A multidimensional approach to value investing

Q1 | 23

Putnam U.S. Large Cap Value Equity Concentrated

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

For use with financial intermediaries and their clients.

Veteran managers with decades of value investing experience

Putnam U.S. Large Cap Value Equity Concentrated managers Darren A. Jaroch, CFA, and Lauren B. DeMore, CFA, are members of Putnam's U.S. and international investment teams. They have been instrumental in developing strategic risk controls for Putnam's value investment process.

Darren A. Jaroch, CFA
Portfolio Manager
Industry since 1996

Lauren B. DeMore, CFA
Portfolio Manager
Industry since 2002

48

years of combined industry experience

23

years managing value portfolios at Putnam

30

analysts providing deep fundamental research and insights

As of 3/31/23.

"We believe investors want performance that is consistently good rather than occasionally great. This takes risk controls and a strategic approach to dividends." Darren and Lauren

A differentiated process focused on identifying relative value opportunities within each sector

	The strategy seeks companies with underappreciated fundamentals and income potential from growing dividends to pursue returns for investors.
	The strategy 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.
	The strategy pursues companies that have the ability and willingness to pay dividends, which are excess profits distributed to shareholders. Dividend-paying stocks offer potential income for the strategy's investors.

A MULTIDIMENSIONAL APPROACH TO VALUE INVESTING

Darren Jaroch, CFA, and Lauren DeMore, CFA, manage a disciplined process to target a wider array of opportunities than many other U.S. value portfolios. The team combines fundamental research and quantitative tools to pursue multiple alpha sources, with a strong overlay of risk control.

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 attractive capital allocation strategies

DIVIDEND GROWERS

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

No assurance can be given that the investment objective will be achieved or that an investor will receive a return of all or part of their initial investment. Actual results could be materially different from the stated goals. Investors should carefully consider the risks involved before deciding to invest. As with any investment, there is a potential for profit as well as the possibility of loss. There are no guarantees that a company will continue to pay dividends. Dividend yield is one component of performance and should not be the only consideration for investment.

Key strategy:
A focus on dividend growth

A key component of the strategy's investment process is the belief that focusing on dividend growth can lead to outperformance over the long term. "It is important to differentiate companies that can simply support a dividend from those that can grow that dividend," say Darren and Lauren of their approach, which emphasizes company cash flows, earnings quality, and capital allocation.

> **"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."** Darren and Lauren

Stock example: Northrop Grumman (NOC)

This diversified defense contractor maintains a large share of the highest-priority defense platforms, which offer both earnings stability and visibility over decades. It is the lead contractor for two key programs that have become a strategic priority for the U.S. Department of Defense. Northrop has delivered consistent growth in earnings, which has driven consistent growth in shareholder returns. Through its acquisition of Orbital ATK, Northrop maintains a significant growth opportunity. Northrop shares have delivered significant outperformance over the past decade relative to the benchmark and its defense peers.

BUILDING A PORTFOLIO WITH DISCIPLINED RISK MANAGEMENT

Supported by a team of analysts, Portfolio Managers Darren Jaroch and Lauren DeMore carefully consider risk factors when constructing the portfolio. Stock-specific risk analysis is built into the process.

STARTING UNIVERSE
1,000–1,200 stocks

→ **Initial screen of stocks uses quantitative tools and analyst input**

PORTFOLIO UNIVERSE
400–500 stocks

→ **Fundamental research narrows the group of stocks**

PURCHASE CANDIDATES
200–300 stocks

→ **Portfolio building includes sophisticated risk management**

STRATEGY'S PORTFOLIO
35–45 stocks

The strategy'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.

As of 3/31/23, Northrup Grumman represented 1.83% of a representative account managed to the U.S. Large Cap Value Equity Concentrated strategy. Each account is managed individually. Accordingly, holdings may vary and are subject to change.

For illustrative purposes only. Stock examples are intended to help illustrate investment themes and should not be considered a recommendation or solicitation to purchase or sell the securities. Current investment themes and stock examples were selected without regard to whether such themes, or relevant securities, were profitable and are intended to help illustrate the investment process. The securities mentioned are not necessarily held by Putnam for all client portfolios. It should not be assumed that any investment in these securities was, or will prove to be, profitable, or that the investment decisions we make in the future will be profitable or equal to the investment performance of securities referenced herein.

Key strategy: Defining value outside the index

The benchmark index defines value annually

The Russell 1000® Value Index is reconstituted each year by identifying a value universe of companies with lower price-to-book ratios and low growth rates. The stocks in the index can then rise to higher price-to-book ratios before the next reconstitution 12 months later.

