

Alternating market leadership is a challenge for investors

Leaders in one year could be losers the next year.

| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|----------------|---------------------|--------------------|--------------------|--------------------|-------------------|-------------------|--------------------|-------------------|---------------------|--------------------|--------------------|--------------------|--------------------|--------------------|-------------------|--------------------|--------------------|--------------------|-------------------|--------------------|
| HIGHEST RETURN | SCV 22.83% | SCV 14.02% | AGG 10.25% | SCG 48.54% | SCV 22.25% | IE 13.54% | IE 26.34% | LCG 11.81% | AGG 5.24% | Converts 49.13% | SCG 29.09% | AGG 7.84% | SCV 18.05% | SCG 43.30% | LCC 13.69% | LCG 5.67% | SCV 31.74% | LCG 30.21% | Cash 1.87% | LCG 36.39% |
| | AGG 11.63% | AGG 8.44% | Cash 1.78% | SCV 46.03% | IE 20.25% | MCC 12.65% | SCV 23.48% | IE 11.17% | Cash 2.06% | MCC 40.48% | MCC 25.48% | LCG 2.64% | LCV 17.51% | MCC 34.76% | LCV 13.45% | LCC 1.38% | LCV 17.34% | IE 25.03% | Converts 0.15% | LCC 31.49% |
| | MCC 8.25% | Cash 4.42% | Converts -8.58% | MCC 40.06% | MCC 20.22% | LCV 7.05% | LCV 22.25% | SCG 7.05% | SCV -28.92% | LCG 37.21% | SCV 24.50% | LCC 2.11% | IE 17.32% | SCV 34.52% | MCC 13.22% | AGG 0.55% | MCC 13.80% | SCG 22.17% | AGG 0.01% | MCC 30.54% |
| | LCV 7.01% | Converts -4.44% | SCV -11.43% | IE 38.59% | LCV 16.49% | LCG 5.26% | LCC 15.79% | AGG 6.97% | Converts -35.73% | SCG 34.47% | Converts 16.77% | LCV 0.39% | MCC 17.28% | LCG 33.48% | LCG 13.05% | Cash 0.05% | LCC 11.96% | LCC 21.83% | LCG -1.51% | SCG 28.48% |
| | Cash 6.18% | LCV -5.59% | LCV -15.52% | LCV 30.03% | SCG 14.31% | LCC 4.91% | MCC 15.26% | MCC 5.60% | LCV -36.85% | IE 31.78% | LCG 16.71% | Cash 0.10% | LCC 16.00% | LCV 32.53% | Converts 9.44% | IE -0.81% | SCG 11.32% | MCC 18.52% | LCC -4.38% | LCV 26.54% |
| | LCC -9.10% | MCC -5.62% | IE -15.94% | LCG 29.75% | LCC 10.88% | SCV 4.71% | SCG 13.35% | LCC 5.49% | LCC -37.00% | LCC 26.46% | LCV 15.51% | MCC -1.55% | LCG 15.26% | LCC 32.39% | AGG 5.97% | SCG -1.38% | Converts 10.43% | Converts 13.70% | LCV -8.27% | Converts 23.15% |
| | Converts -10.00% | SCG -9.23% | MCC -16.19% | LCC 28.68% | Converts 9.61% | SCG 4.15% | Converts 12.83% | Cash 5.00% | LCG -38.44% | SCV 20.58% | LCC 15.06% | SCG -2.91% | Converts 14.96% | Converts 24.92% | SCG 5.60% | MCC -2.44% | LCG 7.08% | LCV 13.66% | MCC -9.06% | SCV 22.39% |
| | IE -14.17% | LCC -11.89% | LCC -22.10% | Converts 27.15% | LCG 6.30% | Cash 3.07% | LCG 9.07% | Converts 4.53% | SCG -38.54% | LCV 19.69% | IE 7.75% | Converts -5.18% | SCG 14.59% | IE 22.78% | SCV 4.22% | Converts -2.99% | AGG 2.65% | SCV 7.84% | SCG -9.31% | IE 22.01% |
| | LCG -22.42% | LCG -20.42% | LCG -27.88% | AGG 4.10% | AGG 4.34% | AGG 2.43% | Cash 4.85% | LCV -0.17% | MCC -41.46% | AGG 5.93% | AGG 6.54% | SCV -5.50% | AGG 4.22% | Cash 0.07% | Cash 0.03% | LCV -3.83% | IE 1.00% | AGG 3.54% | SCV -12.86% | AGG 8.72% |
| | SCG -22.43% | IE -21.44% | SCG -30.26% | Cash 1.15% | Cash 1.33% | Converts 1.01% | AGG 4.33% | SCV -9.78% | IE -43.38% | Cash 0.21% | Cash 0.13% | IE -12.14% | Cash 0.11% | AGG -2.02% | IE -4.90% | SCV -7.47% | Cash 0.33% | Cash 0.86% | IE -13.79% | Cash 2.28% |

