Q4 2020 | Putnam Growth Opportunities Fund

Richard E. Bodzy
Portfolio Manager

Gregory D. McCullough, CFA
Portfolio Manager

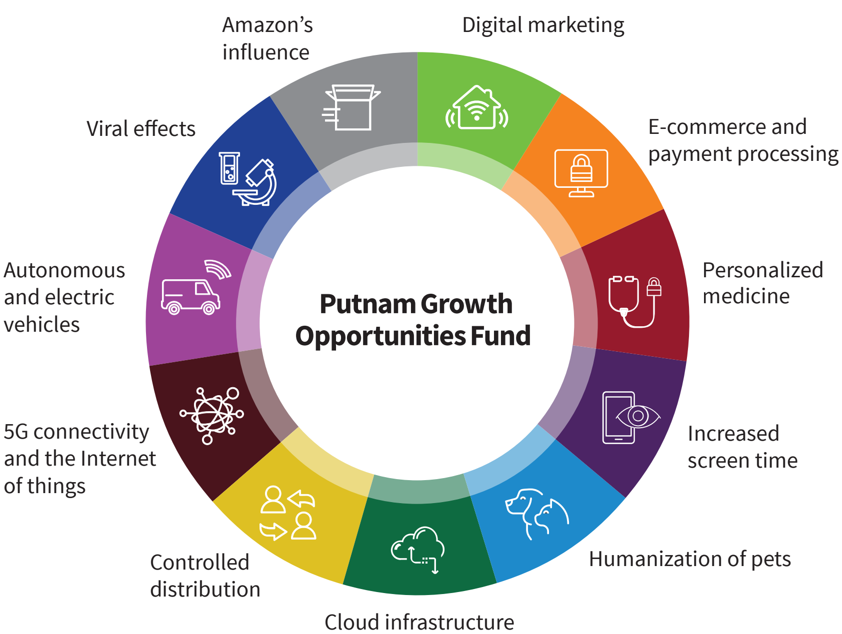
Investing for the new decade

Seeking durable growth stocks that can outperform in a variety of economic environments

Putnam Growth Opportunities Fund invests in companies with durable long-term growth prospects, high and/or improving capital returns, and a strong ownership culture. The managers seek businesses with the ability to grow at above-market rates and to sustain that growth in most macroeconomic environments.

Blending investment themes with deep fundamental research

A thematic approach is a distinctive feature of the fund. The team analyzes global trends, as well as problems and potential solutions, to identify which themes could drive sustained growth for businesses over a multi-year time horizon.



These are a few examples of current themes. Themes will change over time.

> "We seek businesses that could become disruptors in their industries with innovative products and services, and significant growth potential."
>
> **Richard Bodzy**
> Portfolio Manager

Durable growth themes and companies that benefit from them

THEME | STOCK

5G connectivity and the internet of things

5G stands for fifth-generation wireless technology, which will increase speed and responsiveness, and will allow users to connect to more devices at once. The transition to 5G will play out in waves globally over the next 15 years. The "internet of things" is a term that describes the growing number of devices, from phones to wearable products to home security systems, that are connected to the Internet and to one another.

The rapid growth in connected devices and systems will drive carriers to invest rapidly in 5G networks.

American Tower (AMT)

This company rents space on towers and rooftop antennas to wireless carriers and broadcasters.

- We believe American Tower offers strong growth potential as companies make the transition to 5G, and as 5G grows beyond cell phones into areas such as health care, which will require even more equipment and tower space.

THEME | STOCK

Cloud infrastructure and software

Businesses are increasingly shifting their information technology systems from on-premise databases to cloud storage. The benefits are widely recognized and include reduced costs, enhanced data security, better collaboration, and greater flexibility for employees accessing company documents and data.

The demand for cloud computing is on the rise as more businesses find it essential to transition their on-site data systems.

