

Investing in companies improving our world

Q4 | 19



**Putnam Sustainable
Leaders Fund** (PNOYX)

Companies committed
to ESG practices

**Putnam Sustainable
Future Fund** (PMVYX)

Companies developing
sustainable solutions

An investment approach focused on long-term benefit



Sustainable investing aims to identify companies that are thriving by producing beneficial products in a responsible way. Putnam Investments offers two funds with sustainable mandates and has created a team dedicated to integrating sustainability insights with our fundamental research process.

Sustainable investing and ESG criteria

Sustainable investing aims to identify companies that offer potential for strong financial returns while also demonstrating a commitment to sustainable business practices and positive impact. Putnam's research combines conventional fundamental and valuation analysis with an amplified focus on relevant sustainability issues. Evaluating investment opportunities in this way can help investors better understand growth opportunities as well as potential risks.

Sustainability is often considered through analysis of environmental, social, and governance (ESG) policies, practices, and performance. Environmental practices might include improving water quality or reducing greenhouse gas emissions. Social impact could involve

fair labor practices and improvement in workplace diversity, inclusion, and equity. Governance issues might relate to a company's leadership structures, board composition, and management incentives.

Fundamental research improves ESG analysis

Sustainable investing and ESG data are both evolving. New tools are helping to provide a clearer understanding of a company's effectiveness and impact. But even these new tools have limitations and require fundamental context to be useful. At Putnam, our broad global research is closely integrated with our sustainability research. Our research analysts examine the most relevant ESG issues within the context of each company and industry, and they collaborate with team members across industries and asset classes.

SUSTAINABILITY MATTERS

Intangible assets, which are nonphysical items like brands or trademarks, represent most of the value of S&P 500 companies. It is increasingly important for fund managers to be fluent in ESG analysis since ESG performance influences the value of intangibles. Evaluating a company's activity beyond standard financial statements helps us understand its long-term prospects and identify emerging risks and opportunities.

ESG factors have impact on risk and returns

A highly regarded 2016 study led by George Serafeim of Harvard Business School found that stocks of companies with strongest performance on material ESG issues outpaced those with poor ESG performance. Additional research suggests that ESG performance is an effective risk indicator, as companies with poor ESG performance have been more prone to stock market underperformance, volatility, and bankruptcy risk.

Businesses recognize the importance of ESG criteria

Environmental, social, and governance issues are already deeply embedded in most company strategies. Corporate leaders now recognize that effective management and communication of their sustainability efforts can benefit companies and all of their stakeholders, from investors to employees to communities. More than 80% of S&P 500 companies now provide sustainability reports, a rapid rise from just 20% earlier this decade.



“CEOs recognize that environmental, social, and governance issues are core business considerations.”

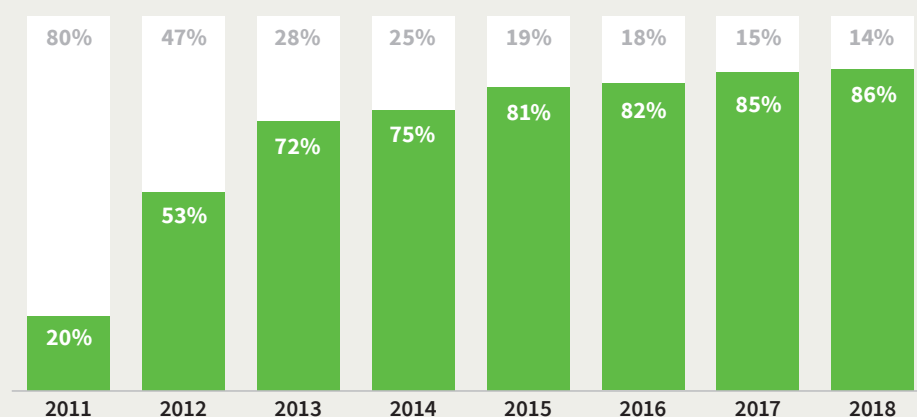
KATHERINE COLLINS, CFA, MTS
Head of Sustainable Investing

As ESG popularity grows, 85% of the S&P 500 companies supply sustainability reports

S&P 500 companies, 2011–2018

■ Non-reporters
■ Reporters

Source: Governance & Accountability Institute, Inc. 2018 Research, most recent data available.



A research team looking for long-term value and sustainability

At Putnam, we believe that the greatest investment potential comes from thoughtful integration of fundamental, valuation, and sustainability analysis. Therefore, we are working to embed relevant ESG focus throughout the investment process and across the entire equity and fixed income team.

