

A world of investing.®



April 2018

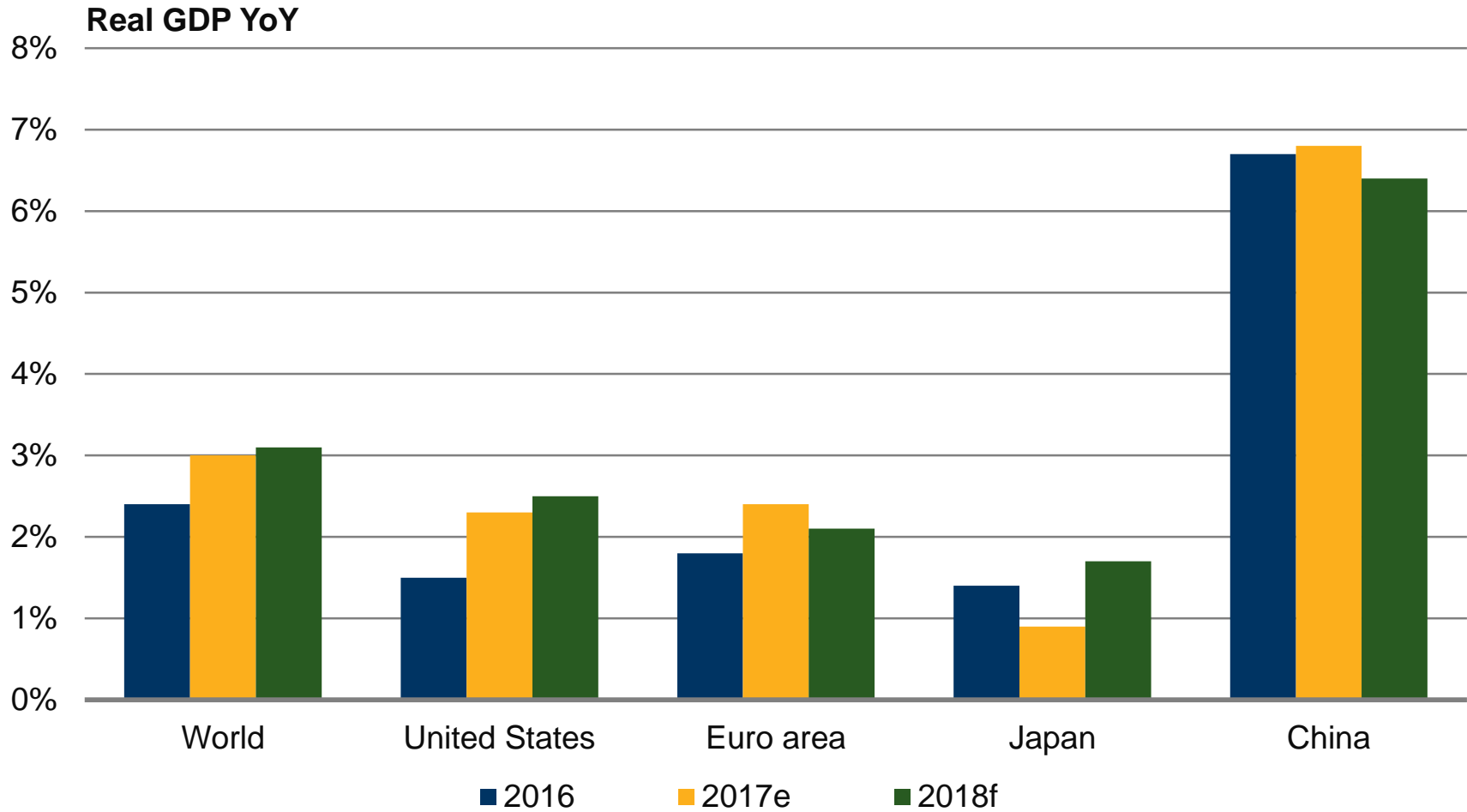
MARKET PERSPECTIVES

Matthew F. Beaudry, CPA, CIMA[®], CMFC[®], CRPC[®], AAMS[®]
Senior Investment Director, Capital Markets

Table of contents

- Strong global growth: Odds of a U.S. and global economic recession low
- Equities: Opportunities in growth **and** value
- Fixed income: Interest-rate risk elevated, opportunities outside of traditional benchmarks

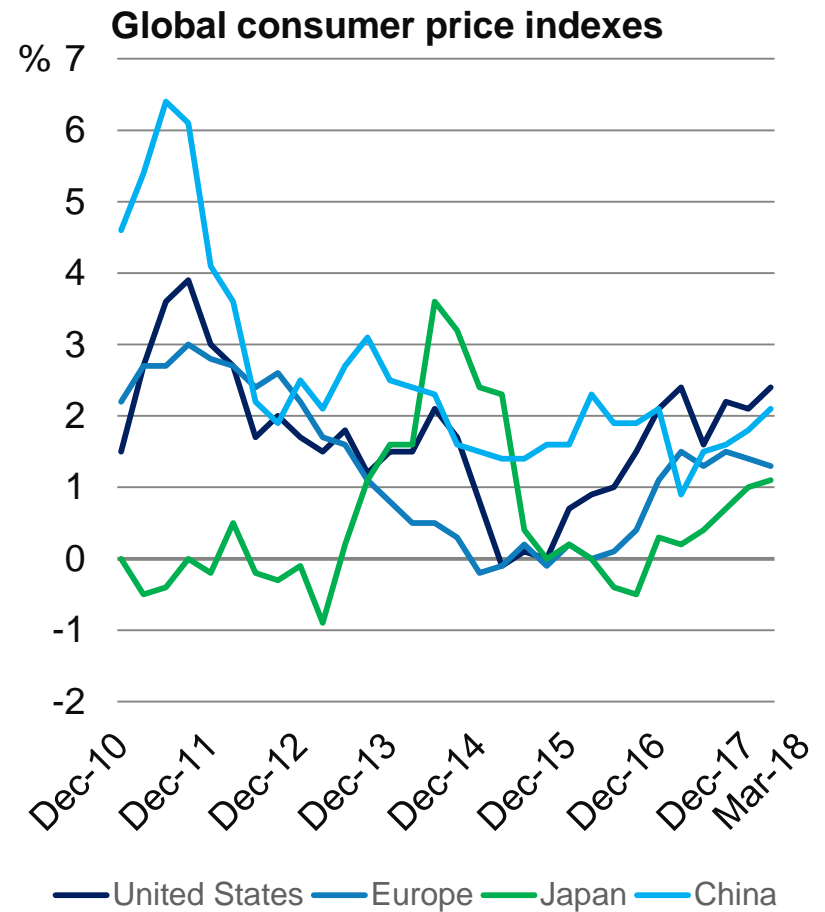
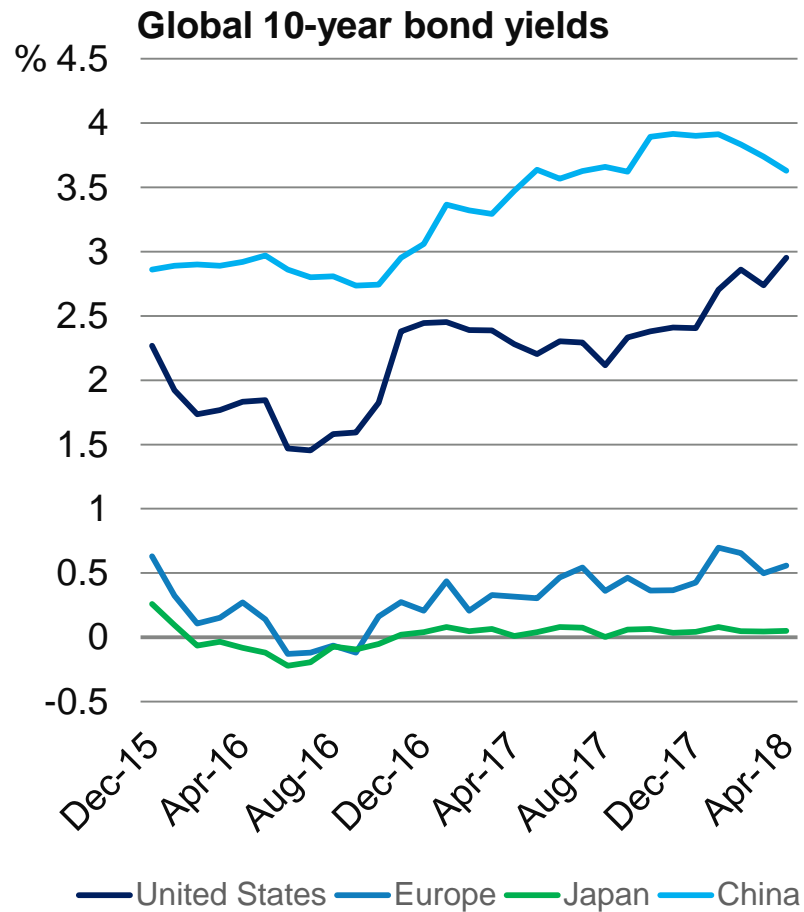
Strong global growth



Source: World Bank, as of 12/31/17.

For dealer use only. Not for public distribution.
PPT293 310759 5/18

2017–18: Low interest rates; inflation green shoots

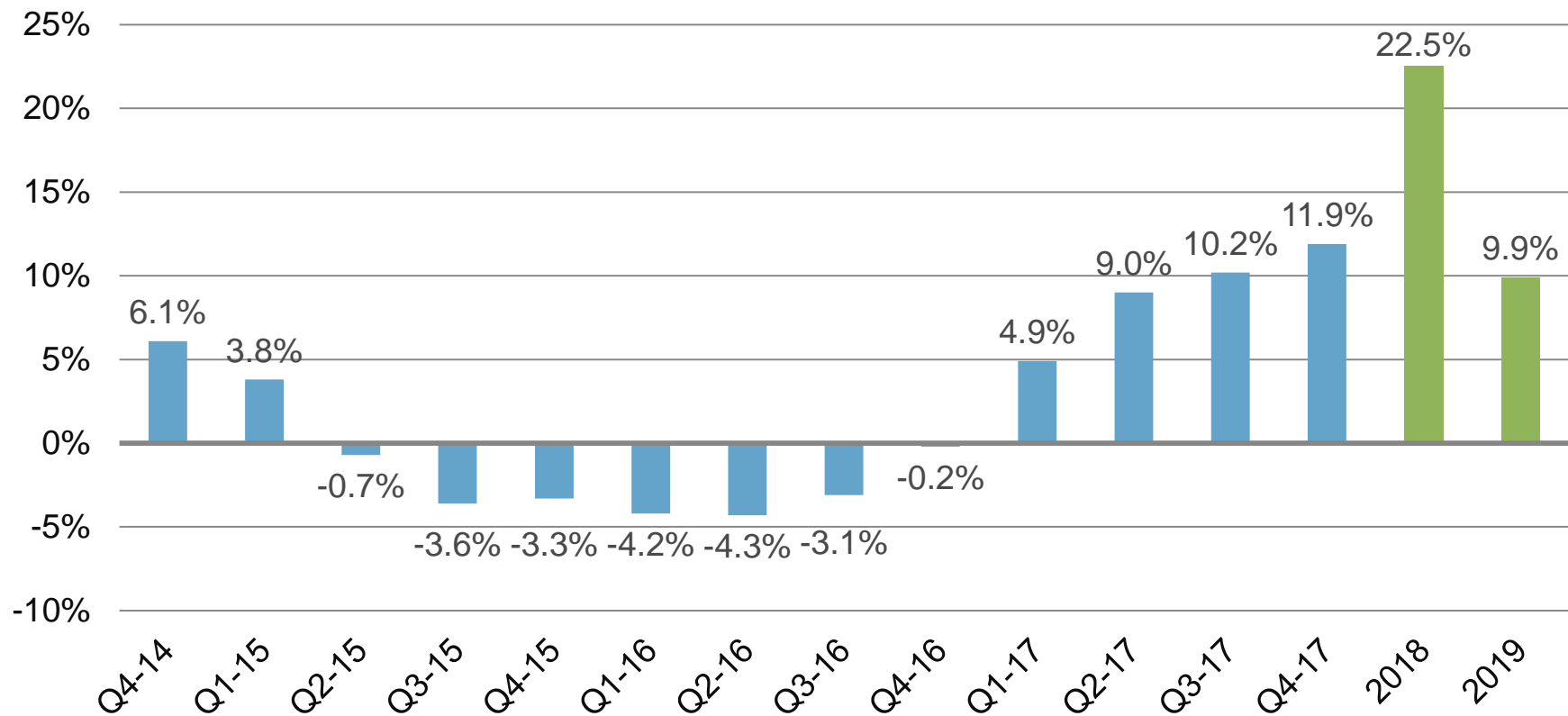


Sources: Bloomberg, Putnam. As of 4/30/18 and 3/31/18.

For dealer use only. Not for public distribution.
PPT293 310759 5/18

Accelerating earnings

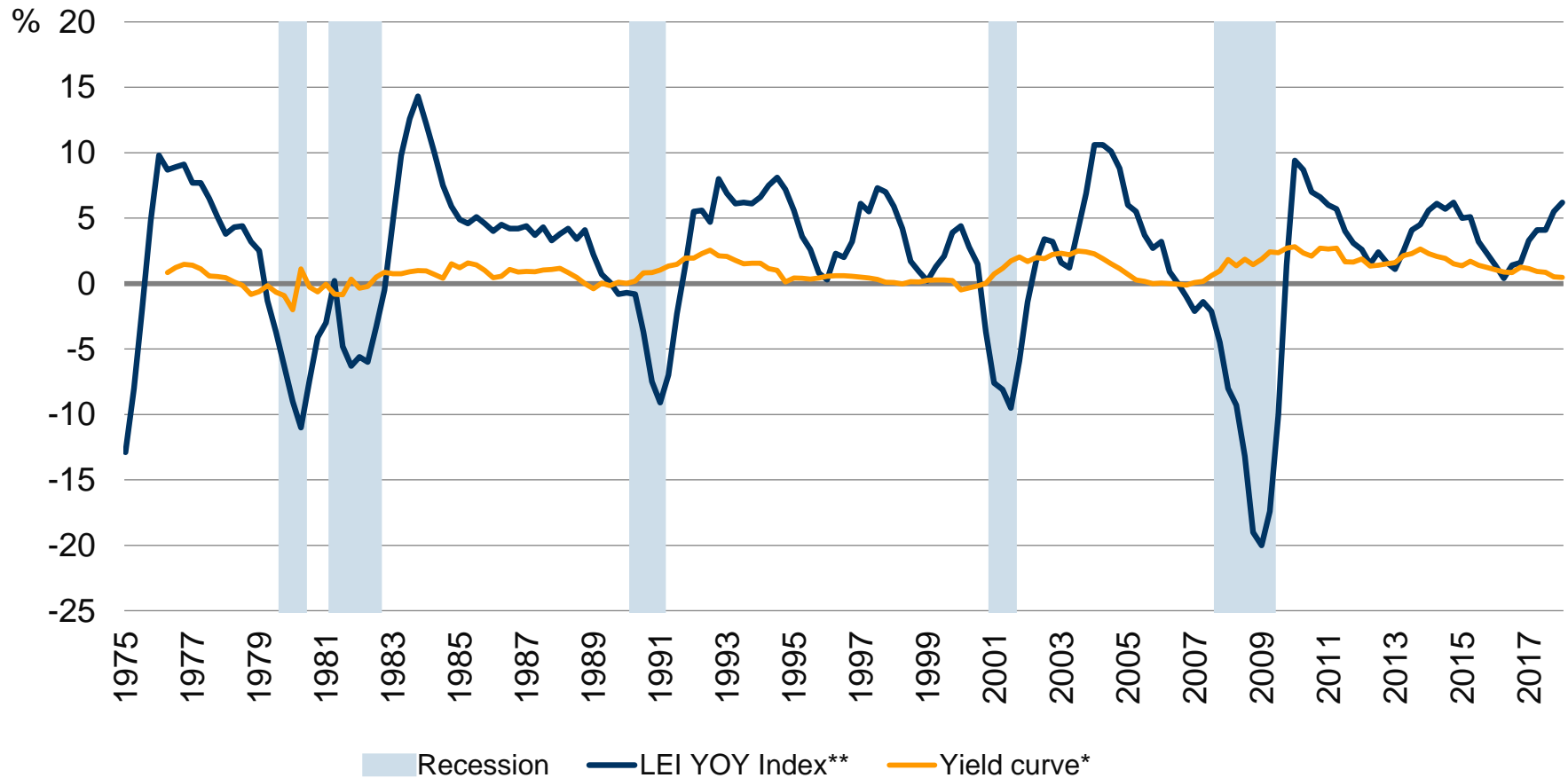
S&P 500 trailing twelve-month earnings per share growth



Sources: Bloomberg, Putnam. As of 4/30/18.