The team assesses value opportunities daily

Because equity valuations change constantly, the process for Putnam U.S. Large Cap Value Equity Concentrated involves constant monitoring of the value universe. The team employs a disciplined process designed to uncover potential opportunities, many of which may be outside the benchmark index.

Differentiated process

The investment team defines the value universe by combining:

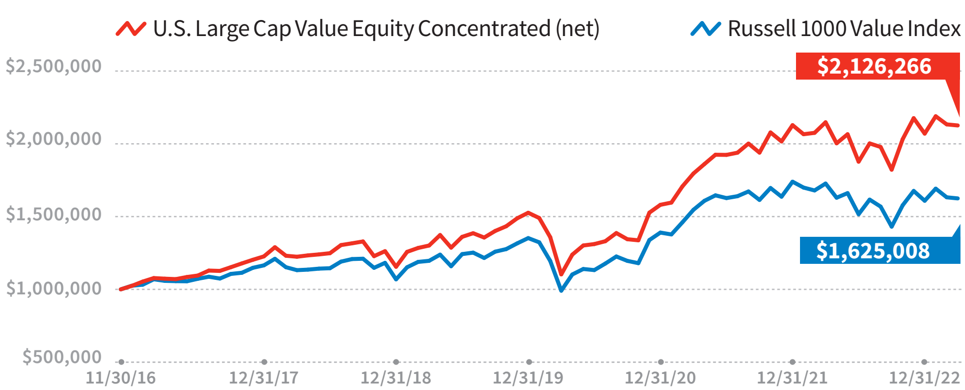
All stocks that are highly rated by the Putnam research team within and outside the Russell 1000 Value benchmark	+	The top 20% of securities identified by our proprietary multifactor quantitative model

Stock example: BJ's Wholesale Club Holdings (BJ)

This is an example of the managers' willingness to own stocks that do not pay a dividend. BJ's shares trade in line with the consumer staples group despite expected earnings growth that is twice as high. BJ's retained members and gained new ones during the pandemic, resulting in outperformance versus Costco, the Russell 1000 Value Index, and the consumer staples sector. Rather than pay a dividend, BJ's chooses to deploy its cash flows into paying down debt and expanding stores. The managers believe this is an attractive use of cash and could lead to stronger future earnings and greater dividends when the company begins a distribution.

DISCIPLINED FOCUS ON VALUE PURSUES OUTPERFORMANCE OF THE BENCHMARK

Growth of a $1 million investment



Past performance is not a guarantee of future results. An investment in this strategy can lose value.

Growth of investment calculation is based on the monthly net returns of the Putnam U.S. Large Cap Value Equity Concentrated Composite from 11/30/16 to 3/31/23. Net performance reflects the deduction of a model fee applied on a monthly basis, equal to the actual management fee incurred by a portfolio in the composite or the highest management fee that would be charged to a prospect of the strategy, whichever is higher. The model fee may change over time. The composite includes all actual, fully discretionary accounts with substantially similar investment policies and objectives managed to the composite's investment strategy.

As of 3/31/23, BJ's represented 1.51% of a representative account managed to the U.S. Large Cap Value Equity Concentrated strategy. Holdings are for a representative account managed to the U.S. Large Cap Value Equity Concentrated strategy. Each account is managed individually. Accordingly, holdings may vary and are subject to change. The use of analysis from models may be subject to limitations, is not guaranteed, and may produce results that diverge from any past or future results.

An active approach that seeks to outperform the market over time

PUTNAM U.S. LARGE CAP VALUE EQUITY CONCENTRATED

Composite performance (%) as of 3/31/23

	Q1	1 year	3 years	5 years	Since inception*
Gross	2.84%	–0.48%	25.03%	12.11%	13.07%
Net	2.70	–1.02	24.46	11.67	12.65
Benchmark	1.01	–5.91	17.93	7.50	7.97

Calendar-year composite performance (%) as of 3/31/23

	2022	2021	2020	2019	2018	2017	2016*
Gross	–2.20%	35.25%	3.88%	32.52%	–5.52%	20.14%	2.43%
Net	–2.74	34.64	3.57	32.13	–5.81	19.78	2.40
Benchmark	–7.54	25.16	2.80	26.54	–8.27	13.66	2.50

* Inception November 30, 2016

Portfolio characteristics as of 3/31/23

	Portfolio	Russell 1000 Value Index
Financial		
Projected 12-month P/E	13.1x	14.8x
Projected 5-year EPS growth rate	9.1%	6.7%
Dividend yield	2.0%	2.3%
Historical 5-year DPS growth rate	7.8 %	7.1%
Risk*		
Standard deviation	19.55%	18.66%
Beta	1.03	—
Up capture ratio	110.03%	—
Down capture ratio	93.93%	—
Alpha	4.41%	—
Other		
Number of holdings	45	849
Cash position	3.1%	—
Portfolio turnover†	23%	—

* Based on a simple regression of monthly gross returns for past five years versus the benchmark.

