returns



- Account balance
- Account balance with inverse sequence of returns
- Drawdown immediately before retirement: **-37% return**



- Account balance
- Account balance with inverse sequence of returns
- Drawdown immediately after retirement: **-37% return**



# Putnam Retirement Advantage offers a unique glide path to reduce risk and a CIT structure to reduce fees.

### Our glide path is designed to counter sequence-of-returns risk

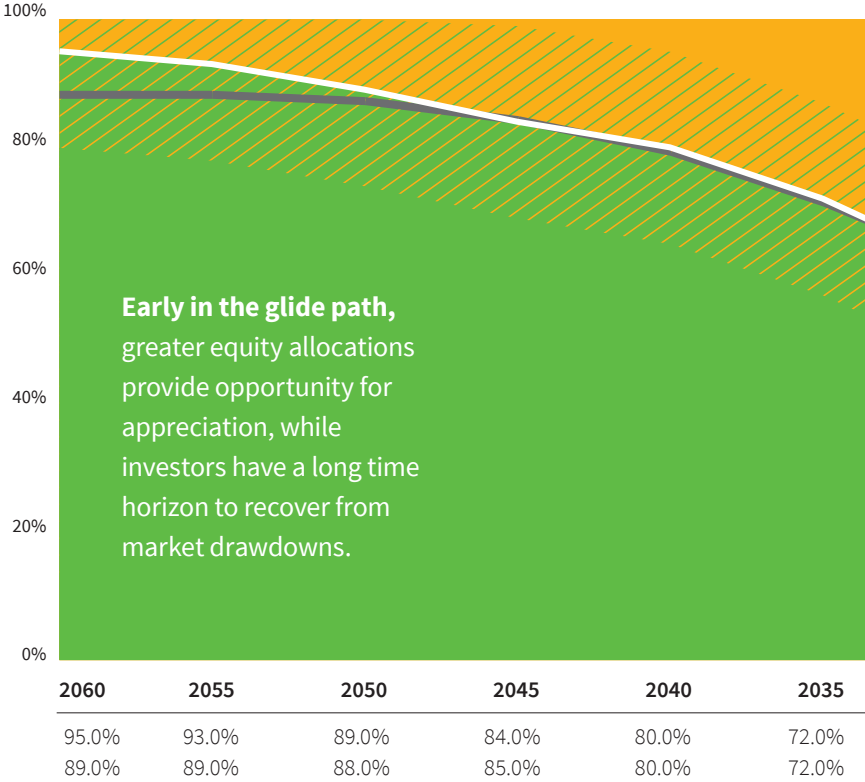
As investors approach retirement, Putnam’s target-date glide path shifts more assets toward fixed income than the industry average.

### Along the glide path, we make tactical allocations

The glide path guides the mix of stocks and bonds in each portfolio over time. With the glide path as a consistent reference point, the portfolio managers can add or subtract up to 15% to the stock or bond weightings based on their analysis of market opportunities and risks.

### Within each asset class, we select securities

The portfolio managers analyze stocks and bonds to choose securities to buy and sell for the portfolios. Managing this level of selection gives them greater control of portfolio risks and enhances efficiency.



### The low-cost fee structure of a collective investment trust

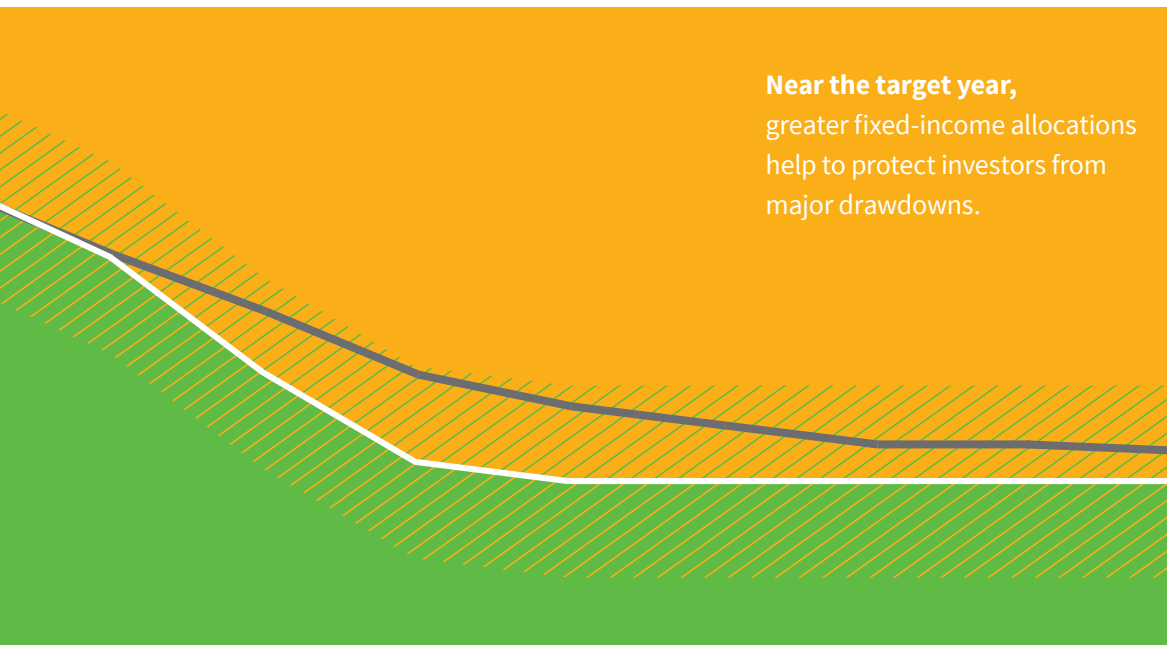
Putnam Retirement Advantage Funds are registered as collective investment trusts and offer lower fees than many mutual funds available to investors.