For dealer use only. Not for public distribution.
PPT293 310759 5/18

Leading Economic Indicators Index and yield curve not signaling recession



Sources: Conference Board, Bloomberg.

* Yield curve represents yield difference between the 10-year and 2-year bond, as of 3/30/18.

** As of 3/30/18.

For dealer use only. Not for public distribution.
PPT293 310759 5/18

Stimulative tax legislation

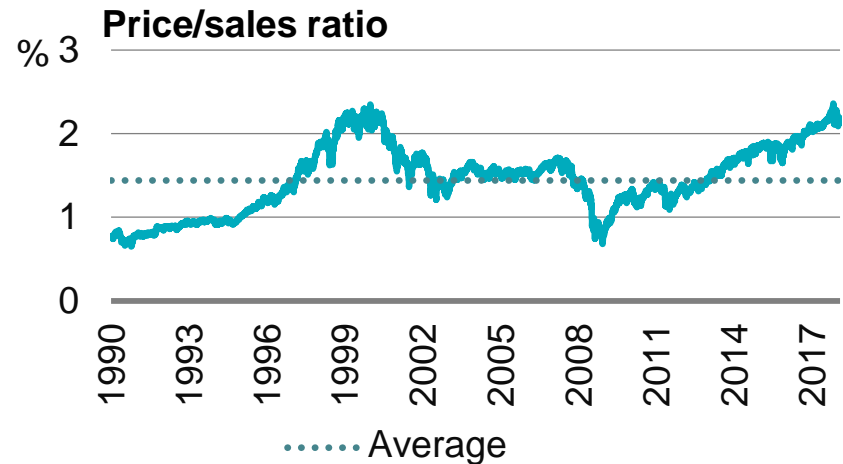
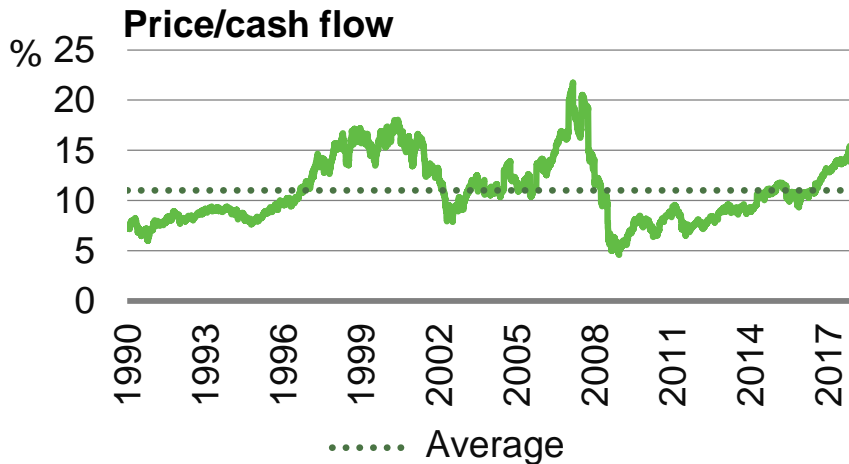
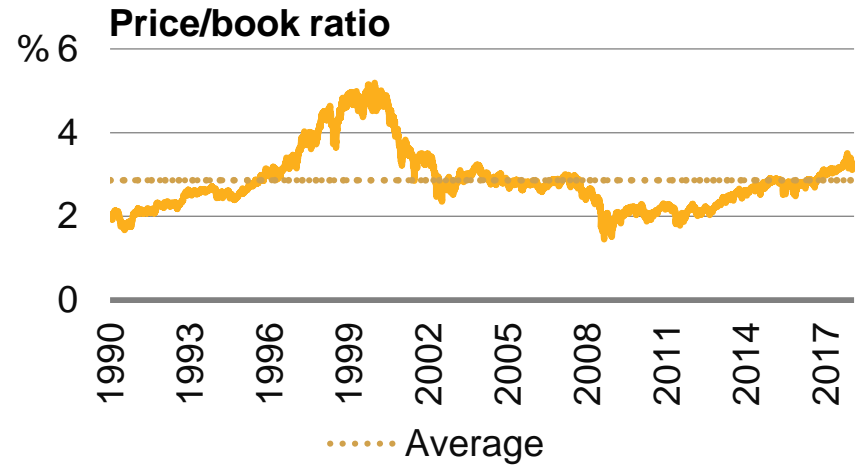
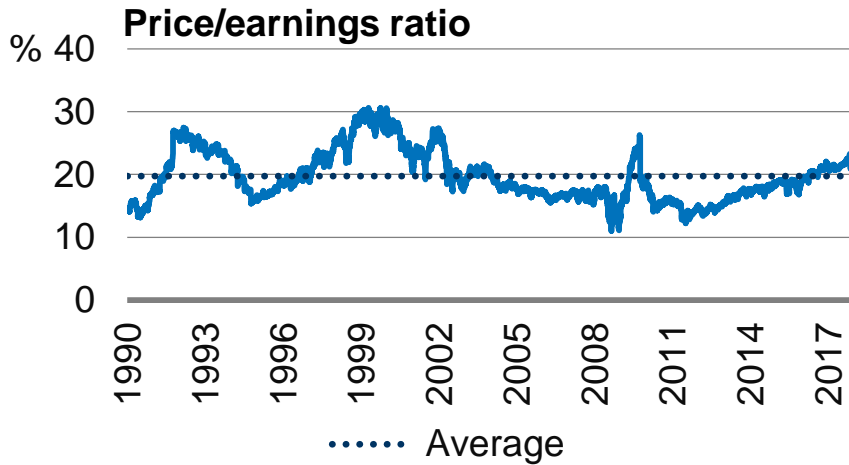
- Most similar to Reagan tax cuts
 - Tax cuts including repatriation
 - Deregulation
 - Government spending
- Stimulative to GDP
- Earnings growth accretive

Environment not without risks

- Overly aggressive Fed tightening as a result of higher inflation
 - Economic growth surprises to the upside
 - Wage growth accelerates
- Shock to the system
- Tariffs/trade war, “death of FAANG,” geopolitics, the Mueller investigation

EQUITIES: OPPORTUNITIES IN GROWTH AND VALUE

Equity valuations elevated



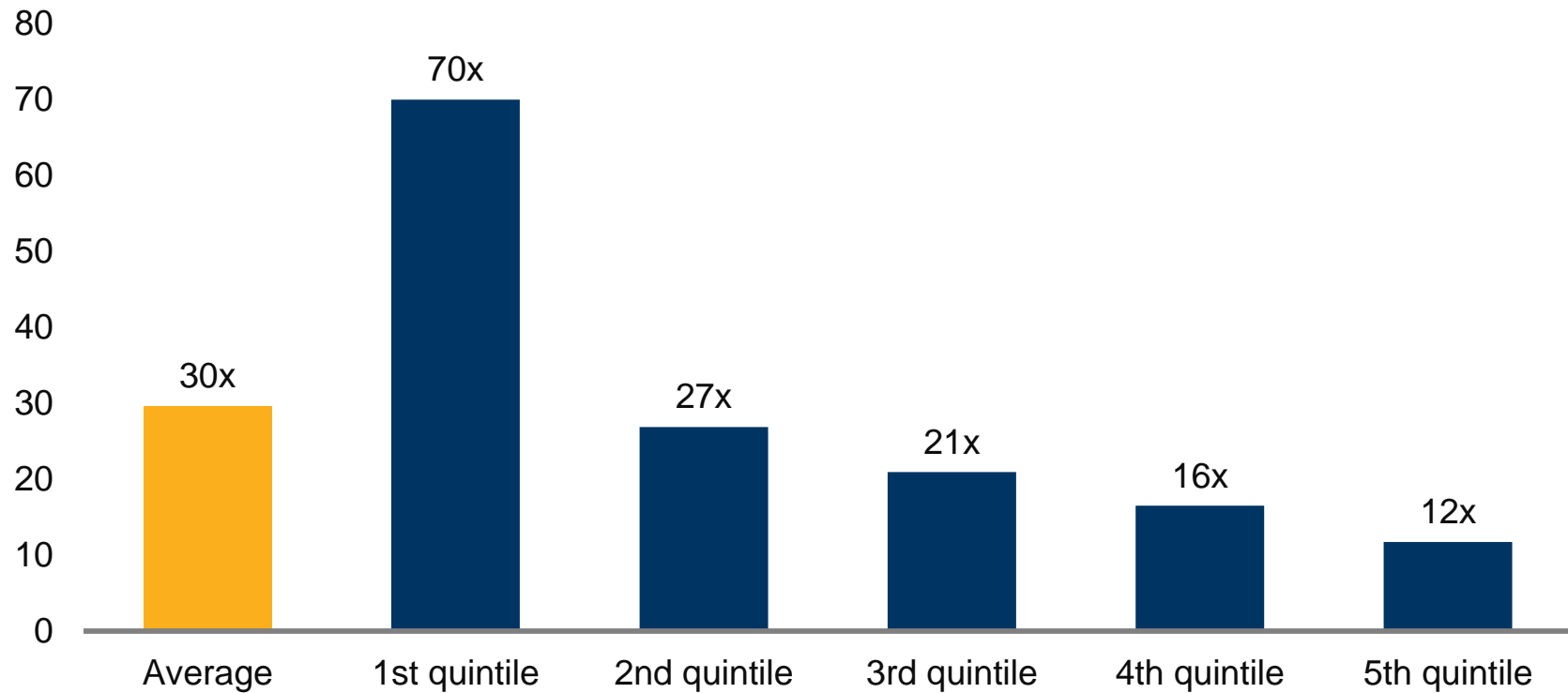
Source: Bloomberg, 4/30/18. Represented by the S&P 500 Index.

Past performance is not indicative of future results.

For dealer use only. Not for public distribution.
PPT293 310759 5/18

Greater dispersion of valuations by quintile

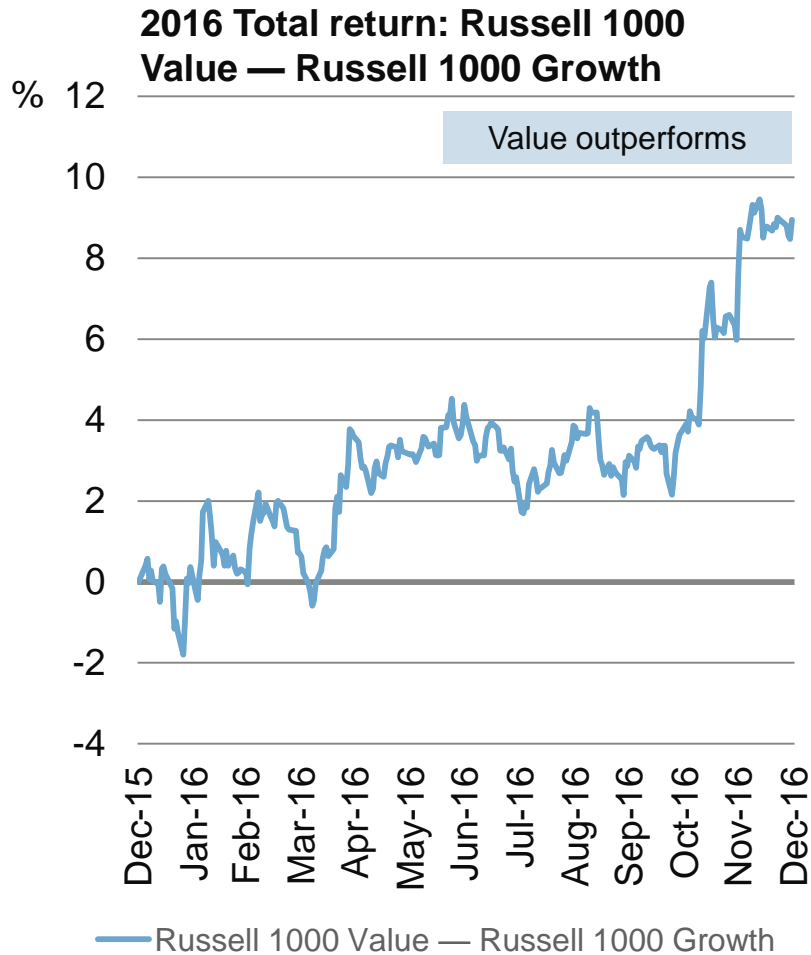
Price to earnings (trailing 12-month) by quintile (price weighted)



Sources: Bloomberg, Putnam, 4/30/18. Represented by the S&P 500 Index.