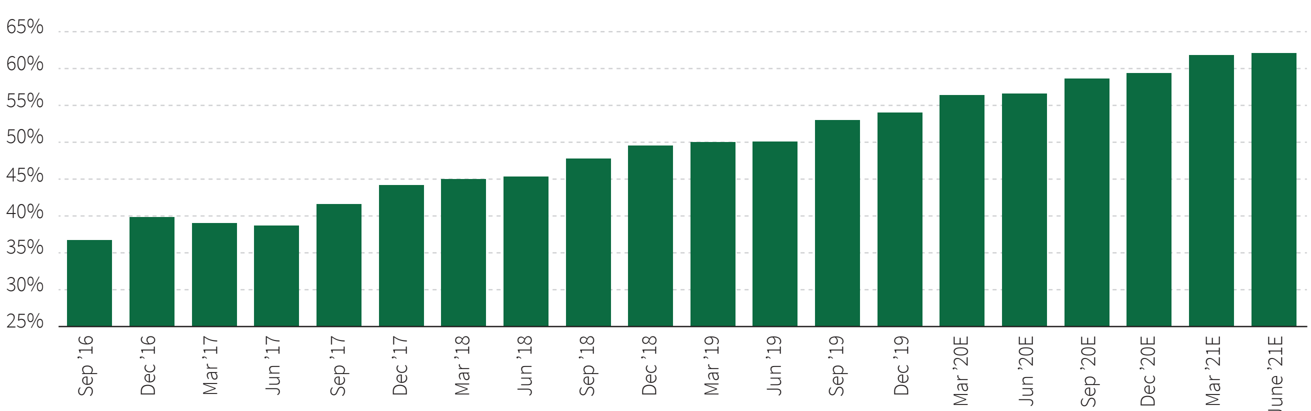
Microsoft (MSFT)

While Amazon was a clear first mover in the cloud space, Microsoft is proving to be a fast follower with Azure.

- Microsoft is transitioning existing customers to Azure to help close the market-share gap.
- We believe Azure can achieve an annual growth rate of more than 30% by 2023 — a figure well ahead of expectations and not yet priced into the stock.

Microsoft's revenue stream may become more predictable

Recurring revenue as a percentage of sales



Source: Microsoft, most recent data available

As of 12/31/20, American Tower represented 1.13% and Microsoft represented 9.44% of Putnam Growth Opportunities Fund assets.

THEME | STOCK

Amazon's influence

By 2040, U.S. e-commerce retail sales could well surpass brick-and-mortar store sales. The influence of e-commerce is often referred to as "the Amazon effect" — the pressure placed on traditional retailers from online competition. Amazon's platform has caused disruption and share loss for legacy retailers — a trend that we expect to continue well into the future.

As Amazon continues disrupting business models and industries, we are working to find companies with niche products or services that give them a competitive edge.

The Home Depot (HD)

In the context of Amazon's influence, we look for retailers with differentiated offerings that do not translate well to an e-commerce model. For example, those with products that are too heavy, products that need frequent and fast deliveries or returns, or services that are difficult to replicate in a digital setting.

- The Home Depot targets the do-it-yourself and professional markets, and also offers installation services. Its products and services should prove resilient to the competitive threat from the likes of Amazon.

THEME | STOCK

E-commerce and payment processing

Peer-to-peer electronic money transfers have rapidly become much more common and accepted. E-commerce transactions and one-button checkout are taking share from cash and physical card payments. The U.S. e-commerce market has grown at 16% annually since 2001, well ahead of aggregate retail sales during the same time period.

As of the end of 2018, there were more than 80 million mobile phone peer-to-peer payment users in the United States, according to market research firm eMarketer.

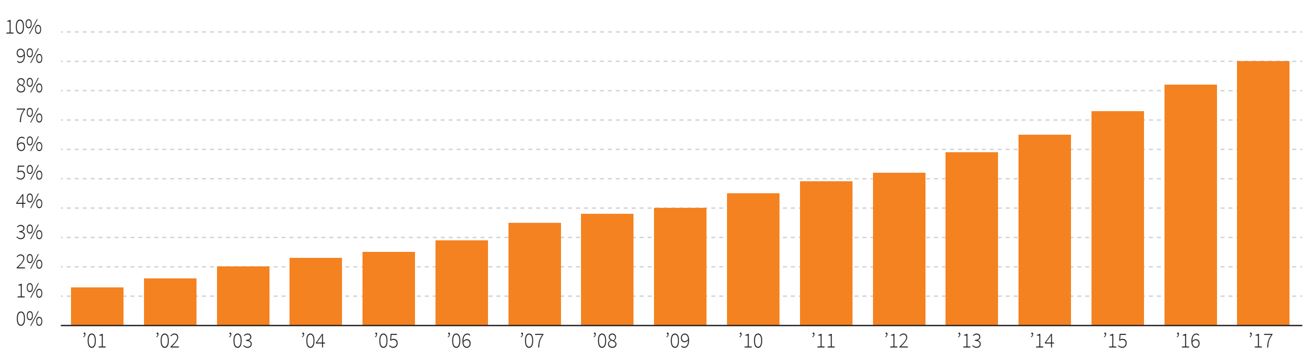
PayPal Holdings (PYPL)

PayPal enables businesses and individuals to electronically transfer money and has benefited from the rapid adoption of digital payments.