- The expense ratio starts as low as 0.35% on all of the funds.
- Six classes of units for each fund provide pricing flexibility.
- Fees can be adjusted based on plan needs and total assets under management.

## Putnam created a unique glide path to manage long-term diversification

Compared with the industry, Putnam's glide path favors equities more when there is a long horizon before retirement and losses can be recovered. It has a greater emphasis on fixed income near retirement than the industry average.

● Equities ● Fixed income/Cash ▨ Tactical allocations flexibility (+/-15%) ⚡ Industry average glide path



**In the maturity portfolio,** the fixed-income allocation remains static to balance equity and fixed-income risk levels.

Data as of 3/31/19. Chart shown for illustrative purposes only. Sources: Morningstar, Putnam Investments.

2030	2025	2020	Maturity	
61.0%	43.0%	29.0%	26.0%	Putnam equity allocations
62.0%	53.0%	43.0%	38.0%	Industry average

Class	Management fee	Financial advisor, other marketing and servicing expenses, and/or plan administrative costs
X*	0.35%	0%
I	0.50%	0%
II	0.60%	0 to 0.10%
III	0.75%	0 to 0.25%
IV	0.90%	0 to 0.40%
V	1.05%	0 to 0.55%

\*Class X requires a \$5,000,000 target-date investment minimum.

# A long-tenured team offers experience in the markets to serve retirement investors.

## The portfolio managers have long specialized in pursuing diversified investing strategies

Putnam has one of the industry's longest-tenured investment teams, with a track record of more than two decades, dedicated to global asset allocation strategies.

## The team has a record of achievements

- Average 22 years of investment experience
- Created the funds' strategic glide path
- Actively research global markets to anticipate changing trends
- Experience managing asset allocation strategies since 1994
- Experience managing target-date strategies since 2004



**Robert J. Schoen**  
CIO, GAA  
Industry since 1990



**James A. Fetch**  
Co-Head, GAA  
Industry since 1994



**Jason R. Vaillancourt, CFA**  
Co-Head, GAA  
Industry since 1993



**Brett S. Goldstein, CFA**  
Portfolio Manager, GAA  
Industry since 2010

“ In managing Putnam Retirement Advantage Funds, we want to deploy any tool we can to help protect investors from the risk of sharp portfolio drawdowns at the threshold of retirement. ”



## Portfolio managers apply the insights they have gained to take on today's retirement challenges

Experience provides insights on best practices that can be used to refine the investment process, and Putnam has applied the latest thinking to capture these opportunities.

INVESTMENT CHALLENGE/ BEHAVIOR	PUTNAM RETIREMENT ADVANTAGE APPROACH
<p><b>Two layers of management</b></p> <p>Target-date funds that allocate assets to other funds can have two layers of management fees as well as less precise management of portfolio holdings and risk levels.</p>	<p><b>Comprehensive active management</b></p> <p>All levels of Putnam portfolio decisions are managed by our in-house Global Asset Allocation team, providing efficient management of costs and risks. The team created the glide path and also controls tactical asset allocation and security selection.</p>
<p><b>Inconsistent savings</b></p> <p>Some glide paths take greater equity risk to compensate for inadequate savings.</p>	<p><b>Downside protection</b></p> <p>Retirement Advantage is designed to pursue outcomes for all participants without relying on equities to increase returns.</p>
<p><b>Aggressive allocations</b></p> <p>Many target-date funds with higher equity allocation near retirement overexpose participants to sequence-of-returns risk, jeopardizing balances when they are at their largest.</p>	<p><b>Conservative, to-retirement glide path</b></p> <p>Reducing equity allocations below industry average near retirement protects portfolio values from market drawdowns.</p>