Deep fundamental analysis

Like all other investors who aim for capital appreciation over time, the portfolio managers of our sustainable funds focus on companies with potential to produce strong long-term financial performance. They analyze conventional factors, such as company strategy, growth potential, and competitive position, in order to forecast future earnings and cash flows.

What is more pronounced in the sustainable investing process is an emphasis on environmental, social, and governance issues. We believe that analyzing ESG factors provides an enhanced understanding of its fundamentals and strengthens our core investment work.

Putnam offers two funds that are rooted in the recognition that strong sustainability performance often coincides with strong financial performance over the long term. For Putnam Sustainable Leaders Fund, the portfolio managers seek companies with excellent environmental, social, and/or governance practices. For Putnam Sustainable Future Fund, they seek companies that are creating innovative solutions to some of our greatest sustainability challenges, resulting in positive environmental or social impact.

Examples of positive impact



Visit our website for timely insights from our Sustainable Research team.
putnam.com/individual/how-we-invest/sustainable-investing/

A VETERAN SUSTAINABLE STRATEGIES TEAM

Putnam's Sustainable Investing team seeks corporate sustainability leaders and companies that provide effective solutions to environmental, social, and governance (ESG) challenges. The team is integrated within Putnam's research organization and enhances fundamental insights across the entire investment team.



KATHERINE COLLINS, CFA, MTS
Head of Sustainable Investing
Investing since 1990

Experienced as an equity analyst, portfolio manager, and head of research at Fidelity Investments, Katherine founded and led Honeybee Capital, a sustainable investing research firm, before joining Putnam in 2017. She is a Portfolio Manager of Putnam Sustainable Leaders Fund and Putnam Sustainable Future Fund.



STEPHANIE DOBSON
Portfolio Manager
Investing since 2011

Stephanie brings deep experience as a fundamental analyst to her sustainable investing research. She is a Portfolio Manager of Putnam Sustainable Leaders Fund and Putnam Sustainable Future Fund.



ALEXANDER RICKSON, CFA
Quantitative Analyst
Investing since 2000

Skilled in risk management, portfolio construction, and quantitative analysis, Alex incorporates, analyzes, and interprets ESG data for all of these functions as part of the Sustainable Investing team.

We integrate ESG analysis with traditional fundamental research

- Integrating ESG factors with fundamental research brings a more complete understanding of companies and provides a solid foundation for building effective investment portfolios.
- Our analysts have extensive knowledge of companies and industries as well as first-hand interaction with industry leaders and c-suite executives. This expertise allows us to make best use of ESG data.
- As active, fundamental asset managers, we have a unique opportunity to contribute to the practice of sustainable investing and to help advance the field.
- The team's capabilities continue to expand and include expertise in quantitative analysis and impact assessment.

“Our sustainability effort has the potential to benefit investors, our communities, and our planet for many years to come.”

KATHERINE COLLINS, CFA, MTS
Head of Sustainable Investing

Two funds investing in sustainability and positive impact

Putnam Sustainable Leaders Fund (PNOYX)

Commitment: Companies with excellent ESG practices

The portfolio managers seek companies with excellent environmental, social, and/or governance practices. We believe companies in the portfolio offer more durable financial performance with lower risk profiles.

MORNINGSTAR OVERALL RATING

based on risk-adjusted returns



MORNINGSTAR CATEGORY

Large Growth

LIPPER CATEGORY

Multi-Cap Growth

TOP TEN HOLDINGS as of 12/31/19

Microsoft	7.18%
Apple	5.00
Visa	3.38
Amazon	3.34
Alphabet	2.86
Bank of America	2.79
Danaher	2.57
BlackRock	2.53
Adobe	2.33
Fidelity National Information Services	2.26

ANNUALIZED TOTAL RETURN PERFORMANCE as of 12/31/19

Inception 7/19/94	Class Y shares	S&P 500 Index	Russell 3000 Growth – S&P 500 Linked Benchmark
1 year	36.18%	31.49%	35.64%
3 years	20.52	15.27	19.83
5 years	13.53	11.7	14.19
10 years	14.59	13.56	15.04
Life of fund	12.18	10.45	10.28

Total expense ratio: 0.79%

Note: Putnam Sustainable Leaders Fund had negative returns in 2011, 2015, and 2018.

Holdings represent 34.24% of the portfolio and will vary over time.

Putnam Sustainable Future Fund (PMVYX)

Impact: Companies seeking sustainable solutions

The portfolio managers seek companies that are creating innovative solutions to some important sustainability challenges, resulting in positive environmental or social impact. We believe companies in the portfolio offer strong financial growth and profitability.