For dealer use only. Not for public distribution.
PPT293 310759 5/18

A tale of two markets: Growth and value have rotated leadership

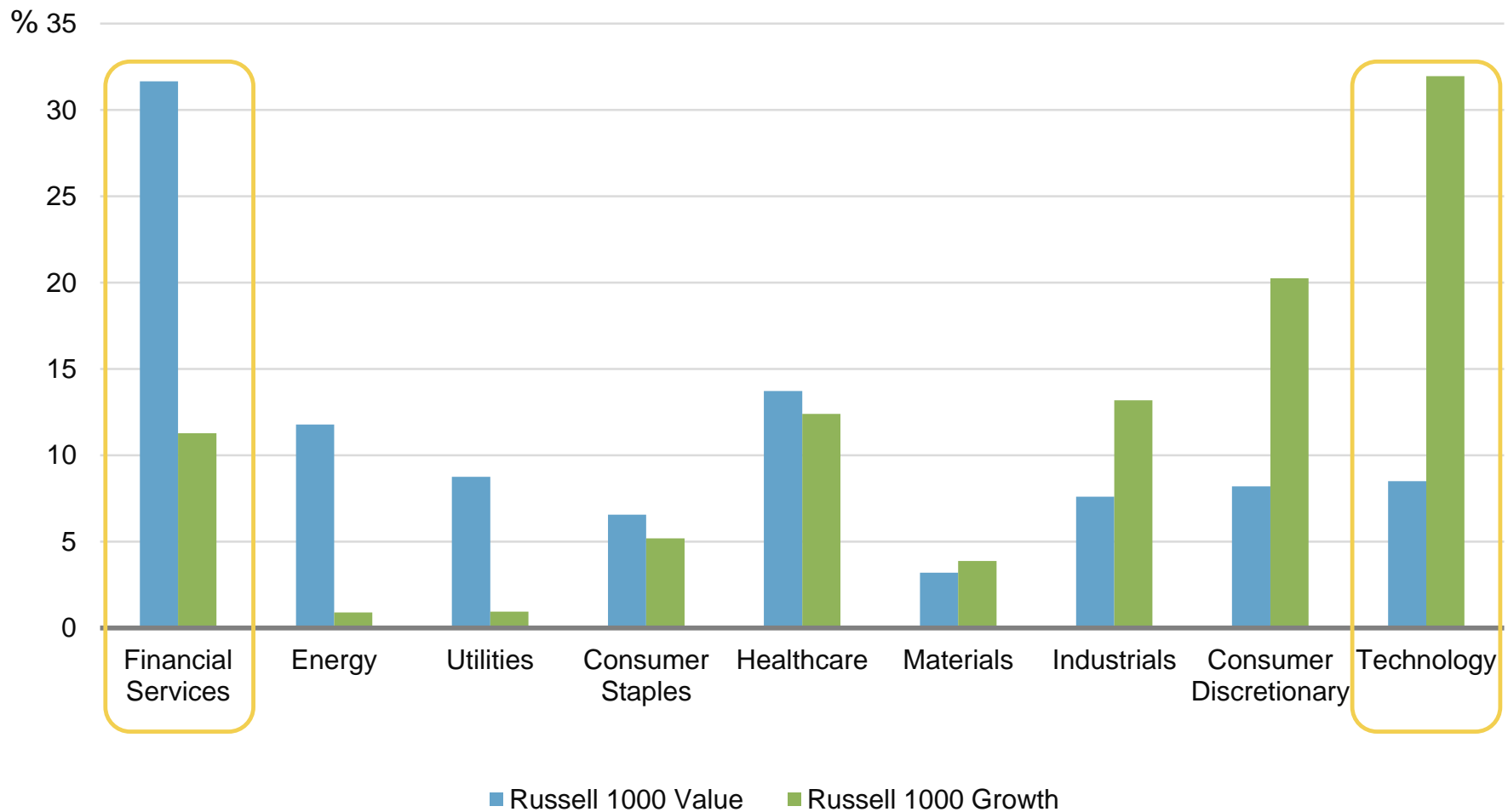


Sources: Bloomberg, Putnam. As of 4/30/18.

For dealer use only. Not for public distribution.
PPT293 310759 5/18

Opportunities in growth and value based on sector weightings

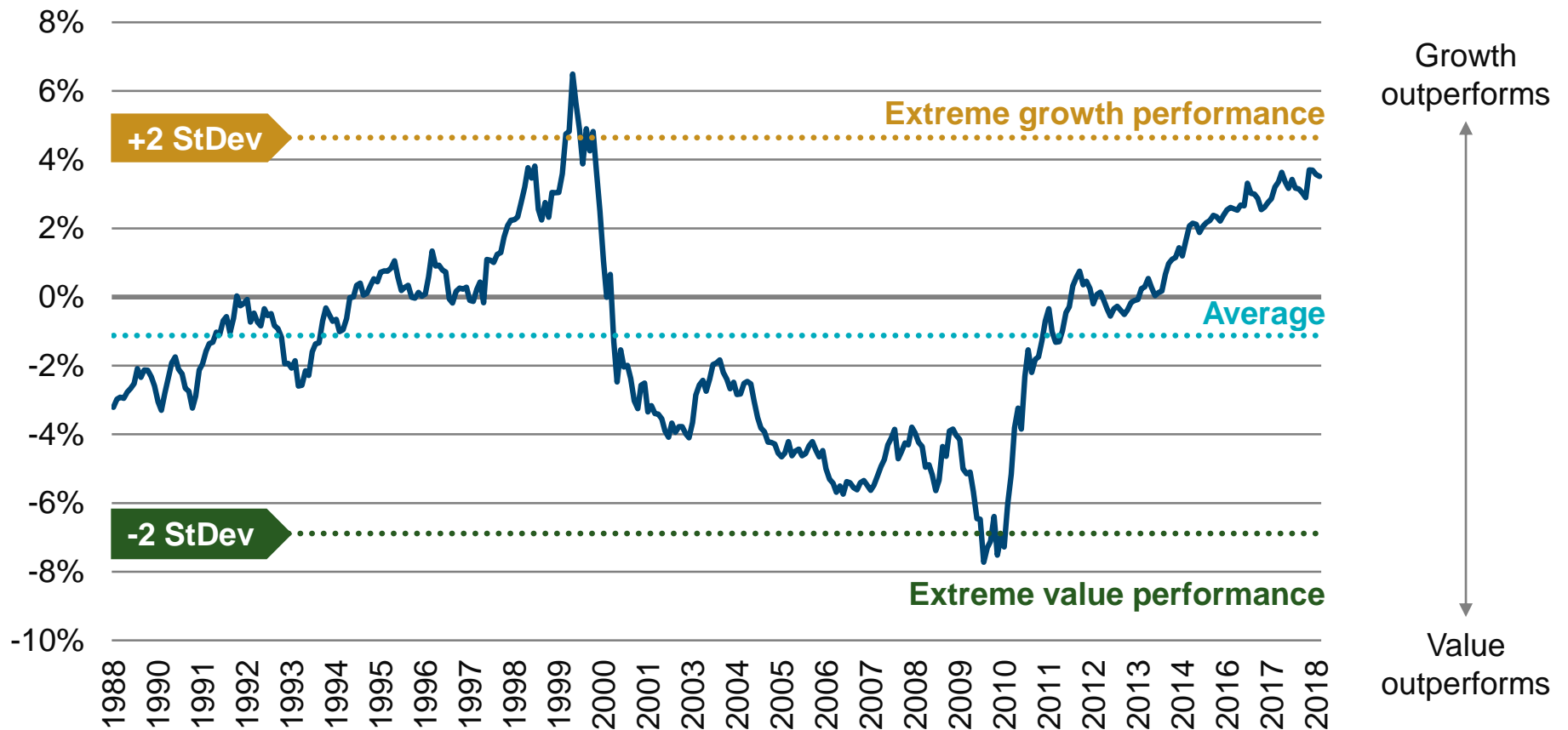
Sector composition as of 4/30/18



Source: Bloomberg. As of 4/30/18.

Reaching extremes in growth vs. value outperformance

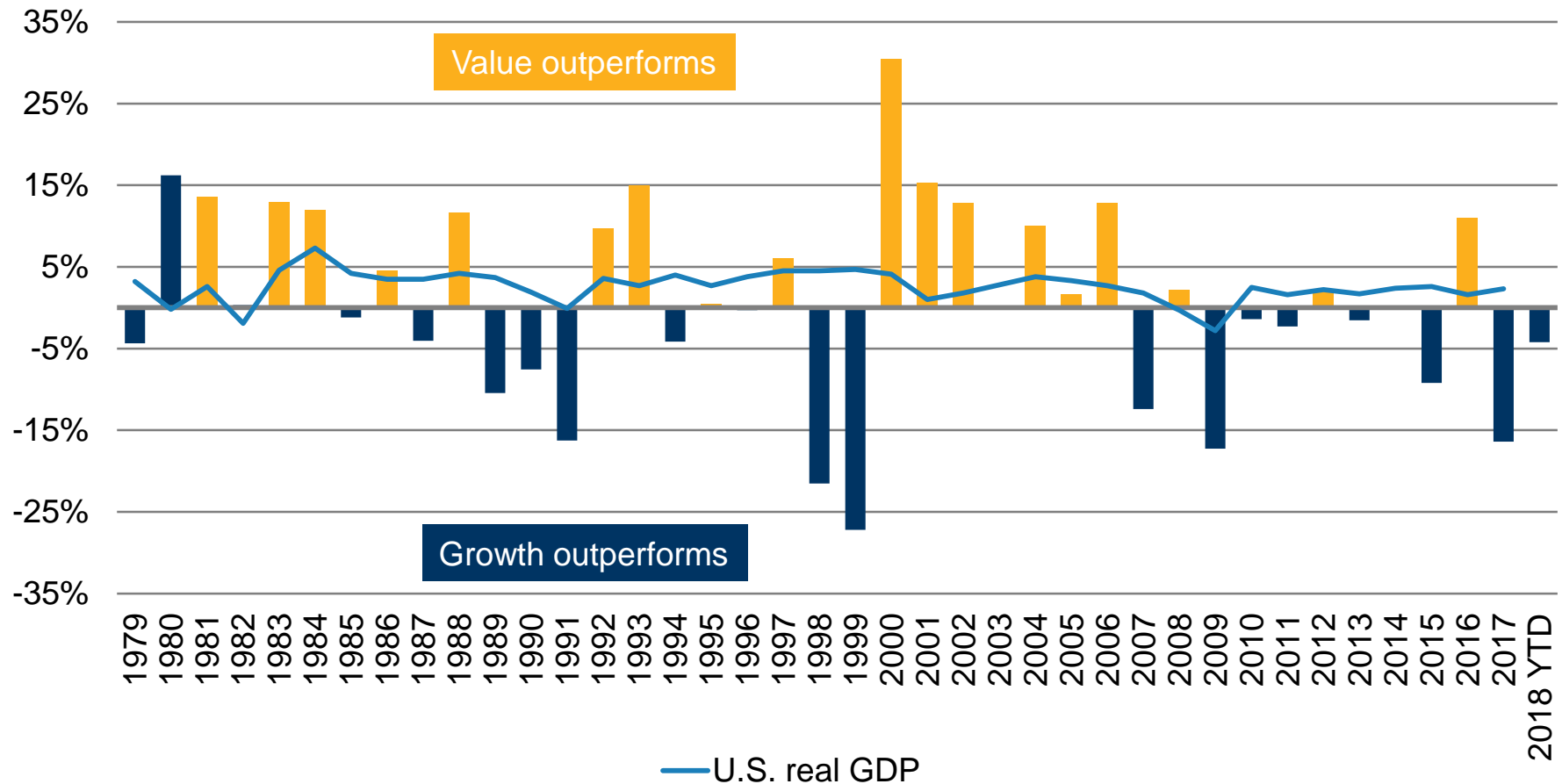
Annualized trailing 10-year relative total return:
Russell 1000 Growth–Russell 1000 Value



Source: Strategas, 4/30/18.

For dealer use only. Not for public distribution.
PPT293 310759 5/18

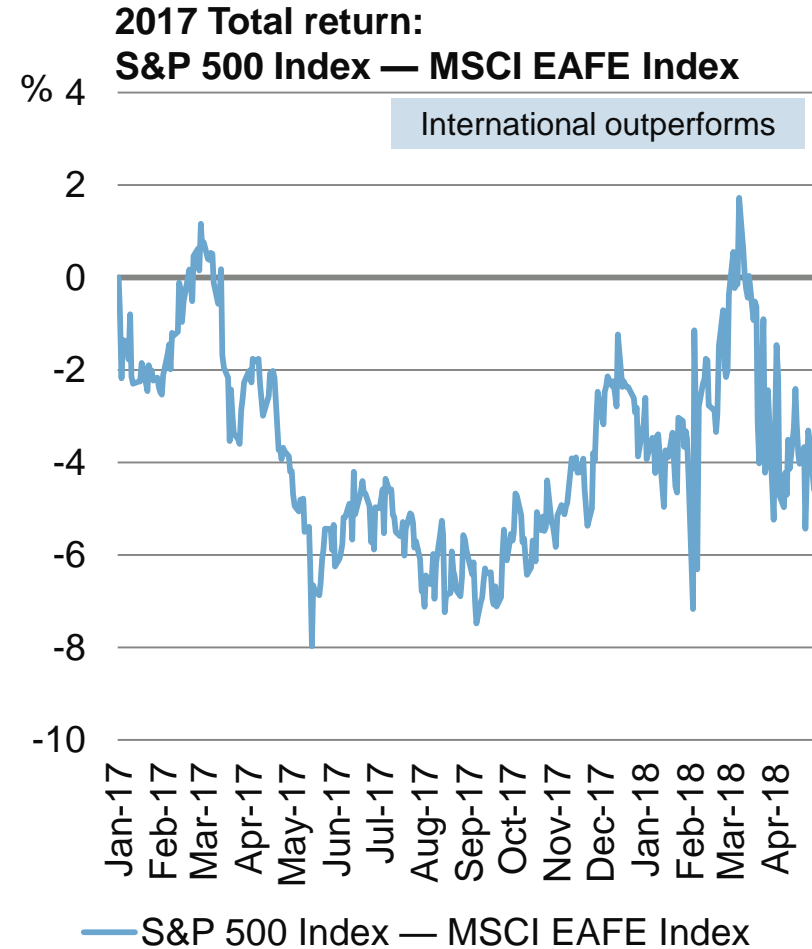
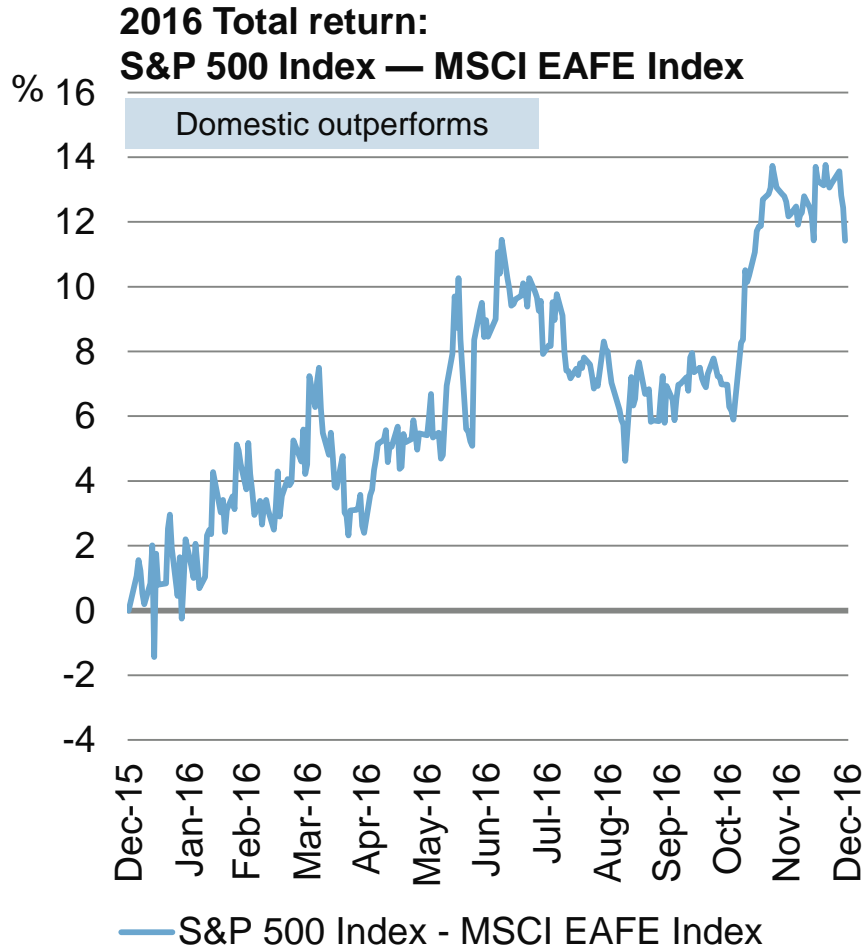
Value outperforms when the economy accelerates



Sources: Bloomberg, Putnam. As of 4/30/18.