- PayPal has experienced consistent, mid-teens year-over-year growth in active accounts.
- We are optimistic about the potential to monetize Venmo, the company's app that provides peer-to-peer payments.
- User growth for Venmo has been strong, especially among younger users who appreciate the ability to send cash quickly between friends.

E-commerce has grown much faster than traditional retail

E-commerce as a percentage of total U.S. retail spending



U.S Census retail sales, most recent data available.

As of 12/31/20, The Home Depot represented 1.12% and PayPal Holdings represented 3.51% of Putnam Growth Opportunities Fund assets.

THEME | STOCK

Controlled distribution

An increasing number of retail brand owners are favoring direct distribution — selling their products solely through their own stores or websites. These companies have few, if any, third-party distributors or indirect sales. They rarely have markdowns or outlet stores, and their products won't be found at online retailers like Amazon. The advantage of this business model it that it allows businesses to better control inventory, pricing, promotion, and brand presentation. It also leads to a better, more comprehensive relationship with end customers. As a result, direct sales typically yield higher margins than wholesale, with higher conversion rates.

In our research, one key question we ask is how companies sell and distribute their products and services. Controlled distribution can offer a distinct advantage and is our preferred go-to-market strategy.

Lululemon Athletica (LULU)

Athletic clothing retailer Lululemon employs a direct distribution model and plans to double its digital sales over the next five years.

- The company is rolling out an "Omni Guest Experiences" membership program and experiential stores, which will allow customers to take in-store fitness classes.
- The Omni program offerings should enhance customer engagement and draw new customers to the brand.
- During a test phase, 15% of membership sign-ups were from customers new to the brand.

> "Our strategy does not require economic acceleration to succeed."

Gregory McCullough
Portfolio Manager

THEME | STOCK

Autonomous and electric vehicles

Electric vehicle penetration is less than 3% today, and self-driving vehicles are only in the testing phase. Still, the revenue opportunity for semiconductor companies that supply these end markets is already meaningful and growing at above-market rates.

Beyond autonomous driving, semiconductors are used for a range of features in cars, such as cameras, sensors and internet connections. The rollout of 5G wireless will increase semiconductor demand for automobiles.

NVIDIA (NVDA)

NVIDIA produces graphics processing units (GPUs) that are used for gaming and entertainment as well as artificial intelligence.

- The company maintains dominant market share (over 60%) in GPUs, which are central to the artificial intelligence architecture that enables autonomous driving.
- While small today, this end market should become material to NVDIA as autonomous vehicle production ramps over the coming decade.

NVIDIA has decades of experience providing hardware and software for automakers, and is working to help make autonomous driving a reality for its clients.

As of 12/31/20, Lululemon represented 1.10% and NVIDIA represented 1.89% of Putnam Growth Opportunities Fund assets.

THEME | STOCK

Digital marketing

Digital marketing — promoting products or services through electronic devices — is imperative for business success. One key driver of this investment is the desire to capture and use customer data to drive better business outcomes, such as sales conversion and brand awareness. Many more businesses are making substantial investments to upgrade their digital infrastructure.

Companies are recognizing the increasing importance of social media, mobile applications, email, search engines, and websites for driving the growth of their businesses.

Adobe (ADBE)

Adobe enables digital content creation by providing software tools for creative professionals and marketers.

- Adobe's revenue visibility is very high, with a majority of its revenues under subscription.
- We believe the company has some of the highest free cash flow margins in software. These factors should allow Adobe to grow earnings per share by 20% annually over the next three-plus years.

THEME | STOCK

Increased screen time

People are spending considerably more time consuming content on electronic devices. In 2019, for the first time, U.S. consumers spent more time with their mobile devices than they did watching TV, according to eMarketer. Smartphones account for 70% of that mobile time. Mobile device usage is growing rapidly as streaming platforms, newly created apps, social media, gaming, and targeted advertising campaigns increasingly cater to consumers outside the home.

American adults spent about 3 hours and 30 minutes a day using the mobile internet in 2019, an increase of about 20 minutes from a year earlier, according to measurement company Zenith.