† Represents the portfolio's annual turnover rate as of the most recent quarter-end.

Top 20 portfolio holdings (%) as of 3/31/23

Company	Portfolio	Benchmark	Industry
Meta Platforms	4.6%	2.0%	Interactive media and services
Microsoft	4.6	0.0	Software
Exxon Mobil	3.5	2.5	Oil, gas and consumable fuels
Bank of America	3.4	1.1	Banks
Regeneron	3.3	0.4	Biotechnology
Gaming and Leisure Properties	3.2	0.1	Specialized REITs
United Rentals	3.1	0.1	Trading companies and distributors
Sanofi	3.0	0.0	Pharmaceuticals
ConocoPhillips	3.0	0.7	Oil, gas and consumable fuels
Freeport-McMoRan	2.7	0.3	Metals and mining
Johnson Controls	2.6	0.2	Building products
Goldman Sachs	2.6	0.6	Capital markets
Cigna	2.5	0.3	Health care providers and services
Oracle	2.4	0.2	Software
Apollo Global Management	2.4	0.0	Financial services
Exelon	2.2	0.2	Electric utilities
Hilton Worldwide	2.2	0.1	Hotels, restaurants and leisure
NXP Semiconductors	2.2	0.0	Semiconductors and semiconductor equipment
Coca-Cola	2.2	0.3	Beverages
McKesson	2.1	0.2	Health care providers and services
Total	**57.8%**		

Top 20 holdings represent 58.0% of the portfolio and will vary over time. The top 20 holdings included herein are for illustrative purposes only and should not be considered a recommendation to purchase or sell any particular security.

Past performance is not a guarantee of future results. An investment in this strategy can lose value.

Periods less than one year are not annualized. Performance is stated in U.S. dollars and includes the reinvestment of dividends and interest. Gross performance includes the deduction of transaction costs but does not include the deduction of management fees and other expenses that may be incurred in managing an investment account. A portfolio's return will be reduced by advisory and other fees. Net performance reflects the deduction of a model fee applied on a monthly basis, equal to the actual management fee incurred by a portfolio in the composite or the highest management fee that would be charged to a prospect of the strategy, whichever is higher. The model fee may change over time. Actual advisory fees may vary among clients with the same investment strategy. The composite includes all actual, fully discretionary accounts with substantially similar investment policies and objectives managed to the composite's investment strategy. Please see the composite disclosures located at the end of the presentation for strategy-specific risk disclosures. Each account is managed individually.

Unless otherwise noted, portfolio characteristics are for a representative account and are shown for illustrative purposes only. Each account is managed individually. Accordingly, account characteristics may vary. The inclusion of holdings information should not be considered a recommendation or solicitation to purchase or sell the securities. The securities identified do not represent all the securities purchased, sold, or recommended for client accounts. It should not be assumed that any investment in these securities was, or will prove to be, profitable, or that the investment decisions we make in the future will be profitable or equal to the investment performance of securities referenced herein.

Putnam Investments U.S. Large Cap Value Equity Concentrated Composite

Year	Gross of Fees Return (%)	Net of Fees Return (%)	Annual Benchmark Return (%)	Standard Deviation of Composite (%)[1]	Standard Deviation of Benchmark (%)[1]	Deviation of Account Returns (%)[2]	Composite Assets (millions)	Total Firm Assets (millions)	Number of Accounts
2022	–2.20	–2.74	–7.54	22.41	21.25	N/A	1,169	133,064	≤5
2021	35.25	34.64	25.16	19.83	19.05	N/A	102	159,122	≤5
2020	3.88	3.57	2.80	20.61	19.62	N/A	70	153,327	≤5
2019	32.52	32.13	26.54	12.08	11.85	N/A	29	138,486	≤5
2018	–5.52	–5.81	–8.27	N/A	N/A	N/A	22	117,149	≤5
2017	20.14	19.78	13.66	N/A	N/A	N/A	0	117,916	≤5
2016	2.43*	2.40*	2.50*	N/A	N/A	N/A	0	109,728	≤5

* The period from inception, November 30, 2016, to December 31, 2016, is not annualized.