For dealer use only. Not for public distribution.
PPT293 310759 5/18

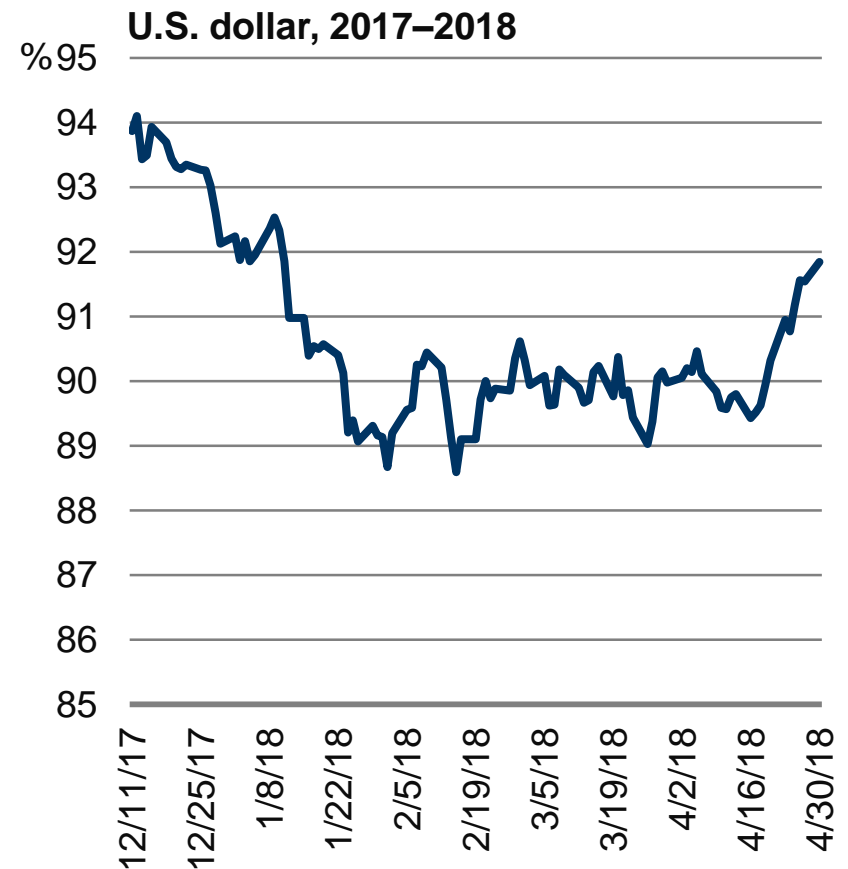
A tale of two markets: Domestic and international have rotated leadership



Sources: Putnam, Bloomberg. As of 4/30/18.

For dealer use only. Not for public distribution.
PPT293 310759 5/18

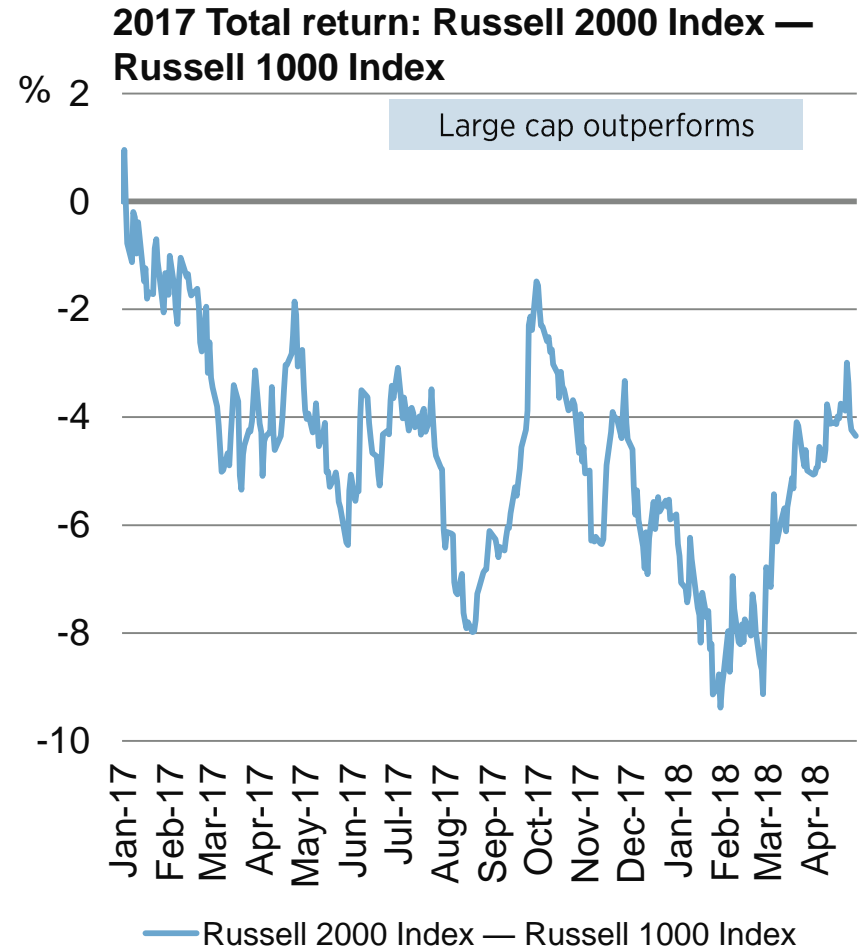
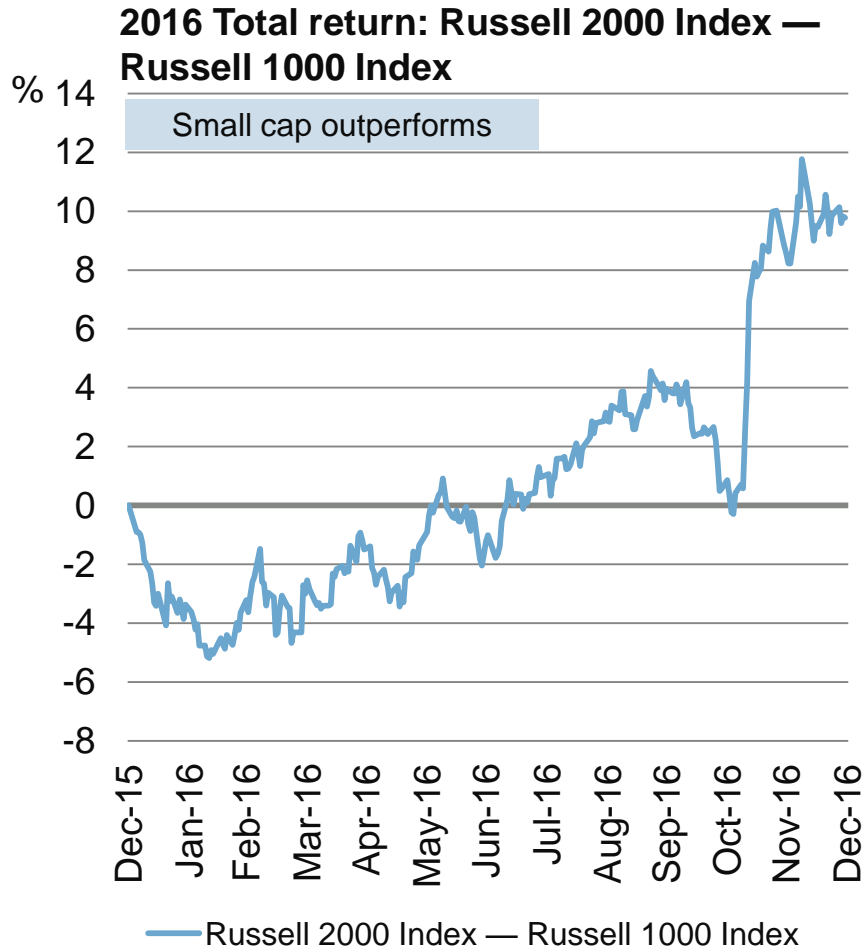
Dollar weakness: One of the biggest surprises in 2017



Sources: Bloomberg, Putnam. As of 4/30/18.

For dealer use only. Not for public distribution.
PPT293 310759 5/18

A tale of two markets: Small caps and large caps have rotated leadership



Sources: Bloomberg, Putnam. As of 4/30/18.

For dealer use only. Not for public distribution.
PPT293 310759 5/18

Concentrated periods of small-cap outperformance

	Cycle duration (years)	R2000 annualized return	R2000 annualized outperformance vs. R1000	R2000 missing top 3 months	R2000 missing top 6 months
1980–1983	3.58	28.03%	10.21%	18.21%	10.77%
1990–1995	4.83	23.64%	5.79%	17.92%	13.05%
1999–2006	7.67	10.68%	7.33%	5.77%	2.17%
Cycle average	5.36	20.78%	7.78%	13.97%	8.66%
Q4 2016	0.25	44.50%	30.72%	—	—
2018	0.33	2.37%	3.43%	—	—

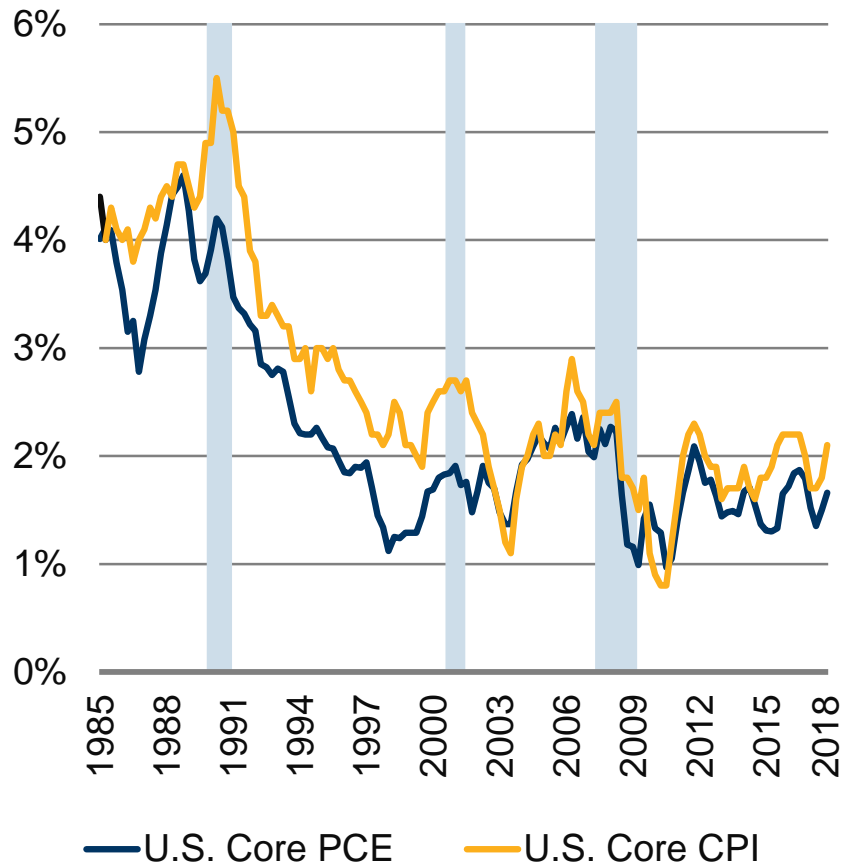
Sources: Putnam, Bloomberg, 4/30/18.

For dealer use only. Not for public distribution.
PPT293 310759 5/18

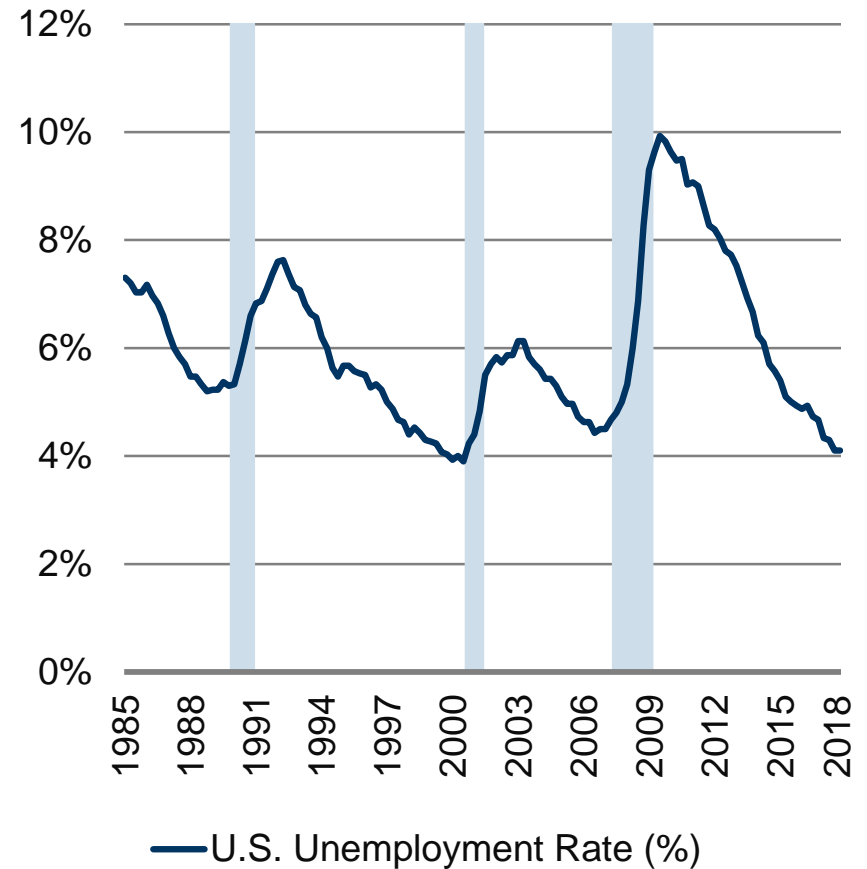
FIXED INCOME: INTEREST- RATE RISK ELEVATED, OPPORTUNITIES OUTSIDE OF TRADITIONAL BENCHMARKS