- **Large-Cap Growth Equities (LCG)** are represented by the Russell 1000 Growth Index, which is an unmanaged index of capitalization-weighted stocks chosen for their growth orientation.
- **Small-Cap Growth Equities (SCG)** are represented by the Russell 2000 Growth Index, which is an unmanaged index of those companies in the Russell 2000 Index chosen for their growth orientation.
- **Large-Cap Value Equities (LCV)** are represented by the Russell 1000 Value Index, which is an unmanaged index of capitalization-weighted stocks chosen for their value orientation.
- **Small-Cap Value Equities (SCV)** are represented by the Russell 2000 Value Index, which is an unmanaged index of those companies in the Russell 2000 Index chosen for their value orientation.
- **Large-Cap Core Equities (LCC)** are represented by the S&P 500 Index, which is an unmanaged index of common stock performance.
- **Mid-Cap Core Equities (MCC)** are represented by the Russell Midcap Index, an unmanaged index that measures the performance of the 800 smallest companies in the Russell 1000 Index.
- **Converts** is represented by the ICE BofA U.S. Convertibles Index, which is an unmanaged index of high-yield U.S. convertible securities.
- **International Equities (IE)** are represented by the MSCI EAFE Index (ND), which is an unmanaged index of international stocks from Europe, Australasia, and the Far East.
- **U.S. Bonds (AGG)** are represented by the Bloomberg Barclays U.S. Aggregate Bond Index, which is an unmanaged index used as a general measure of fixed-income securities.
- **Cash** is represented by the ICE BofA U.S. 3-month T-Bill Index, which is an unmanaged index used as a general measure for money market or cash instruments.

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Data is historical. Past performance is not a guarantee of future results. It is not possible to invest directly in an index.

Reduce risk by diversifying

Over time, diversifying across several asset classes can help manage risk and potentially boost returns. Consider the three scenarios below, illustrating different asset allocation strategies. In each situation, \$10,000 was invested annually from 1999 to 2019. The first scenario shows the results of investing in last year's winner (the best-performing asset class), while the second shows the returns generated by investing in last year's loser (the worst-performing asset class). The third scenario shows the results of an asset allocation plan that consistently invests across several asset classes in equal proportion each year.

CHASING THE LEADERS (Investing in last year's best-performing asset class)



INVESTING WITH THE LOSERS (Investing in last year's worst-performing asset class)



ASSET ALLOCATION IS THE WINNER



The indexes and corresponding alternating market leadership chart represent various investment styles referred to in the three hypothetical scenarios. The asset allocation scenario represents an investment allocated across all nine indexes shown in the chart at left. It is not possible to invest directly in an index. All indexes are unmanaged and measure common sectors of the stock, growth, value, non-U.S., and bond indexes. Mutual fund performance may differ from the performance of the relevant index(es). Past performance does not indicate future results. This analysis has been figured on an annual basis. More recent returns may be lower or higher than those shown.

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Consider these risks before investing: International investing involves certain risks, such as currency fluctuations, economic instability, and political developments. Investments in small companies involve higher risk of volatility. The use of derivatives in some funds involves special risks and may result in losses. Mutual funds fluctuate in value with market conditions. There is a risk that you may have more or less than the original amount invested when you sell your shares. Mutual funds that invest in bonds are subject to certain risks including interest-rate risk, credit risk, and inflation risk. As interest rates rise, the prices of bonds fall. Long-term bonds are more exposed to interest-rate

Performance results through 12/31/19

| | 1 year | 5 years | 10 years |
|-------------------------------|--------|---------|----------|
| Russell 1000 Growth Index | 36.39% | 14.63% | 15.22% |
| Russell 1000 Value | 26.54 | 8.29 | 11.80 |
| S&P 500 Index | 31.49 | 11.70 | 13.56 |
| BB Barclays U.S. Aggregate Bd | 8.72 | 3.05 | 3.75 |
| Russell 2000 Growth | 28.48 | 9.34 | 13.01 |
| Russell 2000 Value | 22.39 | 6.99 | 10.56 |
| MSCI EAFE n-usd | 22.01 | 5.67 | 5.50 |
| ICE BofA US 3 Mo T-Bill | 2.28 | 1.07 | 0.58 |
| Russell Midcap | 30.54 | 9.33 | 13.19 |
| ICE BofA US CONV | 23.15 | 8.48 | 10.09 |

Source: Putnam Investments.

risk than short-term bonds. Unlike bonds, bond funds have ongoing fees and expenses. Diversification does not assure a profit or protect against loss. It is possible to lose money in a diversified portfolio. You can lose money by investing in a fund.

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