

# A multidimensional approach to value investing

Q3 | 17



**Putnam  
Equity Income  
Fund**

Large-cap U.S. value stocks.  
Research-focused management.  
Strategic approach to dividends.



**Darren A. Jaroch, CFA**  
Portfolio Manager  
Industry since 1996

“ I believe investors want performance that is consistently good rather than occasionally great. This takes risk controls and a **strategic approach** to dividends. ”

**21** years in the investment industry

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**18** years managing value portfolios at Putnam

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**36** analysts provide support for Darren's research and stock selection process

Putnam manages money for individuals and institutions worldwide with a commitment to helping them achieve their long-term financial goals. We offer a choice of managed strategies that harness insights reached through collaborative, fundamental research.

**Putnam Equity Income Fund** combines the growth potential of undervalued stocks with the income potential of dividend-paying companies to pursue returns for investors.

Putnam Equity Income Fund (PEIYX) manager Darren A. Jaroch, CFA, has been a member of Putnam’s U.S. and international value investment teams since 1999. He has been instrumental in developing strategic risk controls for Putnam’s value investment process.



**GLOBAL EXPERTISE**

Darren manages U.S. and international portfolios, giving him broad investing insight. His knowledge of the landscape across global markets enhances his research of U.S. companies and dividend opportunities for Putnam Equity Income Fund.



**MULTIPLE SOURCES OF INSIGHT**

In managing the fund, Darren combines his own analysis with research and ideas from analysts in Putnam’s Equity Research organization as well as information from quantitative screening and risk-management tools.



**A STRATEGIC DIVIDEND INVESTOR**

“It’s important to differentiate companies that can simply support a dividend from those that can grow that dividend,” says Darren of his approach, which focuses on company cash flows, earnings quality, and capital allocation.

# An active strategy for harnessing the potential of U.S. value stocks

## Seeking growth from undervalued stocks

Putnam Equity Income Fund invests in large U.S. companies across a range of sectors, seeking attractively priced stocks with the potential to appreciate as the market recognizes their long-term worth.

## Seeking income potential in dividends

The fund's portfolio includes companies that pay dividends, which are excess profits distributed to shareholders. Dividend-paying stocks offer potential income for the fund's investors. Portfolio Manager Darren Jaroch describes dividends as a "symptom of a healthy company." He focuses on each company's cash-flow generation as well as its ability to grow its dividend.

## BUILDING A PORTFOLIO WITH DISCIPLINED RISK MANAGEMENT

Supported by a team of analysts, Portfolio Manager Darren Jaroch carefully considers risk factors when constructing the portfolio. Stock-specific risk analysis is built into the process.



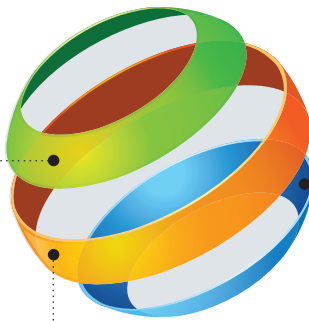
The fund's investment process includes working to understand the degree of risk that every position brings to the portfolio, and determining whether that risk is "paid for" — that is, properly balanced with return potential.

## A MULTIDIMENSIONAL APPROACH TO VALUE INVESTING

A distinct feature of the fund is Portfolio Manager Darren Jaroch's multidimensional strategy — in which he targets a wider array of opportunities than many other equity income funds. In selecting stocks, he places extra emphasis on businesses that could enhance the fund's capital appreciation potential.

### VALUE STOCKS

Attractively priced stocks of companies that are poised for improvement



### CASH-FLOW GENERATORS

Stocks of companies with strong cash flows, earnings quality, and capital allocation strategies