FOMC dual mandates achieved: Low inflation and “full” employment

Core inflation YOY



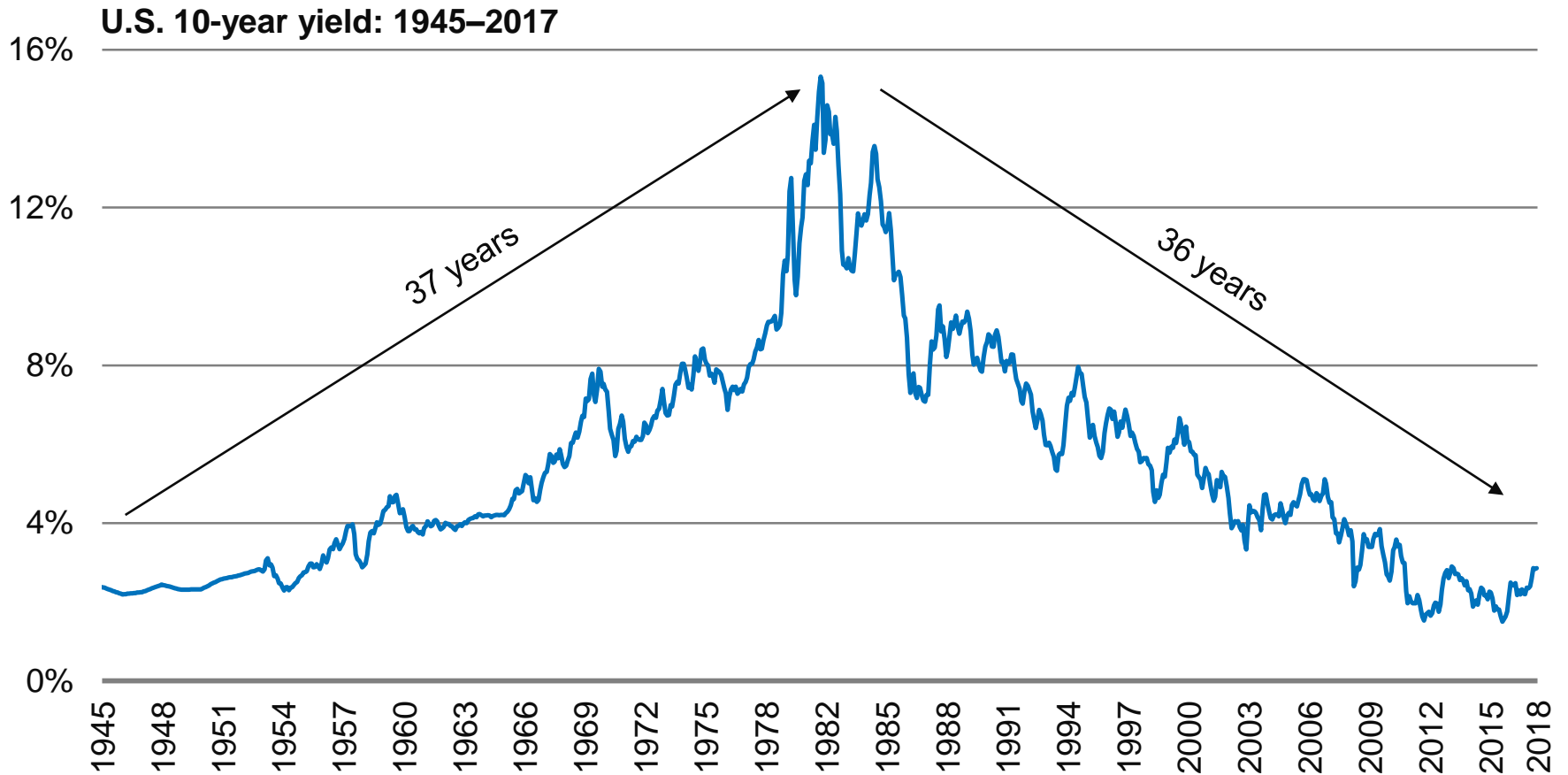
U.S. unemployment rate



Source: Bloomberg, as of 4/30/18.

For dealer use only. Not for public distribution.
PPT293 310759 5/18

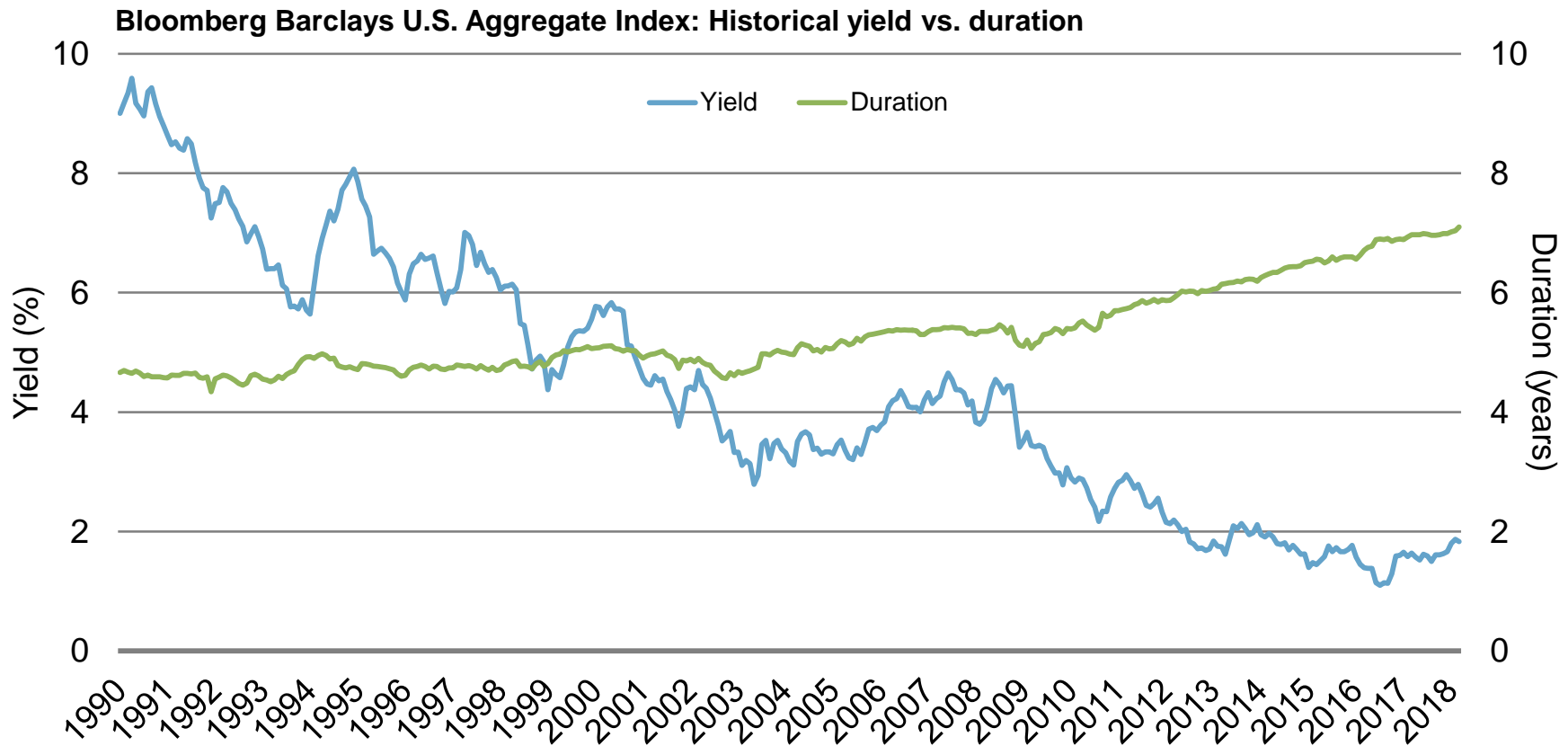
Long interest-rate cycles



Source: <http://www.multpl.com/10-year-treasury-rate/table/by-month>, 4/1/18.

For dealer use only. Not for public distribution.
PPT293 310759 5/18

Interest-rate risk is unprecedented given the low level of rates



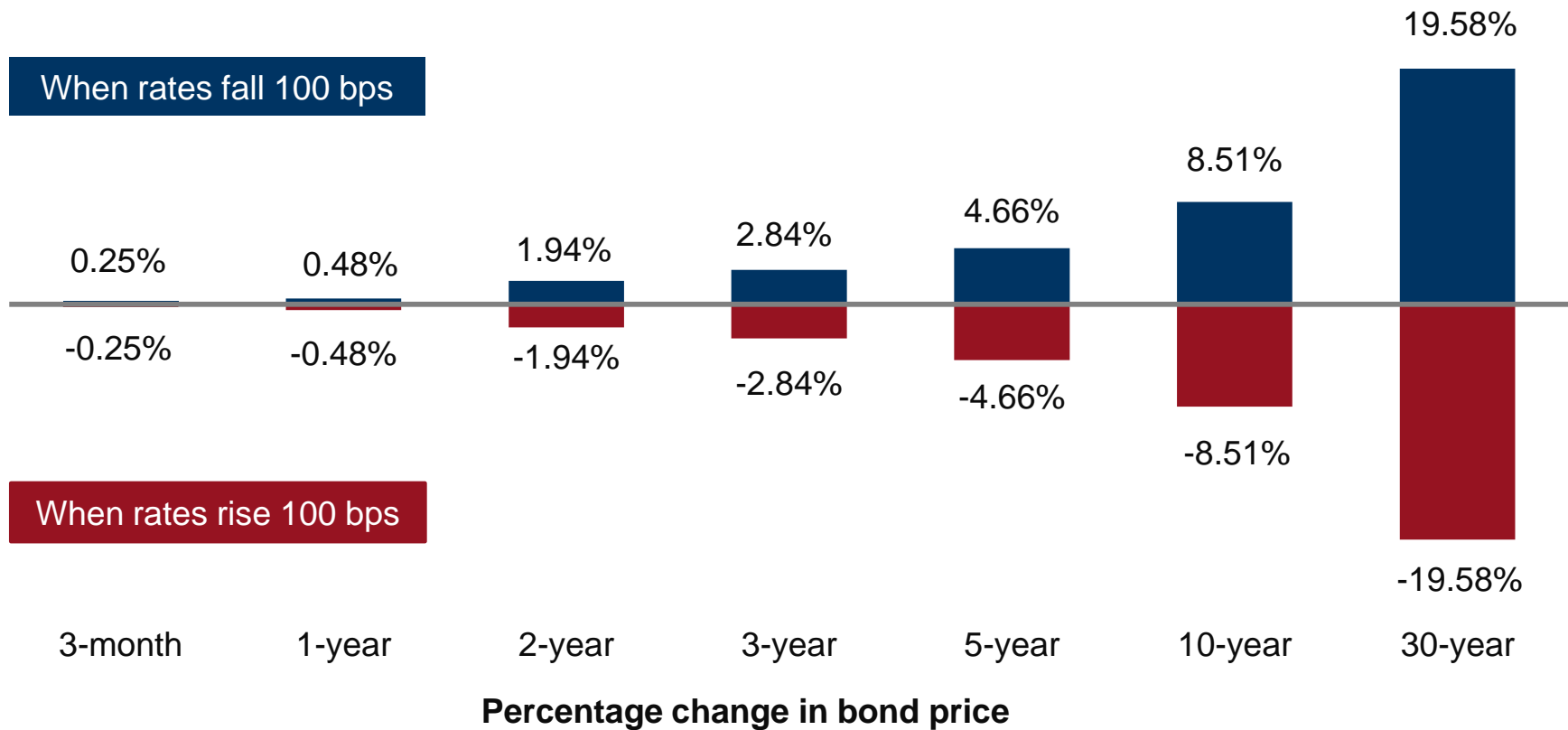
Sources: Barclays, Putnam, as of 3/31/18.

This chart uses yield to worst as the representation of yield, and modified adjusted duration as the representation of duration.

For dealer use only. Not for public distribution.
PPT293 310759 5/18

Price sensitivity of various bond maturities

Percentage change in bonds

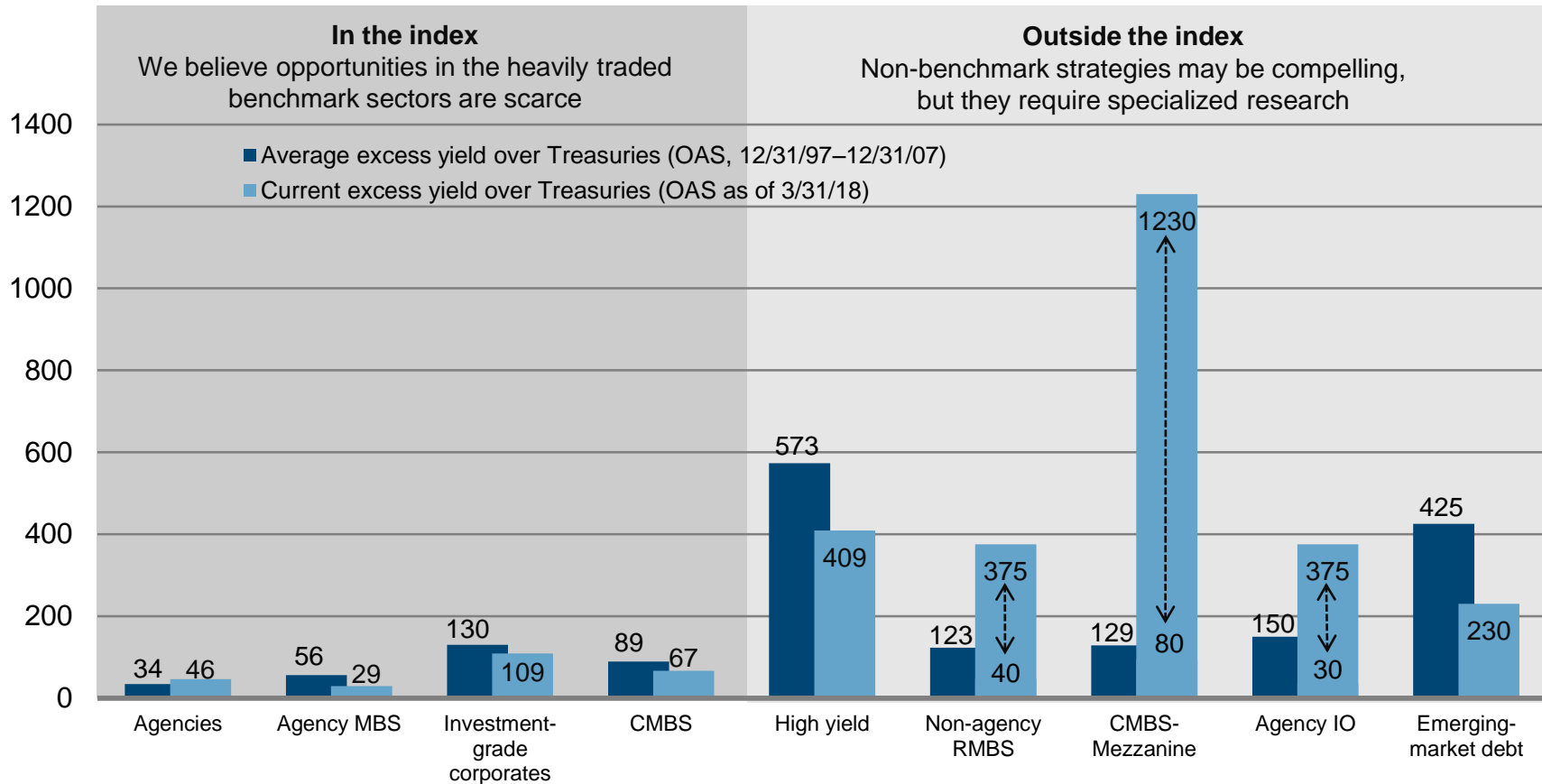


Sources: Bloomberg, Barclays, U.S. Treasuries, as of 4/30/18.