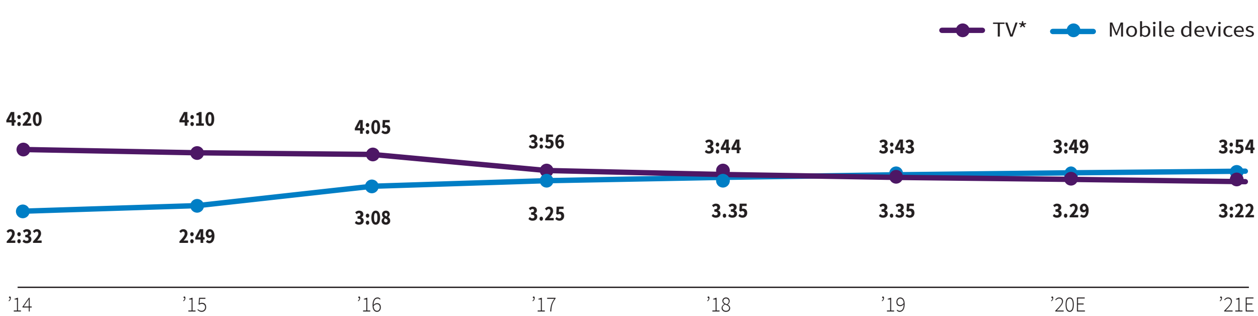
Disney (DIS)

Disney should be able to replicate what Netflix has accomplished with its direct-to-consumer streaming services, which include Disney+/Star, ESPN+, and Hulu.

- Disney has acquired a massive base of more than 300 million subscribers, and is already raising prices in the United States and Europe.
- Its current subscription price point leaves ample room for additional increases in the future.

Consumers now spend more time with mobile devices than TV

Average hours/minutes per day in the United States



*Excludes digital.
Source: eMarketer, April 2019.

As of 12/31/20, Disney represented 0.57% and Adobe represented 2.64% of Putnam Growth Opportunities Fund assets.

THEME | STOCK

Humanization of pets

Pets have become an increasingly important part of the typical household, receiving the same level of attention, care, and health maintenance as human family members do. Preventative-care treatments and testing for companion animals are growing, along with overall pet ownership levels. Consumer demand for these services is unwavering, and the diagnostic market outside the United States provides another long-term opportunity for growth.

With this theme, we seek to capitalize on the strong and rapidly growing demand for quality pet care.

Idexx Laboratories (IDXX)

Idexx is an animal health-care company specializing in diagnostic testing, including in-office testing kits for veterinarians.

- The company has a 70% share of point-of-care veterinary facilities, and has been growing its earnings at double-digit rates.
- Idexx's testing kits, components, and supplies — many of which are disposable items — generate a healthy level of recurring revenue.
- Idexx operates in a three-player oligopoly market, and the company has spent more on R&D over the past five years than its competitors combined.

THEME | STOCK

Personalized medicine

We are in the very early innings of a shift toward a broader application of personalized medicine, where therapies will be targeted to a particular patient based on that individual's DNA, RNA, and genetic composition. Many companies are making great strides in cell and gene therapy to help in the diagnosis and treatment of cancers and genetic diseases.

A patient's genetic makeup will become increasingly more important in the therapy and treatment they receive.

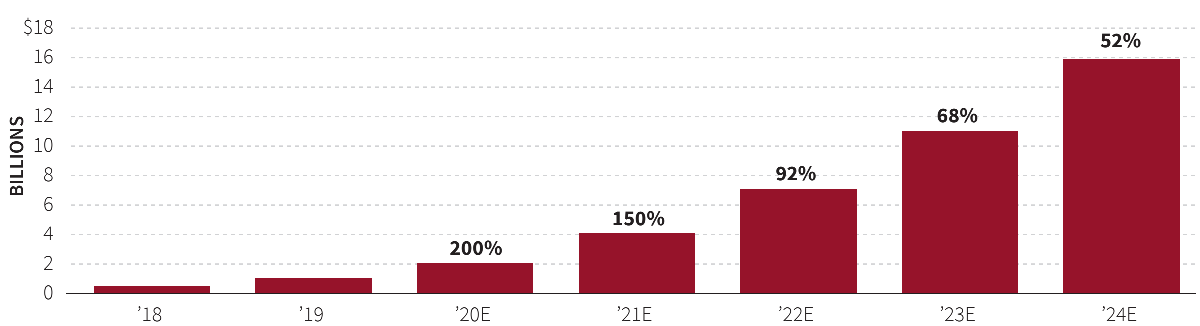
Lonza (LONN SW)

Lonza manufactures small-and large-molecule therapies, and opened the world's largest dedicated cell and gene therapy facility in 2018.

- There are hundreds of cell and gene therapy treatments in various phases of development.
- In order to ramp production and ultimately commercialize these therapies, biopharma companies need contract development manufacturing organizations (CDMOs).
- Rather than trying to forecast at this stage which individual businesses will be successful, we are invested in Lonza, which has a solid CDMO businesses.