1 The three-year, annualized ex-post standard deviation of monthly gross composite and benchmark returns represents a measure of total investment risk (volatility) and calculates the variance of a distribution of returns. Data is not presented for periods with less than 36 months of composite returns.

2 Composite dispersion is calculated using the equal-weighted standard deviation of the annual gross returns of those portfolios that were included in the composite for the entire year. Standard deviation is N/A for composites with five or fewer accounts for the full year.

Firm overview: Putnam Investments claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Putnam Investments has been independently verified from January 1, 2000, through December 31, 2022. The verification reports are available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firmwide basis. Verification does not provide assurance on the accuracy of any specific performance report. Putnam Investments (the "Firm") is defined as a broad-based investment management organization that provides financial services to institutions and individuals through segregated accounts and pooled investment vehicles, such as mutual funds, active exchange-traded funds, collective investment trusts and private funds. Except for a minority stake owned by employees, the Firm is a wholly owned subsidiary of Great-West Lifeco Inc. Investment management is provided by four wholly owned subsidiaries of the Firm: The Putnam Advisory Company, LLC; Putnam Investment Management, LLC; Putnam Fiduciary Trust Company, LLC; and Putnam Investments Limited. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein. A list of the Firm's composite descriptions and pooled fund descriptions for limited distribution pooled funds, and a list of broad distribution pooled funds are available upon request.

Composition of composite: The Putnam Investments U.S. Large Cap Value Equity Concentrated Composite (the "Composite) seeks to invest in companies with underappreciated fundamentals and the income potential from growing dividends to pursue returns (common stocks of U.S. companies, with a focus on value stocks that offer the potential for capital growth, current income, or both). The Composite's strategy uses a disciplined process that combines fundamental research and quantitative tools to pursue multiple alpha sources, with a strong overlay of risk control and portfolio construction and a focus on large companies whose stocks are priced below their long-term potential, and where there may be a catalyst for positive change. Accounts in the Composite are more concentrated, typically holding approximately 35-45 securities. Composite returns may, therefore, have a lower correlation with the benchmark than a more diversified U.S. Large Value equity strategy. The Composite's benchmark is the Russell 1000 Value Index. Derivatives are not permitted in any account in the Composite. The Composite includes all fully discretionary accounts managed by Putnam Investments in this concentrated investment style. The Composite inception date was November 30, 2016. The Composite creation date was December 13, 2016. The Composite was formerly called U.S. Large Value Equity Managed Account.

Risk considerations: The prices of stocks in your portfolio may fall or fail to rise over extended periods of time for a variety of reasons, including both general financial market conditions and factors related to a specific company or industry. Value stocks may fail to rebound, and the market may not favor value-style investing. This strategy may not be suitable for all investors. It is important to understand that you can lose money by investing in this strategy. The Composite is much more concentrated than the benchmark in terms of companies and sectors, and the volatility of the Composite may be greater or less than that of benchmark. In general, investing in portfolios with concentrated exposures to (i) particular asset class(es) and/or (ii) a particular sector and/or (iii) one or a select few markets involves greater risk than investing in portfolios that have greater diversification. Investments in a limited number of securities may have more risk because changes in the value of a single security may have a more significant effect, either negative or positive, on the value of the portfolio.

Calculation of composite: Returns are presented in U.S. dollars ("USD"). Benchmark, Putnam account and Putnam mutual fund valuation sources and timing may sometimes differ, causing dispersion within the composite and between the composite and the benchmark. The results of the Composite for all periods shown include the reinvestment of dividends and other earnings. The Firm values securities using market quotations, fair value prices from pricing services and/or broker quotations. In limited circumstances, the Firm will value securities based solely on its own analysis, this may include using model prices based on third-party data or, for private equity securities, a fair valuation process whereby a special Valuation committee will review the nature of each deal, the model currently used to value each deal, and any critical underlying assumptions in order to determine fair value. Fair valuations based on internal resources are made in accordance with the Putnam Funds Pricing Procedures and are subject to the oversight of the Firm's Valuation Committee. Please note that, in limited cases, the inputs used to value the security are unobservable and reflect the source's own assumptions. Policies for valuing investments, calculating performance, and preparing composite reports are available upon request.

Benchmark disclosure: The Russell 1000® Value Index is an unmanaged index of those companies in the large-cap Russell 1000® Index chosen for their value orientation. Benchmarks are generally taken from published sources and may have different calculation methodologies, pricing times, and foreign exchange sources from the Composite. The effect of those differences is deemed to be immaterial. The securities holdings of the Composite may differ materially from those of the index used for comparative purposes. Indexes are unmanaged and do not incur expenses. You cannot invest directly in an index. 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.