For dealer use only. Not for public distribution.
PPT293 310759 5/18

We believe attractive opportunities exist outside of the index

Current spreads relative to historical period



Sources: Bloomberg, Putnam as of 3/31/18.

Data is provided for informational use only. Past performance is no guarantee of future results. All spreads are in basis points and measure option-adjusted yield spread relative to comparable maturity U.S. Treasuries with the exception of non-agency RMBS and mezzanine CMBS, which are loss-adjusted spreads to swaps calculated using Putnam's projected assumptions on defaults and severities, and agency IO, which is calculated using assumptions derived from Putnam's prepayment model. Agencies are represented by BBG Barclays U.S. Agency Index. Agency MBS are represented by BBG Barclays U.S. Mortgage Backed Securities Index. Investment-grade corporates are represented by BBG Barclays U.S. Corporate Index. High yield is represented by JPMorgan Developed High Yield Index. CMBS is represented by both agency and non-agency CMBS that are eligible for inclusion in the BBG Barclays U.S. Aggregate Bond Index; CMBS-Mezzanine pre-2007 spreads are represented by the same index using the AA, A, and BBB components. Average OAS for Mezzanine CMBS is only available for the 2000-2007 and is therefore only displayed for that time period. Emerging-market debt is represented by the BBG Barclays EM Hard Currency Aggregate Index. Non-agency RMBS is estimated using average market level of a sample of below-investment-grade securities backed by various types of non-agency mortgage collateral (excluding prime securities) and Agency credit risk transfer securities. Current OAS for mezzanine CMBS is estimated from an average spread among baskets of Putnam-monitored new issue and seasoned mezzanine securities, as well as a synthetic (CMBX) index. Agency IO is estimated from a basket of Putnam-monitored interest-only (IO) and inverse IO securities. Option-adjusted spread (OAS) measures the yield over duration equivalent Treasuries for securities with different embedded options.

For dealer use only. Not for public distribution.
PPT293 310759 5/18

In periods of rising interest rates, non-benchmark-oriented, flexible fixed income strategies can help protect portfolios



	Yield change (bps)	Bloomberg Barclays U.S. Aggregate Bond Index	Putnam Diversified Income (Y)
11/28/09–4/6/10	+77	-0.29%	6.01%
10/8/10–2/10/11	+129	-3.02%	3.76%
5/3/13–9/5/13	+132	-4.87%	1.50%
1/31/15–6/10/15	+82	-2.77%	3.64%
7/6/16–12/20/16	+120	-4.05%	8.19%
9/7/17–2/21/18	+89	-2.83%	3.73%

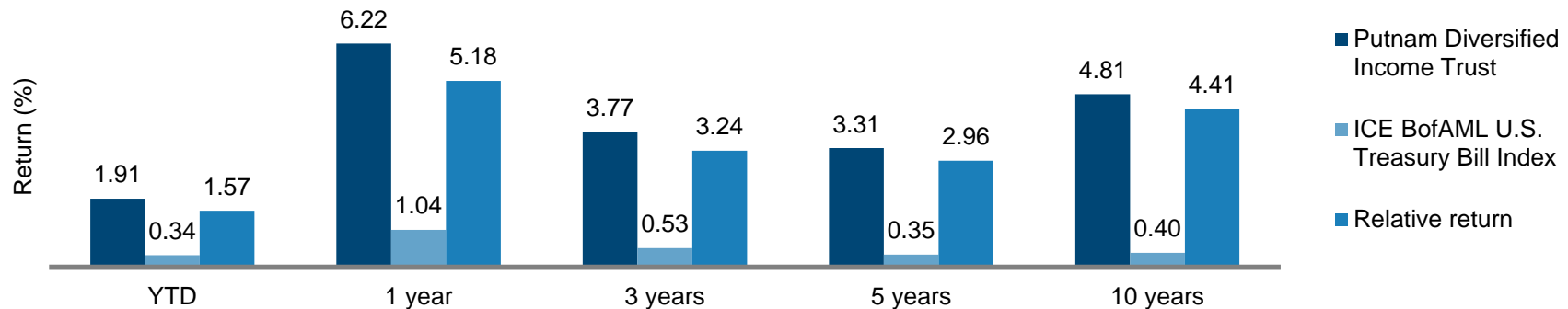
For information purposes only. Not an investment recommendation.

Source: Putnam as of March 2018. Cumulative net.

For dealer use only. Not for public distribution.
PPT293 310759 5/18

Putnam Diversified Income Trust Performance (Y shares)

Annualized performance at net asset value as of March 31, 2018



Calendar-year performance (%)

Inception date: Jul 1, 1996	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Putnam Diversified Income Trust	6.70	5.37	-2.67	1.15	8.24	13.02	-3.35	13.47	58.18	-36.18
ICE BofAML U.S. Treasury Bill Index	0.81	0.37	0.09	0.06	0.09	0.12	0.14	0.21	0.29	2.45
Relative return	5.89	5.00	-2.76	1.09	8.15	12.90	-3.49	13.26	57.89	-38.63

Expense ratio: 0.75%

Periods less than one year are not annualized.

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 class A shares, which have not been adjusted for the lower expenses; had they, returns would have been higher. Class Y shares are generally only available for corporate and institutional clients and have no initial sales charge.

As of 1/30/18, the fund's benchmark changed to ICE BofAML U.S. Treasury Bill Index.

ICE BofAML U.S. Treasury Bill Index is an unmanaged index that tracks the performance of U.S. dollar-denominated U.S. Treasury bills publicly issued in the U.S. domestic market. Qualifying securities must have a remaining term of at least one month to final maturity and a minimum amount outstanding of \$1 billion. You cannot invest directly in an index.

Conclusions

- Strong global growth: Odds of a U.S. and global economic recession low
- Equities: Opportunities in growth **and** value
- Fixed income: Interest-rate risk elevated, opportunities outside of traditional benchmarks

For informational purposes only. Not an investment recommendation. **Consider these risks before investing:** Allocation of assets among asset classes may hurt performance. Stock and bond prices may fall or fail to rise over time for several reasons, including general financial market conditions, changing market perception (including, in the case of bonds, perceptions about the risk of default and expectations about changes in monetary policy or interest rates), 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. International investing involves currency, economic, and political risks. Emerging-market securities carry illiquidity and volatility risks. Investments in small and/or midsize companies increase the risk of greater price fluctuations. Growth stocks may be more susceptible to earnings disappointments, and value stocks may fail to rebound. Funds that invest in government securities are not guaranteed. Mortgage-backed investments, unlike traditional debt investments, are also subject to prepayment risk, which means that they may increase in value less than other bonds when interest rates decline and decline in value more than other bonds when interest rates rise. Bond investments are subject to interest-rate risk (the risk of bond prices falling if interest rates rise) and credit risk (the risk of an issuer defaulting on interest or principal payments). Default risk is generally higher for non-qualified mortgages. Interest-rate risk is generally greater for longer-term bonds, and credit risk is generally greater for below-investment-grade bonds. Unlike bonds, funds that invest in bonds have fees and expenses. The use of derivatives may increase these risks by increasing investment exposure (which may be considered leverage) or, in the case of over-the-counter instruments, because of the potential inability to terminate or sell derivatives positions and the potential failure of the other party to the instrument to meet its obligations. You can lose money by investing in the fund.

For Tax-Free High Yield and Tax Exempt Income, consider these risks before investing: Capital gains, if any, are taxable for federal and, in most cases, state purposes. For some investors, investment income may be subject to the federal alternative minimum tax. Income from federally tax-exempt funds may be subject to state and local taxes. Bond investments are subject to interest-rate risk (the risk of bond prices falling if interest rates rise) and credit risk (the risk of an issuer defaulting on interest or principal payments). Interest-rate risk is generally greater for longer-term bonds, and credit risk is generally greater for below-investment-grade bonds. Unlike bonds, funds that invest in bonds have fees and expenses. Tax-exempt bonds may be issued under the Internal Revenue Code only by limited types of issuers for limited types of projects. As a result, the fund's investments may be focused in certain market segments and be more vulnerable to fluctuations in the values of the securities it holds than a more broadly invested fund. Interest the fund receives might be taxable. Bond prices may fall or fail to rise over time for several reasons, including general financial market conditions, changing market perceptions (including perceptions about the risk of default and expectations about monetary policy or interest rates), 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.

Your clients should carefully consider the investment objectives, risks, charges, and expenses of a fund before investing. For a prospectus, or a summary prospectus if available, containing this and other information for any Putnam fund or product, call Putnam Client Engagement Center at 1-800-354-4000. Your clients should read the prospectus carefully before investing.

The views and opinions expressed are those of Matthew F. Beaudry, Senior Investment Director, Putnam Investments, December 2017, are subject to change with market conditions, and are not meant as investment advice.

All information is historical and not indicative of future results. Indexes are unmanaged and used as a broad measure of market performance. It is not possible to invest directly in an index.

Putnam Retail Management

putnam.com

For dealer use only. Not for public distribution.