MORNINGSTAR CATEGORY

Large Growth

LIPPER CATEGORY

Multi-Cap Growth

TOP TEN HOLDINGS as of 12/31/19

McCormick	3.65%
Mastercard	3.52
Danaher	3.27
Chipotle Mexican Grill	3.06
Adobe	2.87
Vail Resorts	2.65
First Republic Bank/CA	2.58
Thermo Fisher Scientific	2.49
Teladoc Health	2.22
GoDaddy	2.18

ANNUALIZED TOTAL RETURN PERFORMANCE as of 12/31/19

Inception 4/2/02	Class Y shares	Russell Midcap Growth Index	Russell 3000 Value – Russell Midcap Growth Linked Benchmark
1 year	30.18%	35.47%	35.47%
3 years	10.42	17.36	11.17
5 years	7.91	11.60	9.29
10 years	12.33	14.24	12.27
Life of fund	10.09	7.92	7.41

Total expense ratio: 0.84%

Note: Putnam Sustainable Future Fund had negative returns in 2011, 2015, and 2018.

Holdings represent 28.49% of the portfolio and will vary over time.

As of December 31, 2019, Putnam Sustainable Leaders Fund received 4, 4, and 4 stars for the 3-, 5-, and 10-year periods among 1,218, 1,086, and 811 Large Growth funds, respectively.

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 11/1/99 and 8/31/90), 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.

SAMPLE HOLDINGS: STRONG BUSINESSES WITH SUSTAINABLE BUSINESS PRACTICES

Listed here are some of the companies that may appear in Putnam's sustainable fund portfolios. The strengths and characteristics highlighted below are based on the analysis and opinions of Putnam's Sustainable Investing team and are not intended as an investment recommendation.



Sustainable Leaders Fund

MICROSOFT

Business and sustainability strengths

- Flourishing cloud-computing business (Azure)
- Helps businesses of all sizes collaborate and glean valuable insights from data
- Leader in ethical artificial intelligence and data security
- Carbon-neutral operations since 2012
- Enhanced products for people with physical limitations
- Strong cash flow



Sustainable Future Fund

EVERBRIDGE

Business and sustainability strengths

- Critical event management and emergency alert software protects people, assets, and data
- High recurring revenue model and opportunities from new products are driving robust revenue growth
- Large opportunities in international markets and public sector
- Positive free cash flow; unusual for a fast-growing SaaS company



Sustainable Leaders Fund and Sustainable Future Fund

Putnam's Sustainable Investing team believes that these companies may be appropriate for both the Sustainable Leaders and Sustainable Future portfolios.

DANAHER

Business and sustainability strengths

- Products help advance research, improve health and safety, and promote environmental stewardship
- Capital allocation and portfolio management is accelerating organic growth
- Danaher Business System has benefits to leadership development, productivity and efficiency, and growth

UNILEVER

Business and sustainability strengths

- Consistent operating margin expansion is leading to strong earnings and cash-flow growth
- "Purposeful business" commitment has permeated throughout the organization
- Puts sustainability at the core of product innovation
- Ambitious corporate-wide environmental goals

For informational purposes only. Not an investment recommendation.

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 and 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, technological obsolescence, falling prices, and profits, 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. The fund's sustainable and environmental, social, and/or corporate governance (ESG) investment strategy may cause the fund to forego otherwise attractive investment opportunities or may increase or decrease the fund's exposure to certain types of companies and, therefore, to underperform funds that do not invest with a similar focus. 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. In evaluating an investment opportunity, we may make investment decisions based on information and data that is incomplete or inaccurate. Due to changes in the products or services of the companies in which the fund invests, the fund may temporarily hold securities that are inconsistent with its sustainable investment criteria. You can lose money by investing in the fund.

The Russell Midcap Growth Index is an unmanaged index of those companies in the Russell Midcap Index chosen for their growth orientation. The Russell 3000 Value - Russell Midcap Growth Linked Benchmark represents performance of the Russell 3000 Value Index through March 20, 2018, and performance of the Russell Midcap Growth Index thereafter. The S&P 500 Index is an unmanaged index of common stock performance. The Russell 3000 Growth - S&P 500 Linked Benchmark represents performance of the Russell 3000 Growth Index through July 31, 2019, and performance of the S&P 500 Index thereafter. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. Russell® is a trademark of Frank Russell Company. You cannot invest directly in an index. Not all share classes are available on all platforms.

The Morningstar Rating™ for funds, or "star rating," is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods. Ratings do not take into account the effects of sales charges and loads.

A world of investing.®



Investors should carefully consider the investment objectives, risks, charges, and expenses of a fund before investing. For a prospectus, or a summary prospectus if available, containing this and other information for any Putnam fund or product, call your financial representative (or call Putnam at 1-800-225-1581). Read the prospectus carefully before investing.