

Investing in companies improving our world

Q4 | 18



**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

Putnam's research combines conventional fundamental and valuation analysis with an amplified focus on sustainability. To accomplish this, a wide range of environmental, social, and governance data (known by the acronym ESG) is employed. Examples of environmental analysis might include evaluating a company's carbon intensity, water use, and waste streams, or its plans to improve efficiency in these areas. Analysis of social criteria might include research into labor practices and supply chain management. Important corporate governance analytics include assessments of board composition and executive compensation.

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 utilize ESG data to examine the most relevant 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 market 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.”

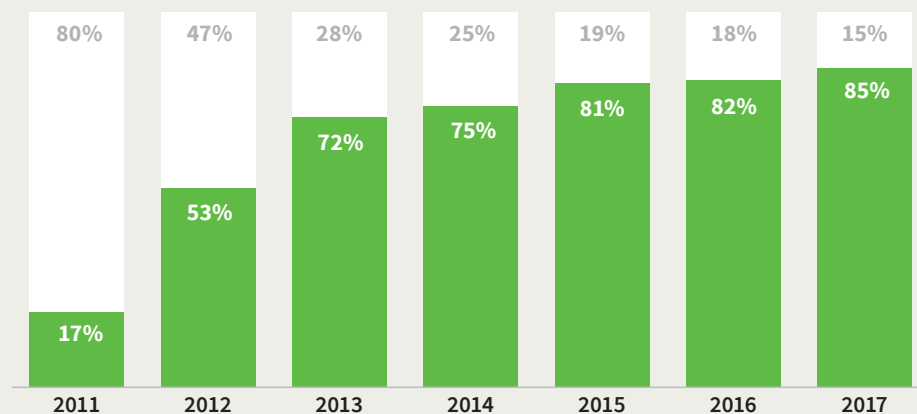
KATHERINE COLLINS, CFA, MTS
Head of Sustainable Investing

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

S&P 500 companies, 2011–2017

- Non-reporters
- Reporters

Source: Governance & Accountability Institute, Inc. 2017 Research.



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.

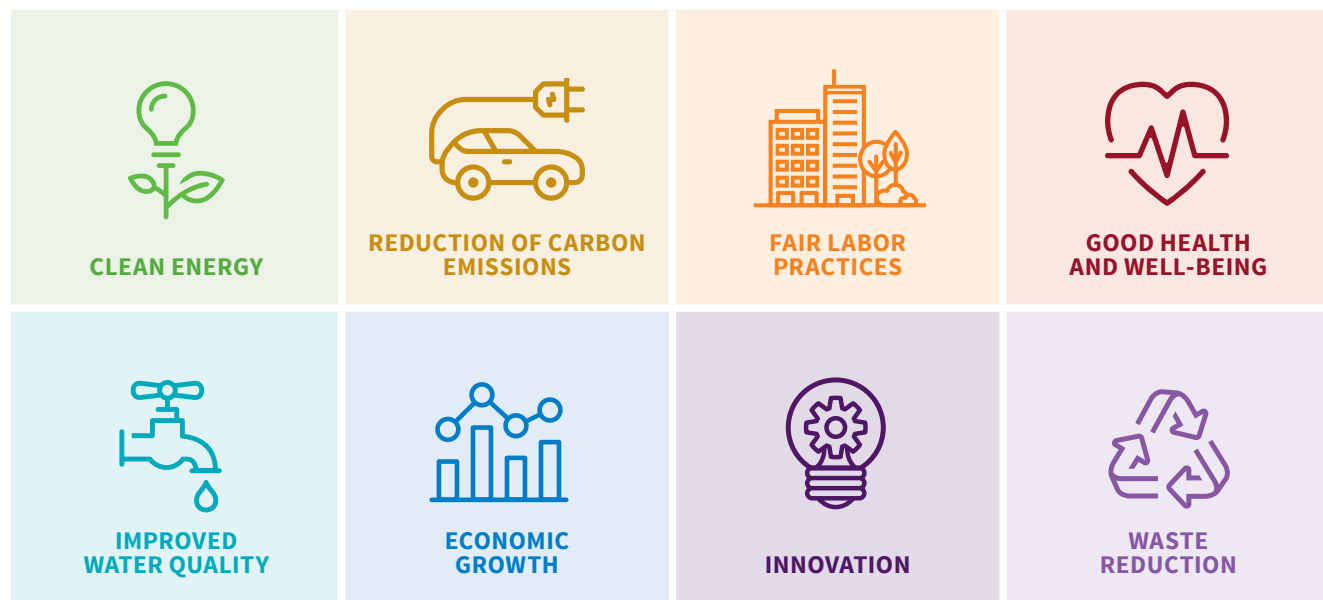
Deep fundamental analysis

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. Both approaches are rooted in the recognition that strong sustainability performance often coincides with strong financial performance over the long term.

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.