# The funds offer a record of strong returns versus peers.

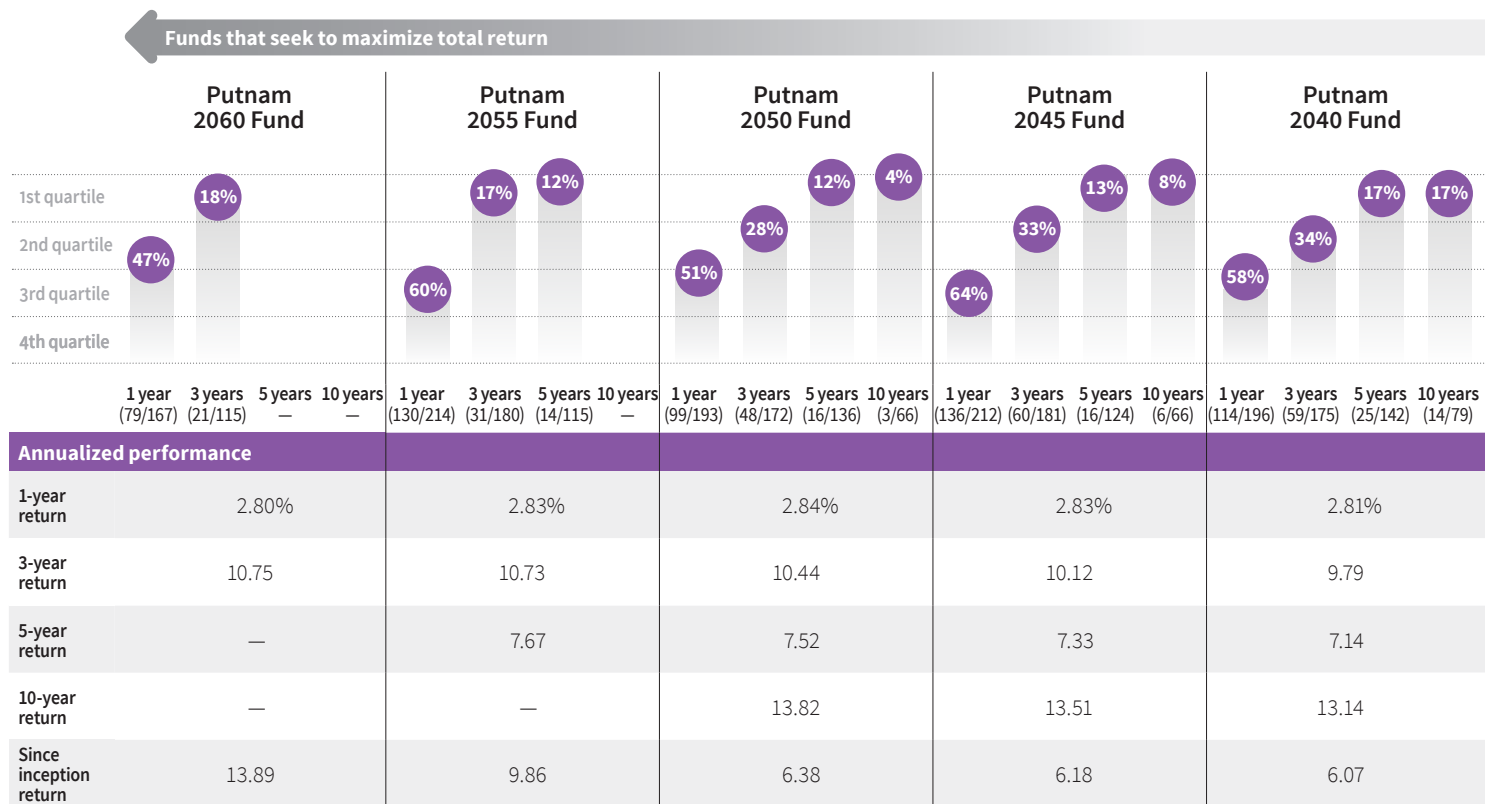
## Delivering results for investors

The funds are carefully designed and actively managed to help investors make consistent progress toward their financial goals and manage risk along the way. The thought put into the glide path and the skill of the portfolio management team play big roles in the funds' competitive long-term results.

Putnam Retirement Advantage Funds have delivered strong long-term total return performance. From day to day and year to year, the portfolio management team stays focused on delivering the performance that can help investors reach their goals.