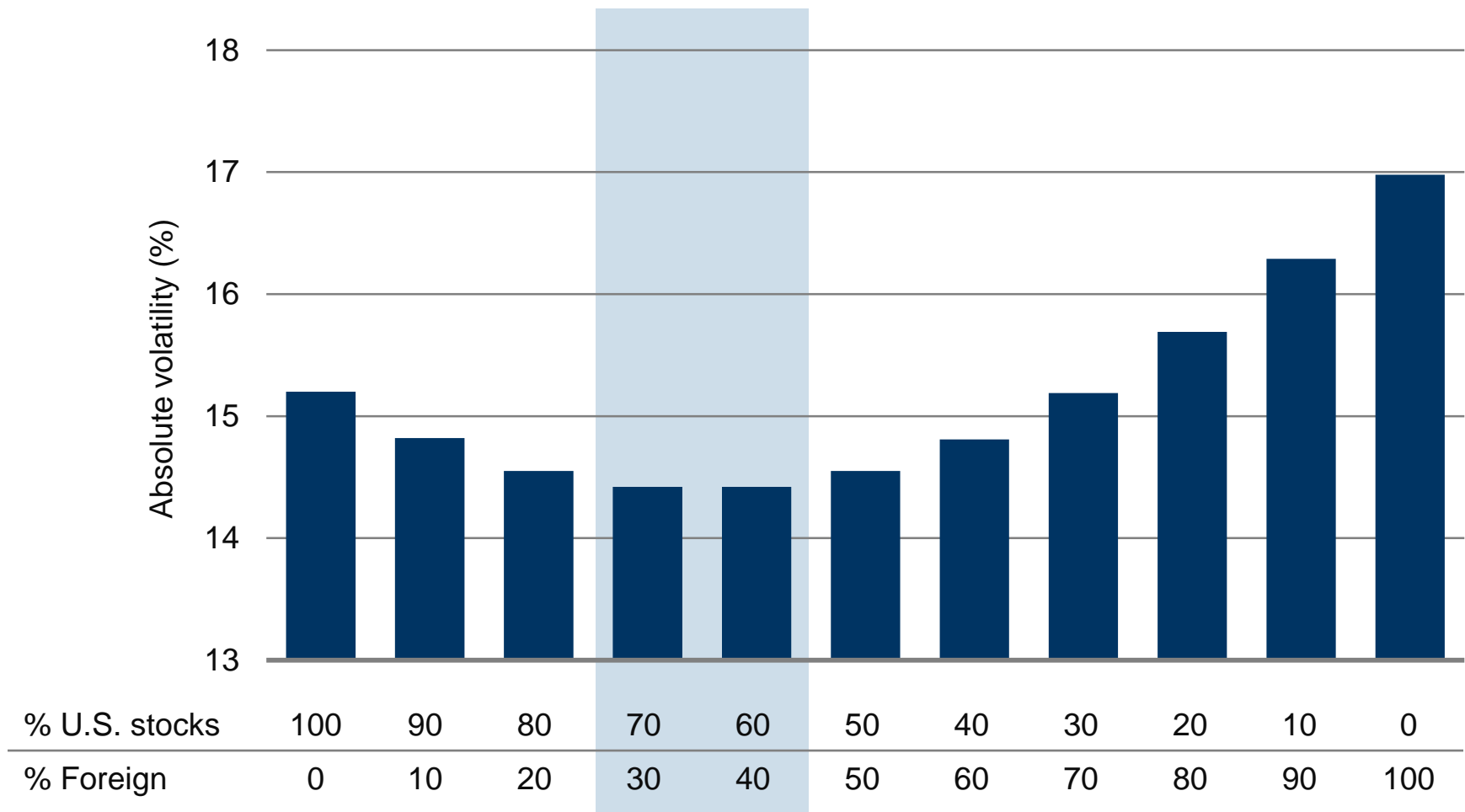
PPT293 310759 5/18

APPENDIX

Signs of a market top

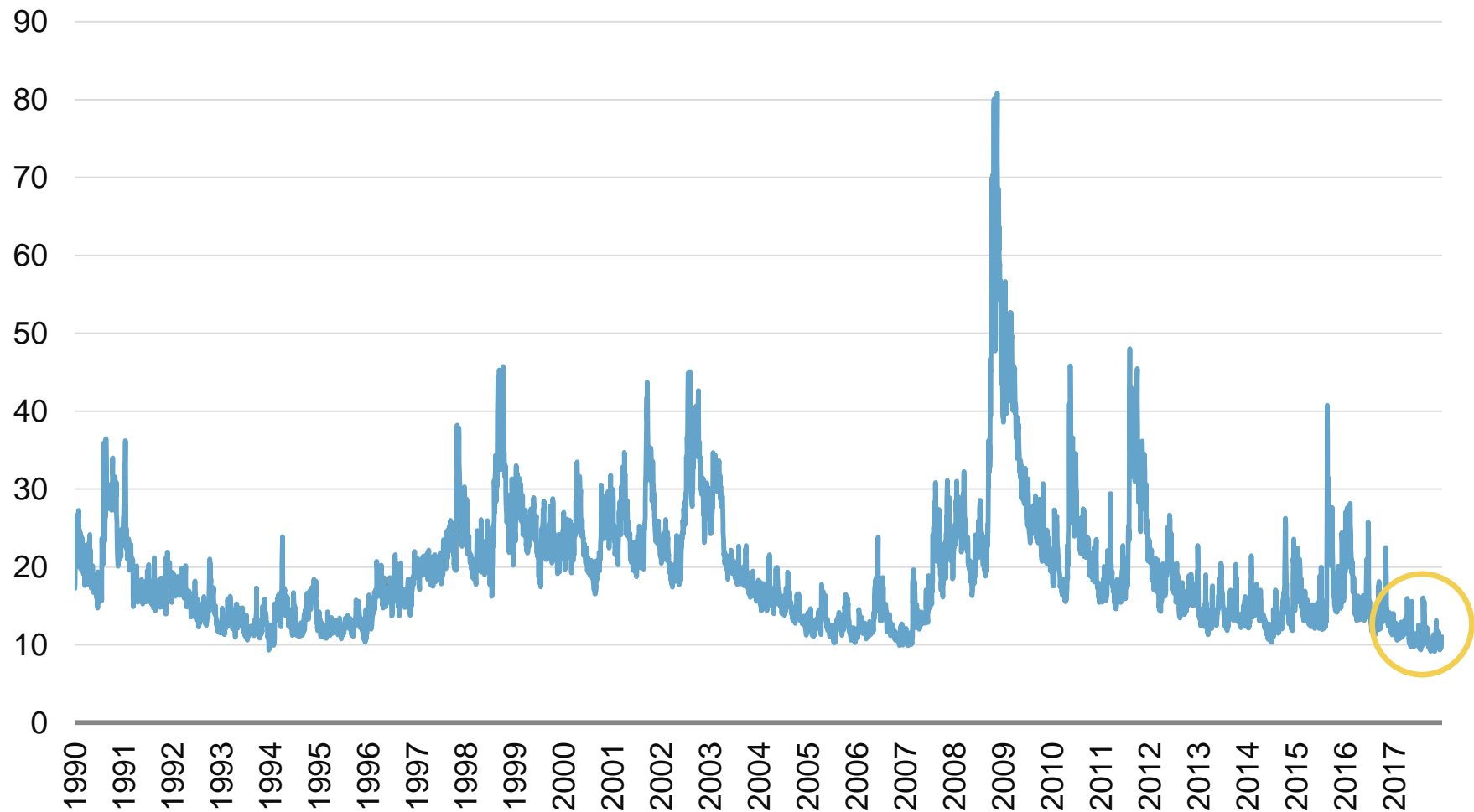
- Widening credit spreads
- Weaker earnings revisions
- Big pick-up in M&A activity and IPO issuance
- Spike in/heavy retail inflows
- Blow-off top

Optimal allocation to international stocks



Sources: Putnam, Morningstar. S&P 500 Index used to measure U.S. stocks; MSCI EAFE used to measure foreign stocks. Data from 1970 to 2016.

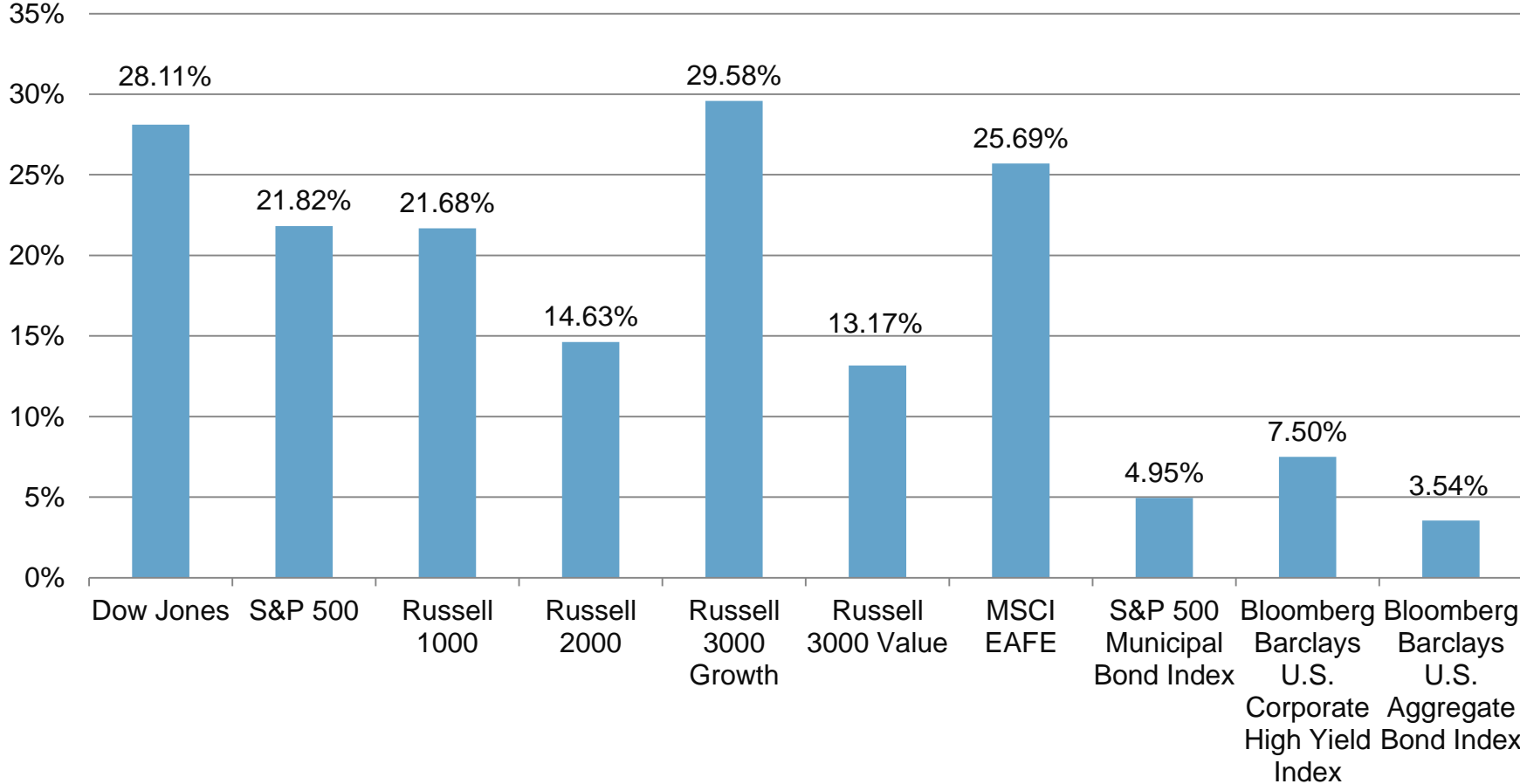
2017: Unprecedented low volatility



Sources: Putnam, Bloomberg.

For dealer use only. Not for public distribution.
PPT293 310759 5/18

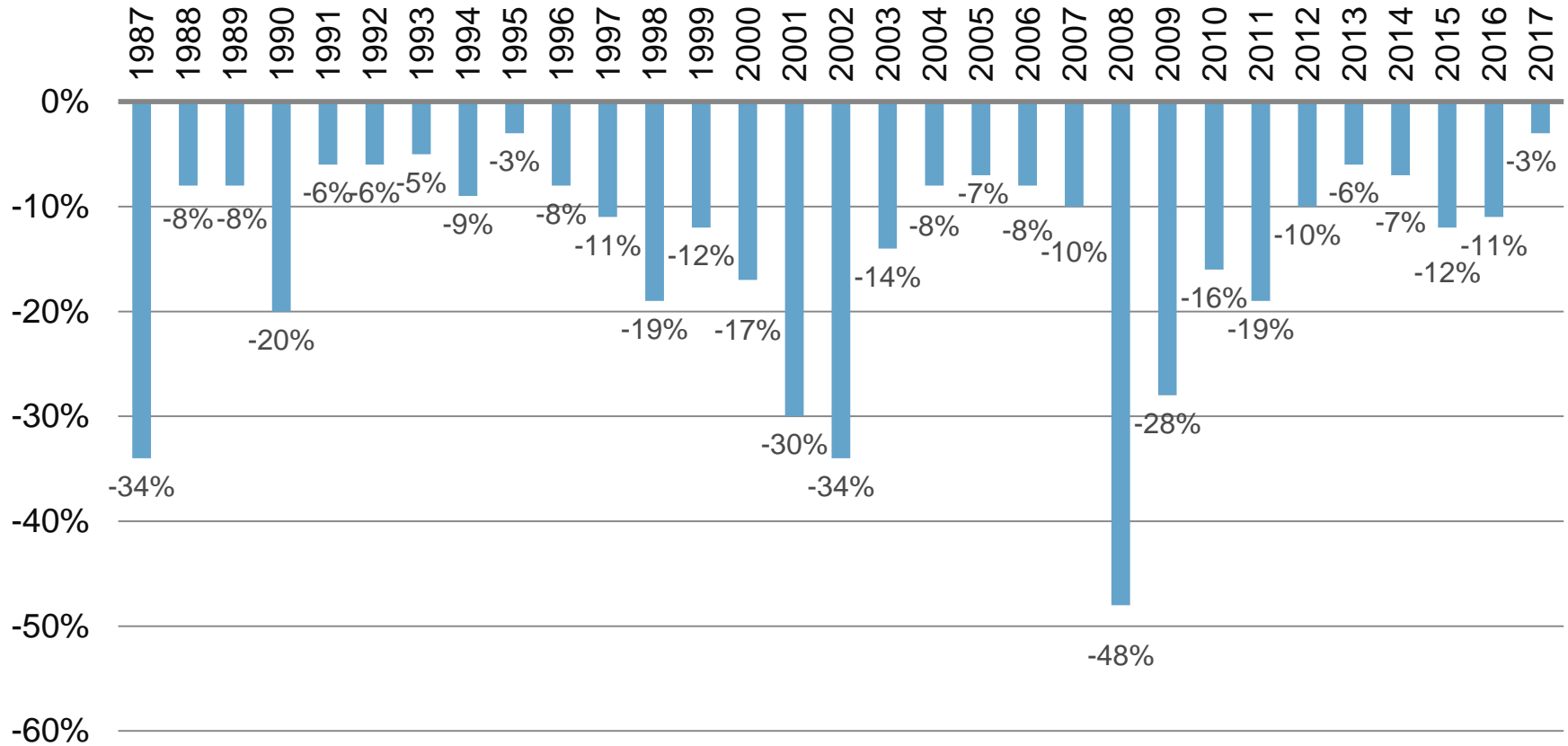
2017: Gains across all asset classes



Source: Putnam, Bloomberg.

For dealer use only. Not for public distribution.
PPT293 310759 5/18

2017: No major pullback/drawdown

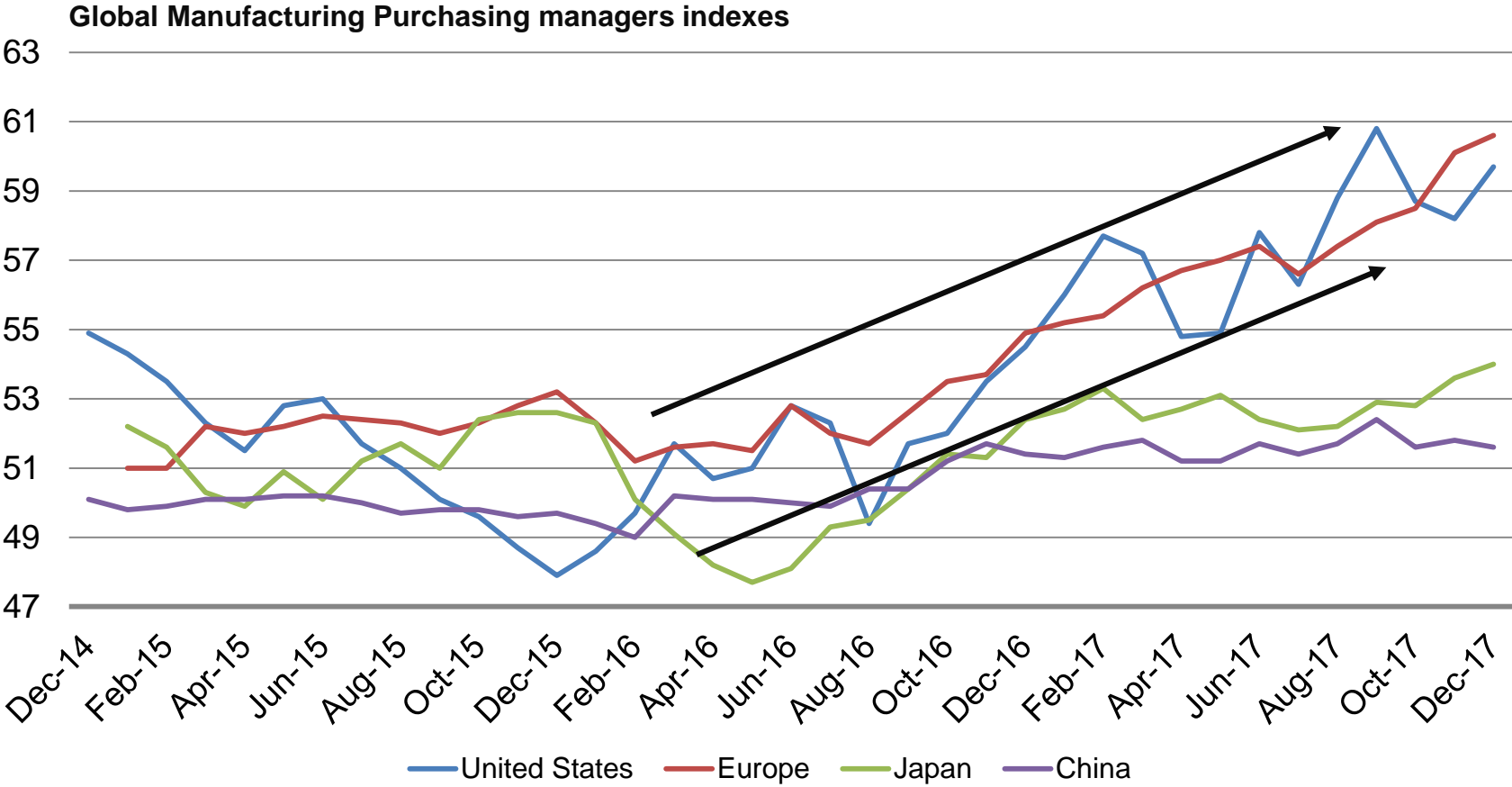


S&P 500 Index

Sources: Putnam, Bloomberg.

For dealer use only. Not for public distribution.
PPT293 310759 5/18

2017: Accelerating global economy



Sources: Putnam, Bloomberg.