SHEP PERKINS, CFA
Co-Head of Equities
Investing since 1993

As Co-Head of Equities, Shep is responsible for providing strategic direction to Putnam's portfolio managers and equity analysts. He joined Putnam in 2011 and is Portfolio Manager of Putnam Sustainable Leaders Fund as well as Putnam Global Equity Fund.



STEPHANIE HENDERSON
Portfolio Manager, Analyst
Investing since 2011

Stephanie brings deep experience as a fundamental analyst to her sustainable investing research. She is an Assistant 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 committed companies and impact companies

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 12/31/18

Microsoft	6.21%
Alphabet	4.32
Visa	4.28
Amazon	3.84
Unilever	3.54
Adobe	3.27
BD Medical	3.25
Novozymes	3.01
Danaher	2.97
Apple	2.71

ANNUALIZED TOTAL RETURN PERFORMANCE as of 12/31/18

Inception 7/19/94	Class Y shares	Russell 3000 Growth Index
1 year	-0.65%	-2.12%
3 years	11.53	10.85
5 years	9.49	9.99
10 years	14.24	15.15
Life of fund	11.41	9.48

Total expense ratio: 0.74%

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

Holdings represent 37.40% 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 OVERALL RATING

based on risk-adjusted returns



MORNINGSTAR CATEGORY

Mid-Cap Value

LIPPER CATEGORY

Multi-Cap Growth

TOP TEN HOLDINGS as of 12/31/18

Salesforce.com	4.42%
BD Medical	4.39
Unilever	3.80
McCormick	3.68
Danaher	3.67
Everbridge	3.59
Chipotle Mexican Grill	3.43
Novozymes	3.35
Adobe	3.27
Alphabet	3.11

ANNUALIZED TOTAL RETURN PERFORMANCE as of 12/31/18

Inception 4/2/02	Class Y shares	Russell Midcap Growth Index	Russell 3000 Value — Russell Midcap Growth Linked Benchmark
1 year	-6.78%	-4.75%	-10.41%
3 years	5.42	8.59	6.29
5 years	4.52	7.42	5.34
10 years	13.12	15.12	10.90
Life of fund	9.14	6.65	6.11

Total expense ratio: 0.82%

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

Holdings represent 36.71% of the portfolio and will vary over time.

As of December, 31, 2018, Putnam Sustainable Future Fund received 3, 4, and 4 stars for the 3-, 5-, and 10-year periods among 363, 306, and 218 Mid-Cap Value funds, respectively. Putnam Sustainable Leaders Fund received 4, 4, and 3 stars for the 3-, 5-, and 10-year periods among 1,247, 1,107, and 799 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), 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 strengths

- Strong cash flow
- Flourishing cloud-computing business (Azure)
- Helps businesses of all sizes glean valuable insights from data

Sustainability

- Leader in ethical artificial intelligence and data security
- Carbon-neutral operations since 2012
- Enhanced products for people with physical limitations



Sustainable Future Fund

SALESFORCE.COM

Business strengths

- Advantaged business model and strong return on invested capital
- Loyal customer base and best-in-class products in large and growing markets
- Healthy balance sheet and attractive cash flow generation

Sustainability

- Market leader in artificial intelligence, focused on “ethical and unbiased” technology
- “1-1-1” model dedicates 1% of earnings, product, and employee time back to communities
- Energy-efficient cloud-based model and net-zero greenhouse gas emissions globally

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.

BECTON DICKINSON

Business strengths

- Market leader in almost every segment
- Committed to innovation and superior economies of scale

Sustainability

- Strategies target innovation, access, efficiency, and empowerment
- Offers products and services that advance world health
- Developing low-cost innovations for global health challenges

UNILEVER

Business strengths

- Core growth has outpaced most peers
- Above-average performance in revenue growth
- “Sustainable living” brands a key competitive advantage

Sustainability

- Puts sustainability at the core of its product innovation
- 26 distinct brands designed with environmental and social benefits at their core
- Ambitious set of environmental goals

For informational purposes only. Not an investment recommendation.

Consider these risks before investing: Stock values may fall or fail to rise over time for several reasons, including general financial market conditions, changing market perceptions, changes in government intervention in the financial markets, and factors related to a specific issuer, 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/or 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 investment strategy limits the types and number of investment opportunities available to the fund and, as a result, the fund may underperform other funds that do not have a sustainable focus. The fund's investment strategy of investing in companies that exhibit a commitment to sustainable business practices may result in the fund investing in securities or industry sectors that underperform the market as a whole or underperform other funds that do not invest with a similar focus. 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.

Impact investing and/or environmental, social and governance (ESG) managers may take into consideration factors beyond traditional financial information to select securities, which could result in relative investment performance

deviating from other strategies or broad market benchmarks, depending on whether such sectors or investments are in or out of favor in the market. Further, ESG strategies may rely on certain values based criteria to eliminate exposures found in similar strategies or broad market benchmarks, which could also result in relative investment performance deviating.

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.