### DIVIDEND GROWERS

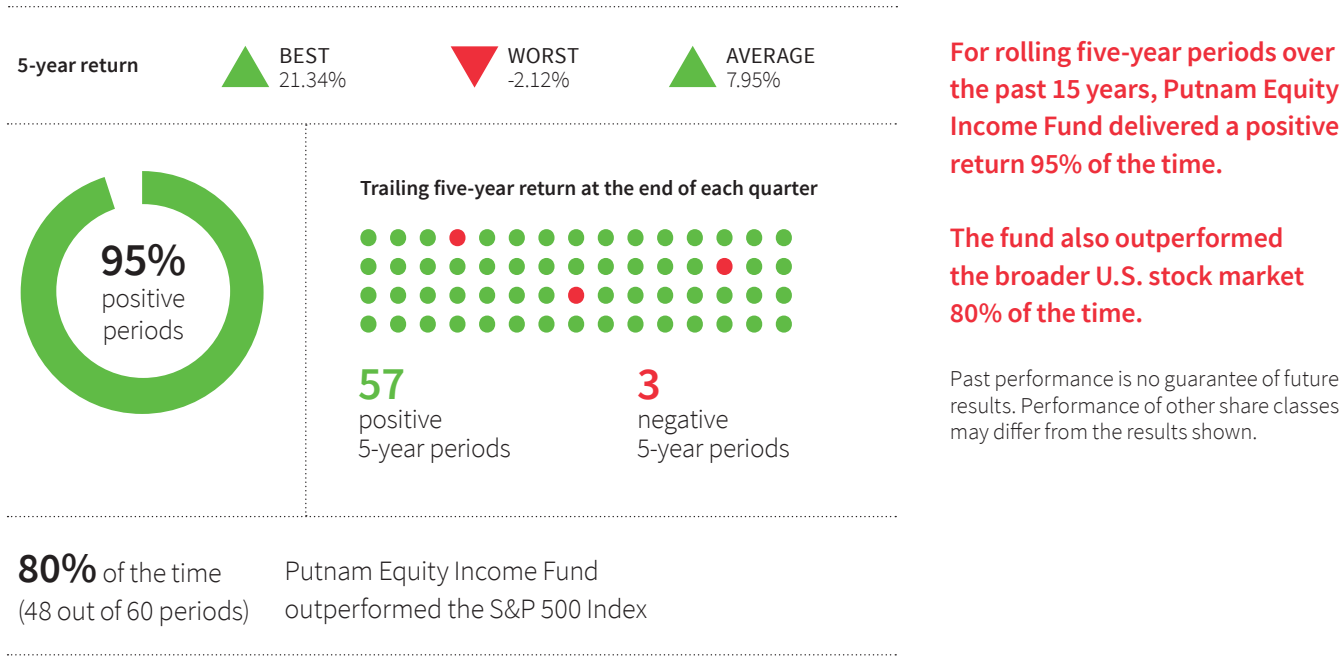
Stocks of companies that are willing and able to increase their dividends

**“ Looking for high-dividend payers alone is not sufficient for our process. We don't own yield for yield's sake. We are willing to substitute high-dividend-paying stocks with stocks that we believe offer stronger growth potential over the long term. ”**

# Pursuing positive returns in all types of markets

## A HISTORY OF POSITIVE PERFORMANCE

Highlights of five-year quarterly rolling periods  
 Based on annualized returns (class Y shares) at net asset value (9/30/02–9/30/17)



**“ I aim to deliver positive returns over a full investment cycle, to avoid any untoward risk in the portfolio, and to dampen the impact of market declines for investors. ”**

# Putnam Equity Income Fund

## Fund symbols

Class A	PEYAX
Class B	PEQNX
Class C	PEQCX
Class M	PEIMX
Class R	PEQRX
Class Y	PEIYX

## Annualized total returns as of 9/30/17

Class Y shares Inception 10/1/98	Net asset value	Russell 1000 Value Index
1 year	18.08%	15.12%
3 years	9.00	8.53
5 years	13.79	13.20
10 years	7.85	5.92
Life of fund	10.40	—

Total expense ratio: 0.69%

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 assumes reinvestment of distributions and does not account for taxes. For the most recent month-end performance, please visit [putnam.com](http://putnam.com). Class Y shares before their inception are derived from the historical performance of the fund's inception (class A inception, 6/15/77), which have not been adjusted for the lower expenses; had they, returns would have been higher. For a portion of the periods, this fund may have had expense limitations, without which returns would have been lower. Class Y shares are generally only available for corporate and institutional clients and have no initial sales charge.

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### ACTIVE VALUE STRATEGY

With an approach grounded in disciplined research, the fund invests in large U.S. companies across a range of sectors, seeking undervalued stocks with the potential to appreciate as the market recognizes their long-term worth.



### A MULTIDIMENSIONAL APPROACH

The fund targets a wider array of opportunities than many other equity income funds, with a distinct emphasis on companies that may be growing their dividends.



### STRATEGIC DIVIDEND RESEARCH

Looking beyond companies that simply offer a dividend, the investment process focuses on cash flows and earnings quality to find businesses with the ability to return cash to shareholders, which could enhance the fund's capital appreciation potential.

**Consider these risks before investing:** Value stocks may fail to rebound, and the market may not favor value-style investing. Income provided by the fund may be reduced by changes in the dividend policies of, and the capital resources available at, the companies in which the fund invests. Stock prices may fall or fail to rise over time for several reasons, including general financial market conditions and factors related to a specific issuer or industry. These and other factors may lead to increased volatility and reduced liquidity in the fund's portfolio holdings. You can lose money by investing in the fund.

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