## Putnam Retirement Advantage Funds (class I shares)

Morningstar percentile rankings and total return performance for 1-, 3-, 5-, and 10-year periods as of 3/31/19.



Inception date for all Retirement Advantage Funds is 1/3/08, except for the 2055 Fund, which is 12/22/10 and the 2060 Fund, which is 2/10/16.

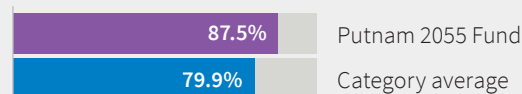
Funds were ranked within the appropriate Morningstar category, specifically: US SA Target-Date 2060+, US SA Target-Date 2055, US SA Target-Date 2050, US SA Target-Date 2045, US SA Target-Date 2040, US SA Target-Date 2035, US SA Target-Date 2030, US SA Target-Date 2025, US SA Target-Date 2020, US SA Target-Date Retirement.

## Two funds show how the glide path influences outcomes for investors

### The Putnam 2055 Fund is for investors with a long horizon and tries to maximize total return.

Its upside capture ratio — which indicates how much it participates in rising markets — outperforms the industry average.

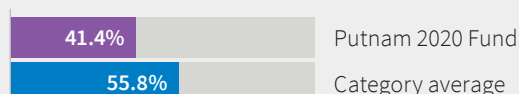
#### 5-year up capture ratio vs. S&P 500



### The Putnam 2020 Fund is for investors near retirement and tries to minimize the risk of drawdowns.

For downside capture ratio, a lower number is better because it means an investment captured less of the market drawdown.

#### 5-year down capture ratio vs. S&P 500



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.

*Class I share performance data is historical. Past performance is not a guarantee of future results. More recent returns may be less or more than those shown. Investment return and principal value will fluctuate, and you may have a gain or a loss when you sell your shares. Performance assumes reinvestment of distributions and does not account for taxes.*

#### Funds that seek to minimize drawdowns

Putnam 2035 Fund				Putnam 2030 Fund				Putnam 2025 Fund				Putnam 2020 Fund				Putnam Maturity Fund			
1 year	3 years	5 years	10 years	1 year	3 years	5 years	10 years	1 year	3 years	5 years	10 years	1 year	3 years	5 years	10 years	1 year	3 years	5 years	10 years
(139/212)	(58/183)	(33/125)	(14/73)	(91/196)	(82/174)	(44/141)	(15/78)	(91/212)	(116/182)	(61/124)	(20/73)	(35/196)	(151/175)	(88/142)	(40/79)	(20/201)	(6/168)	(3/109)	(3/60)
65%	32%	26%	18%	46%	47%	31%	19%	43%	63%	49%	27%	18%	86%	62%	50%	10%	3%	2%	4%
3.03%				3.53%				3.66%				4.23%				4.41%			
9.30				8.37				7.00				5.31				6.27			
6.85				6.33				5.60				4.54				4.66			
12.76				12.14				11.20				9.69				9.22			
5.97				5.68				5.37				4.88				4.99			

Morningstar rankings for class I shares 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.

*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 loss when you sell your shares. Performance assumes reinvestment of distributions and does not account for taxes. Performance reflects the impact of a 0.50% management fee and other expenses. 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.*

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. The dates range from 2020 to 2060 in five-year intervals. 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:** International investing involves currency, economic, and political risks. Emerging-market securities carry illiquidity and volatility risks. Investments in small and/or midsize companies increase the risk of greater price fluctuations. 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 and the risk that they may increase in value less when interest rates decline and decline in value more when interest rates rise. *Money market options are not insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other governmental agency. Although the funds seek to*

*preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in these funds.* Bond investments are subject to interest-rate risk (the risk of bond prices falling if interest rates rise) and credit risk (the risk of an issuer defaulting on interest or principal payments). Interest-rate risk is greater for longer-term bonds, and credit risk is greater for below-investment-grade bonds. Risks associated with derivatives include increased investment exposure (which may be considered leverage) and, in the case of over-the-counter instruments, the potential inability to terminate or sell derivative positions and the potential failure of the other party to the instrument to meet its obligations. Unlike bonds, funds that invest in bonds have fees and expenses. You can lose money by investing in the funds.

The fund is a collective trust managed and distributed by Putnam Fiduciary Trust Company, LLC ("PFTC"), 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, PFTC 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.

For informational purposes only. Not an investment recommendation.

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To request the offering document for the fund, visit [putnam.com](http://putnam.com). The offering document includes investment objectives, risks, charges, expenses, and other information that you should read and consider carefully before investing.

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Putnam Retail Management

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