Gross and Net of fees disclosure: Gross of Fee Returns includes the deduction of transaction costs but does not include the deduction of management fees and other expenses that may be incurred in managing an investment account. A portfolio's return will be reduced by management fees and other fees. The impact of management fees can be material. For instance, assume that $1 million is invested in a Putnam Investments account, and this account achieves a 10% compounded annual return, gross of fees, for 10 years. If a management fee of 0.50% was charged each year for the 10-year period, the annual return would be 9.5% and the ending dollar value would be $2,478,200, net of fees, as opposed to $2,593,700, gross of fees. The actual fee rates are stated in advisory contracts with clients. For composites that contain registered pooled vehicles (such as U.S. mutual funds, U.S. exchange-traded funds, collective investment trusts and UCITS funds), gross of fee performance is calculated by applying the pro-rated monthly percentage of the total net annual expense ratio (as published in the pooled vehicle's annual report) to the monthly return on net asset value per share. Annual expense ratios for the current year may be based on the prior year's financial statements. Returns may be adjusted based upon each year's audited annual report.

Net of Fee Returns reflect the deduction of a model fee applied on a monthly basis, equal to the actual management fee incurred by a portfolio in the Composite or the highest management fee that would be charged to a prospect of the strategy, whichever is higher during the applicable time period. The model fee may change over time. Actual advisory and management fees may vary among clients with the same investment strategy. For composites that include pooled vehicles that pay a performance fee and that calculate performance using the highest fee paid by an account in the Composite, performance-based fee adjustments are included in net of fee returns. For registered pooled vehicles, the fee is typically updated for the most recent fiscal year end after the pooled vehicle has been audited. Returns may be adjusted based upon each year's audited annual report. Please be advised that the Composite may include other investment products or share classes of pooled vehicles that are subject to management fees, including performance fees, that are inapplicable to you but that could have been in excess of the model fee. Therefore, the actual performance of all the portfolios in the composite on a net-of-fees basis will be different, and may be higher or lower, than the model fee performance. Composites that include certain pooled vehicles may also assess a performance fee to underlying investors which could result in the underlying investors paying a higher total management fee than the highest stated management fee below. However, model fee performance is intended to provide the most appropriate example of the impact management fees would have by applying management fees relevant to you to the gross performance of the Composite. Actual investment advisory fees incurred by clients are typically negotiated on an individual basis and may vary depending upon, among other things, the applicable fee schedule and portfolio size.

Fee schedule: The standard fee schedule is based on the market value of an account's assets under management and is stated on an annual basis. Separate account management fees are subject to change and are for investment management services only. Standard management fee is: 0.55% of assets on the first $50 million, 0.45% of assets on the next $50 million, 0.40% of assets on the next $150 million, and 0.30% for assets over $250 million.

Past performance is not a guarantee of future performance. No assurance can be given as to future performance.

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Managed accounts programs: Putnam Investment Management, LLC ("Putnam") offers investment advisory services through managed account programs that offer "Model-Delivery" or "Dual-Contract" separately managed accounts ("SMAs") and are sponsored by non-affiliated financial intermediaries ("Program Sponsors"). Model-Delivery SMAs are non-discretionary investment services where Putnam generally provides ongoing investment recommendations through one or more "model" portfolios, and the Program Sponsor, rather than Putnam, makes investment decisions and executes trades on behalf of its underlying clients. The Program Sponsor decides in its discretion whether to make any changes to the model that Putnam recommends and is also solely responsible for determining the suitability of the strategy and investments for each client that participates. For Dual-Contract SMAs, Putnam generally obtains a client's written consent to its discretionary authority with respect to the client's assets in the form of an executed investment management agreement or other comparable services agreement prior to providing discretionary advisory services. The Program Sponsor is responsible for ascertaining the financial circumstances, investment objectives, and investment restrictions applicable to each client through information provided by the client. Putnam is responsible only for managing the Dual-Contract SMA in accordance with the selected investment strategy and any "reasonable restrictions" imposed by the client. There is no guarantee that any investment strategy illustrated will be successful or achieve any particular level of results. Information and other marketing materials created by Putnam concerning a Model-Delivery or Dual-Contract SMA strategy — including holdings, performance and other characteristics — may not be indicative of a client's actual experience from an account managed in accordance with the strategy. This material has been created by Putnam and the information included herein has not been verified by a Program Sponsor and may materially differ from information provided by a Program Sponsor. Putnam is not responsible for overseeing the provision of services by a Program Sponsor and cannot assure the quality of its services.

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