The commercial gene therapy market is growing rapidly

Compound annual growth rate



Source: EvalatePharma estimates, most recent data available

As of 12/31/20, Idexx represented 1.71% and Lonza represented 1.22% of Putnam Growth Opportunities Fund assets.

THEME | STOCK

Viral effects

There is still much uncertainty surrounding COVID-19, but it is becoming clear that there will be notable differences between our pre- and post-pandemic worlds. Across the business landscape, we are already observing significant changes in areas such as consumer purchasing preferences, human communication, and workflows.

We are focused on identifying companies across a multitude of industries that will be beneficiaries once the dust settles.

To meet our criteria, the benefits must be durable. For example, many businesses that have been resilient and strong during the crisis are likely to become stronger in the aftermath.

Danaher (DHR)

Danaher develops leading-edge diagnostic tools. Diagnostic testing for all types of viruses will become prevalent as open economies and free movement of people will need to be balanced with safeguards against infectious diseases.

- Several of Danaher's portfolio companies, such as Cepheid, Pall, IDT, and Radiometer, are delivering a significant tailwind to its growth.
- Cepheid's rapid molecular COVID-19 test was first to market and provides results in under 45 minutes. The company will ship six million units per quarter.
- Increased testing and the buildout of a more robust pandemic infrastructure should support normalized mid-to-high single-digit revenue growth for Danaher for several years.

As of 12/31/20, Danaher represented 1.41% of Putnam Growth Opportunities Fund assets.

★★★★

Putnam Growth Opportunities Fund PGOYX

The fund received a four-star Overall Morningstar Rating™ out of 1,197 funds in the Large Growth category based on risk-adjusted returns as of 12/31/20.

Morningstar Rankings™ as of 12/31/20

1 year	3 years	5 years	10 years
32% (427/1289)	16% (200/1197)	12% (122/1070)	17% (125/789)

Morningstar category: Large Growth

Morningstar 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 Morningstar. Morningstar rankings may differ significantly from Morningstar's risk-adjusted star ratings. Past performance is not indicative of future results.

Annualized total return performance as of 12/31/20

Inception 7/1/99	Class Y shares	Russell 1000 Growth Index
4Q20	7.92%	11.39%
3Q20	12.33	13.22
2Q20	28.50	27.84
1Q20	-10.92	-14.10
1 year	38.76	38.49
3 years	24.84	22.99
5 years	22.19	21.00
10 years	17.24	17.21

Expense ratio: 0.80%

Annual performance as of 12/31/20

	2020	2019	2018	2017	2016
Class Y shares	38.8%	36.7%	2.6%	31.3%	6.6%
Russell 1000 Growth Index	38.5	36.4	-1.5	30.2	7.1

Portfolio characteristics as of 12/31/20

Beta*	0.94
Up capture ratio*	100.21%
Down capture ratio*	92.93%
Number of holdings	58

*Based on a simple regression of monthly net returns for the past three years versus the index.

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 prior to their inception is derived from the historical performance of class A shares (inception 10/2/95), 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.

Learn more

Visit Putnam.com for more information about Putnam Growth Opportunities Fund's philosophy and process, and for insights from Portfolio Managers Richard Bodzy and Gregory McCullough, CFA.

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. As of 9/30/20, Putnam Growth Opportunities Fund received 5, 5, and 4 stars for the three-, five-, and 10-year periods among 1,229, 1,095, and 813 Large Growth funds, respectively.

The Russell 1000 Growth Index is an unmanaged index of those companies in the large-cap Russell 1000 Index chosen for their growth 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 views and opinions expressed are those of the large-cap growth portfolio management team and are subject to change with market conditions. The inclusion of holdings information in this brochure is for illustrative purposes only and should not be interpreted as a recommendation to buy, sell or hold any security. It should not be assumed that an investment in the securities mentioned was or will be profitable. Holdings are subject to change.

Consider these risks before investing: Growth stocks may be more susceptible to earnings disappointments, and the market may not favor growth-style 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; 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. 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. Our investment techniques, analyses, and judgments may not produce the outcome we intend. The investments we select for the fund may not perform as well as other securities that we do not select for the fund. We, or the fund's other service providers, may experience disruptions or operating errors that could have a negative effect on the fund. You can lose money by investing in the fund.

A world of investing.®

Putnam INVESTMENTS

Request a prospectus, or a summary prospectus if available, from your financial representative or by calling Putnam at 1-800-225-1581. The prospectus includes investment objectives, risks, fees, expenses, and other information that you should read and consider carefully before investing.

Putnam Investments | 100 Federal Street | Boston, MA 02110 | putnam.com

Putnam Retail Management
II060 324392 1/21