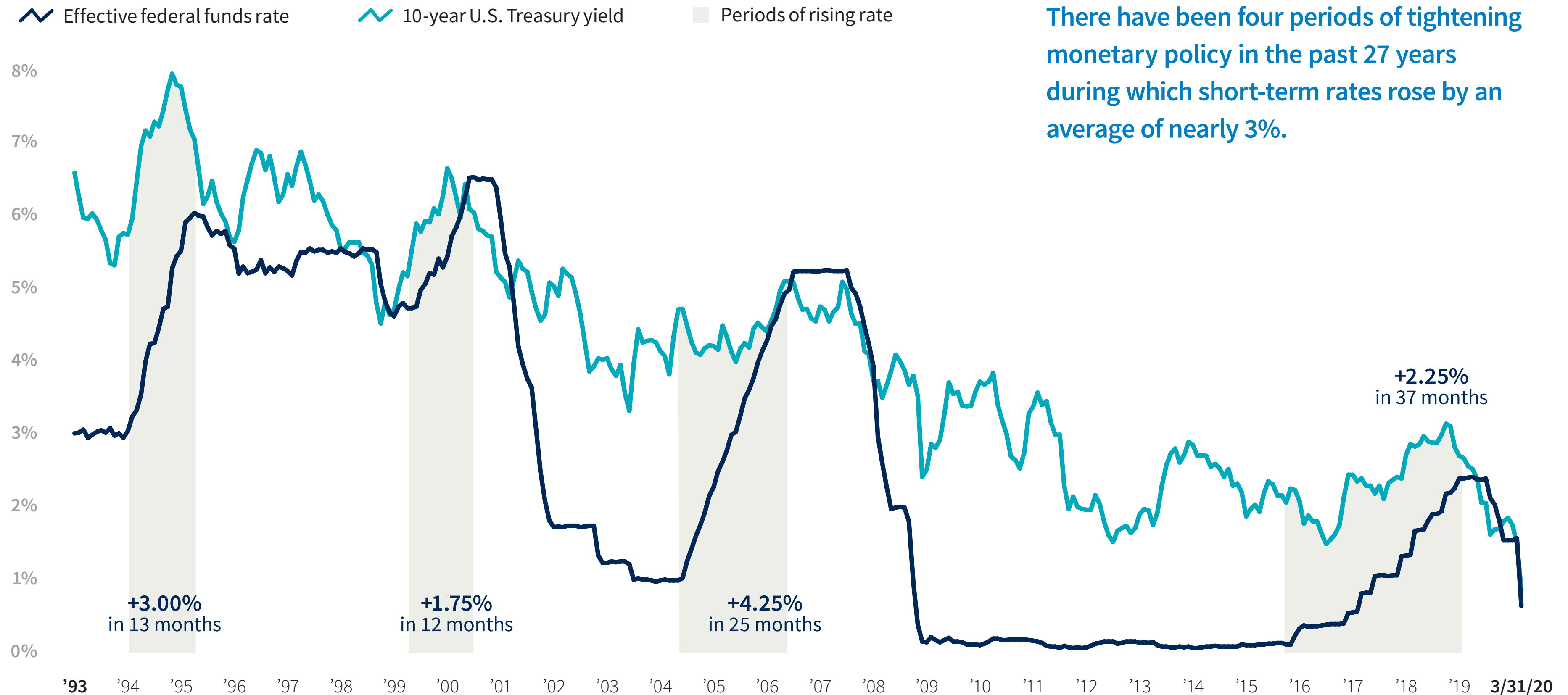
Where are rates headed next?

Historically, when rates rise, they have tended to rise sharply.



There have been four periods of tightening monetary policy in the past 27 years during which short-term rates rose by an average of nearly 3%.

Source: United States Federal Reserve, as of 3/31/20.

The federal funds rate is the interest rate at which depository institutions lend balances at the Federal Reserve to other depository institutions overnight. The effective rate shown in the chart represents the monthly average of the volume-weighted median rate of overnight federal funds transactions. Past performance is not indicative of future results.

Not FDIC insured | May lose value | No bank guarantee

Rising rates can reduce returns

Bond prices and interest rates generally move in opposite directions — when rates rise, the value of existing bonds decline. The degree of a bond's sensitivity to those interest-rate changes is measured by **duration.**

For every 1% change in interest rates, a bond's price is expected to move 1% in the opposite direction per year of duration. In other words, the higher a bond's duration, the more sensitive it is to interest-rate movements.

	Duration (years)*	Yield†	Expected price change: If rates rise 1%	Expected price change: If rates rise 2%
2-year Treasury	1.99	0.23%	**-1.99%**	**-3.98%**
10-year Treasury	9.28	0.70%	**-9.28%**	**-18.56%**
Bloomberg Barclays U.S. Aggregate Bond Index	5.69	1.59%	**-5.69%**	**-11.38%**
S&P/LSTA Leveraged Loan Index	0.13	7.96%	**-0.13%**	**-0.26%**

The S&P/LSTA Leveraged Loan Index (LLI) is an unmanaged index of U.S. leveraged loans. You cannot invest directly in an index.

* Modified adjusted duration.

† Yield to worst.

The 2-year Treasury is represented by the Bloomberg Barclays 2-year U.S. Treasury Bellwether Index. The 10-year Treasury is represented by the Bloomberg Barclays 10-year U.S. Treasury Bellwether Index. Bloomberg Barclays U.S. Aggregate Bond Index is an unmanaged index of U.S. investment-grade fixed-income securities. You cannot invest directly in an index. For illustrative purposes only. Performance of Putnam funds will differ.

Pursue income with more diverse risks

At Putnam, we break down the risks of fixed-income investing into four major areas for analysis. Each Putnam income fund mixes these risks in different ways.

DURATION
The sensitivity of a bond's price to changes in interest rates, which causes bonds to lose value when rates increase.

CREDIT
The loss of principal or income when a borrower cannot make a payment or fulfill other obligations.

PREPAYMENT
The early, unscheduled return of a bond's principal, which may impact the expected yield or return of a bond.

LIQUIDITY
The lack of marketability of a security, which may cause an investor to concede a lower/higher price in order to sell/buy a bond.

For more information on how Putnam's fixed-income funds can fit into a diversified* portfolio, talk to your financial advisor or log on to putnam.com.

* Diversification does not guarantee a profit or ensure against loss. It is possible to lose money in a diversified portfolio.

For informational purposes only. Not an investment recommendation.

Consider these risks before investing: Bond investments are subject to interest-rate risk, which means the prices of the fund's bond investments are likely to fall if interest rates rise. Bond investments also are subject to credit risk, which is the risk that the issuer of the bond may default on payment of interest or principal. Interest-rate risk is generally greater for longer-term bonds, and credit risk is generally greater for below-investment-grade bonds, which may be considered speculative. Unlike bonds, funds that invest in bonds have ongoing fees and expenses. You can lose money by investing in funds.

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

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