

A multidimensional approach to value investing

Q4 | 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. ”

22 years in the investment industry

19 years managing value portfolios at Putnam

35 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.



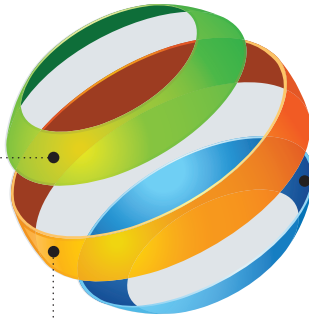
The fund's investment process includes working to understand the degree of risk that every position brings to the portfolio, and determining whether that risk is "paid for" — that is, properly balanced with return potential.

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

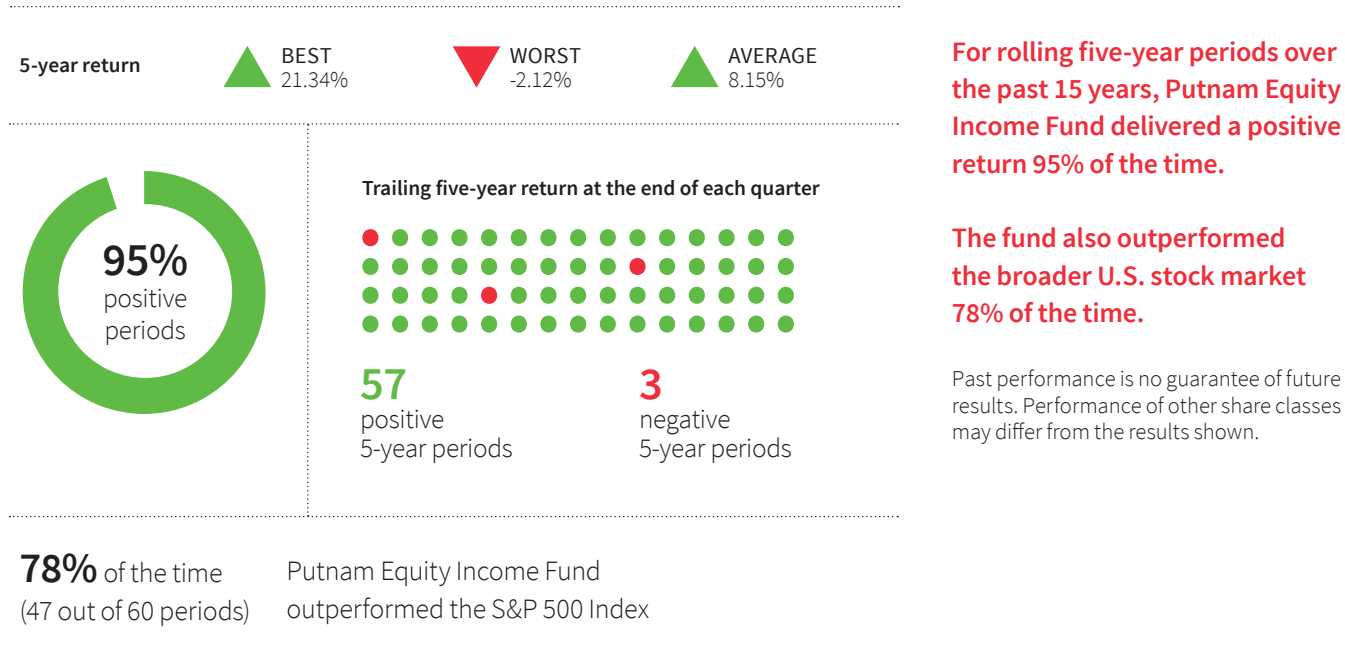
“ Looking for high-dividend payers alone is not sufficient for our process. We don't own yield for yield's sake. We are willing to substitute high-dividend-paying stocks with stocks that we believe offer stronger growth potential over the long term. ”

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 (12/31/02–12/31/17)



“ 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

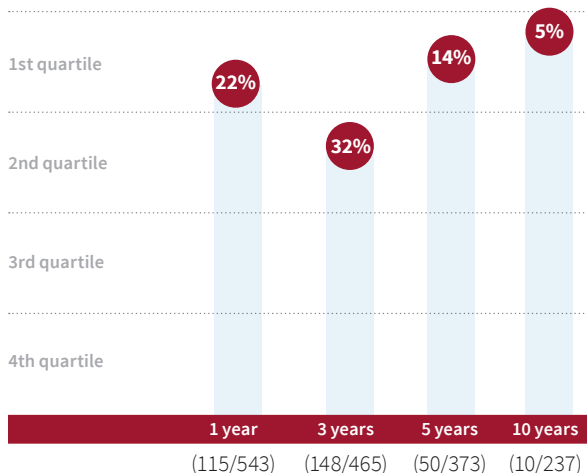
Annualized total returns as of 12/31/17

Class Y shares Inception 10/1/98	Class Y shares	Russell 1000 Value Index
1 year	18.95%	13.66%
3 years	9.54	8.65
5 years	14.35	14.04
10 years	8.94	7.10
Life of fund	10.50	—

Total expense ratio: 0.69%

Lipper rankings as of 12/31/17

Class Y shares based on total return



Morningstar Ratings as of 12/31/17

Category: Large Value funds		Number of funds rated
Overall	★★★★★	1,090
3 years	★★★★★	1,090
5 years	★★★★★	965
10 years	★★★★★	695



A Bronze Rating from Morningstar

Putnam Equity Income Fund has earned a Morningstar Analyst Rating of Bronze, which reflects the analyst's conviction in the fund's prospects for outperformance. Funds are evaluated on the basis of five key pillars — people, process, performance, parent, and price.

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. 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.

The Russell 1000 Value Index is an unmanaged index of those companies in the large-cap Russell 1000 Index chosen for their value orientation. 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.

The Morningstar Analyst Rating™ for funds is the summary expression of their forward-looking analysis of a fund. Funds are evaluated on the basis of five key pillars, which are people, process, performance, parent and price. Based on that analysis, funds are assigned one of five ratings. The ratings scale is Gold, Silver, Bronze, Neutral, and Negative. A Rating of Gold, Silver, or Bronze reflects the Morningstar analyst's conviction in a fund's prospects for outperformance. Analyst ratings are continuously monitored and are reevaluated every 12-15 months.

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 Morningstar Rating does not include any adjustment for sales loads. 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. Putnam Equity Income Fund received 4, 4, and 5 stars for the 3-, 5-, and 10-year periods among 1,090, 965, and 695 Large Value funds, respectively.

Lipper rankings for class Y shares are based on total return without sales charge relative to all share classes of funds with similar objectives as determined by Lipper.

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 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 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.

This material is for informational and educational purposes only. It is not a recommendation of any specific investment product, strategy, or decision, and is not intended to suggest taking or refraining from any course of action. It is not intended to address the needs, circumstances, and objectives of any specific investor. Putnam, which earns fees when clients select its products and services, is not offering impartial advice in a fiduciary capacity in providing this sales and marketing material. This information is not meant as tax or legal advice. Investors should consult a professional advisor before making investment and financial decisions and for more information on tax rules and other laws, which are complex and subject to change.

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