For dealer use only. Not for public distribution.
PPT293 310759 5/18

An unloved bull market

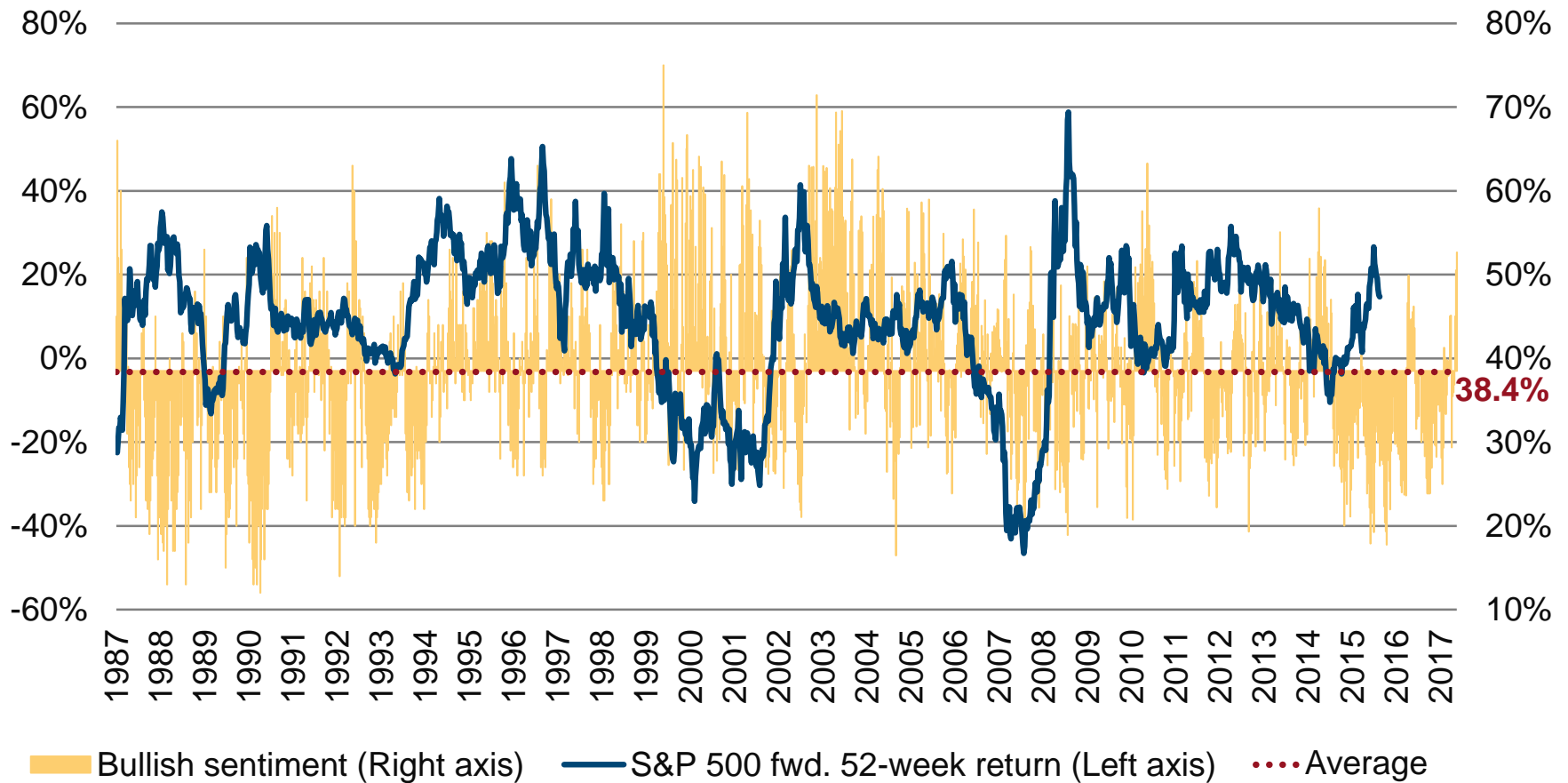
Net flows into mutual funds + ETFs (\$B)

Net Flows into mutual funds + ETFs (\$BN)						
Year	Domestic equity		International equity		Bond	Money Mkt
	MF	ETF	MF	ETF		
2009	-27.6	30.9	29.6	39.6	417.2	-539.1
2010	-81.1	46.7	56.7	41.5	262.0	-525.1
2011	-133.3	47.3	4.1	24.3	163.7	-124.1
2012	-159.1	80.9	6.4	51.9	358.5	-0.2
2013	18.1	104.1	141.4	62.8	-59.0	15.0
2014	-60.2	141.5	85.4	46.6	94.5	6.2
2015	-170.8	65.4	93.9	109.7	29.4	21.5
2016	-235.4	167.6	-24.5	20.1	190.1	-30.3
2017 YTD	-193.2	152.0	71.9	146.5	362.0	59.0
TOTAL	1,042.5	836.3	464.9	543.0	1,818.4	1,117.1

Sources: Strategas, ICI, 11/30/17.

For dealer use only. Not for public distribution.
PPT293 310759 5/18

The bright side of investor pessimism



Sources: Putnam, Bloomberg.

Notes: AAI Sentiment Survey may be positive for stocks.

Bull markets are born in pessimism, grow in skepticism.

For dealer use only. Not for public distribution.
 PPT293 310759 5/18

Reagan policy vs. Trump policy

	Reagan	Trump
Tax plan	<ul style="list-style-type: none"> • Lowered the marginal tax rate by over 20% • Reduced estate taxes and capital gains tax • Accelerated Cost Recovery System 	<ul style="list-style-type: none"> • Plans to cut the marginal tax rate • Plans to repeal the estate tax and reduce capital gains tax • Lower corporate taxes
Investment	Massively expanded defense spending	Infrastructure and defense spending in the pipeline
Regulation	Deregulated multiple sectors	Plans deregulation in the health-care, finance, and energy sectors

Sources: Putnam, Bloomberg, the World Bank.

Reagan policy vs. Trump policy

	Reagan	Trump
Inflation (Core CPI)	11% when he took office in 1981	2.1% Core CPI
GDP	Fell to -1.9% in 1982	2.2% growth for U.S. GDP in 2017
10-year Treasury	15% in 1981	2.44% at December 31, 2016
Unemployment	9.6% in 1983	4.7% at December 31, 2016

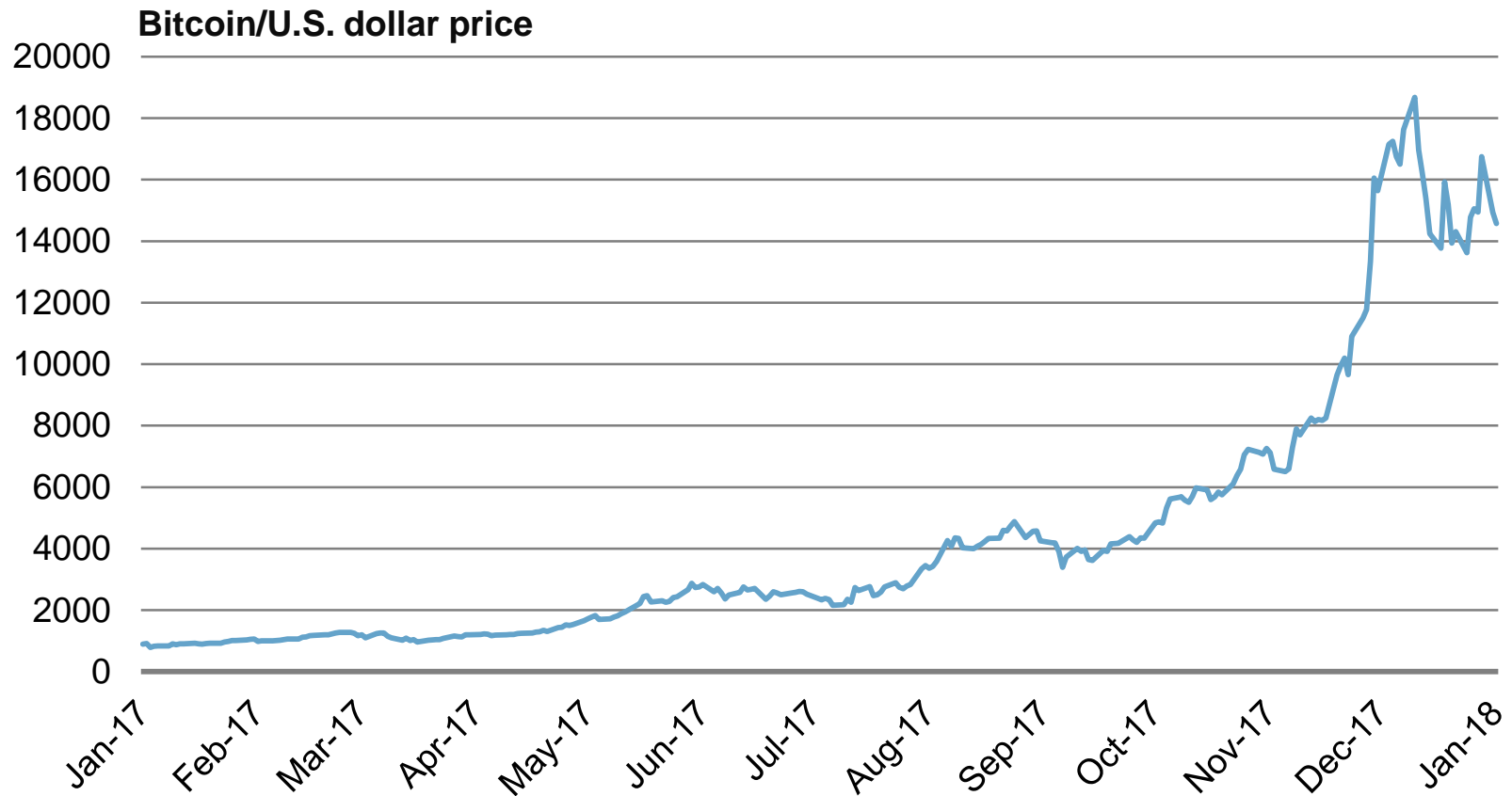
Sources: Bloomberg, the World Bank.

For dealer use only. Not for public distribution.
PPT293 310759 5/18

Extraordinary results from Reaganomics

- U.S. real GDP growth averaged 3.5%
- Unemployment dropped nearly by half
- Inflation fell from approximately 12% to 4%
- Fed funds rates was nearly halved

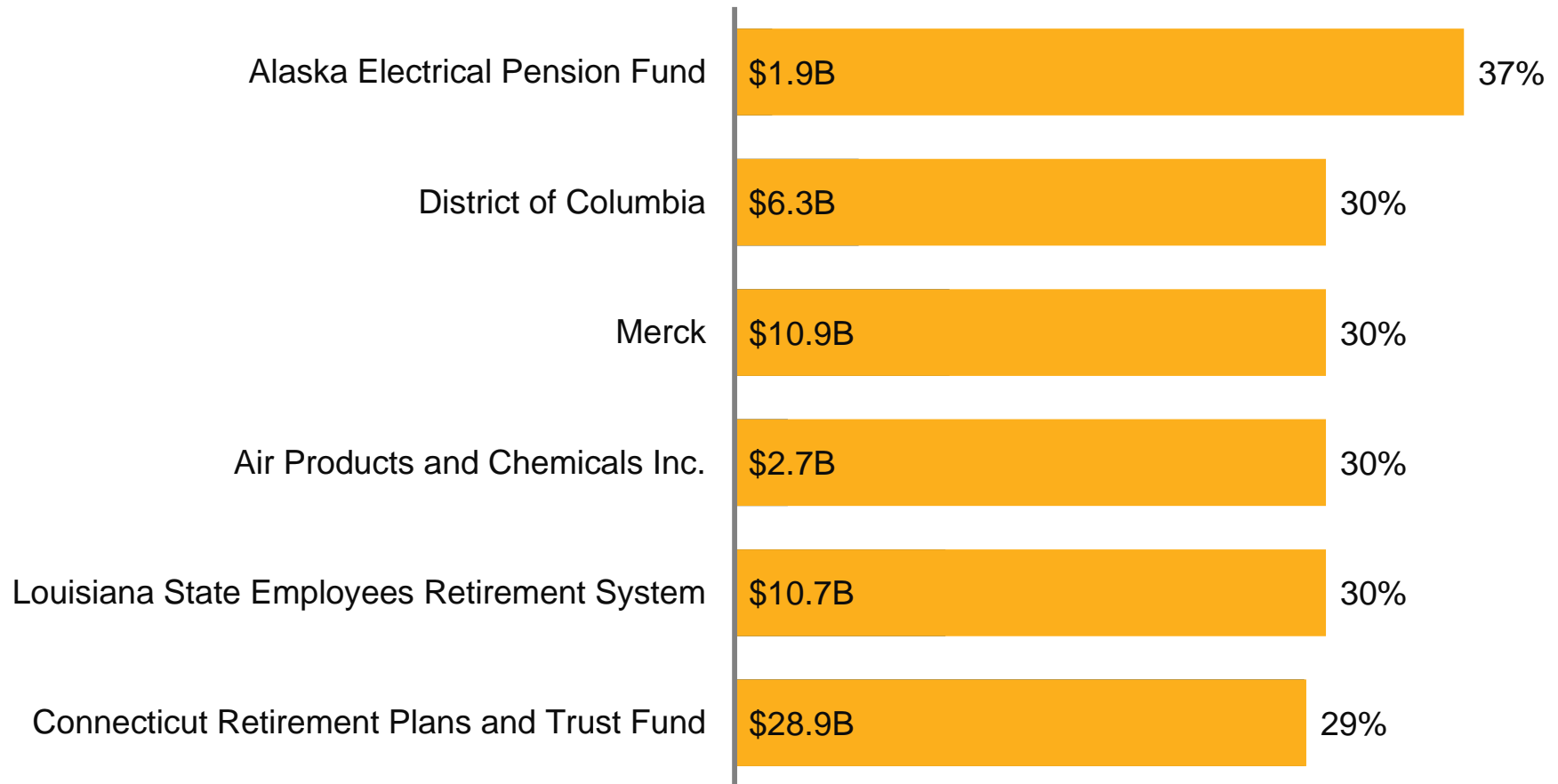
2017: Bitcoin mania



Source: Putnam, Bloomberg.

For dealer use only. Not for public distribution.
PPT293 310759 5/18

International allocations for sample U.S. retirement plans



Source: *Pensions & Investments* magazine, 2015.

For dealer use only. Not for public distribution.
PPT293 310759 5/18

High yield and bank loans in rising-interest-rate environments

Weakest 5 years of government/Treasury returns versus other asset classes, 1985–2017

	Gov't	Aggregate	High yield	Bank loans	S&P 500
1994	-3.37	-1.61	-1.03	—	1.32
1999	-2.23	1.86	2.39	—	21.04
2009	-2.20	5.93	58.21	53.84	26.47
2012	2.02	4.22	15.81	10.23	16.00
2013	-2.60	-2.02	7.44	5.39	32.38

Interest-rate sensitivity compared with other sectors as of 12/31/17

	YTW	Coupon	Duration
High yield	5.72	6.39	3.86
Bank loans	5.19	4.86	0.28
5-yr Treasury	2.19	2.00	4.58
10-yr Treasury	2.41	2.25	8.82
A-rated corporates	3.03	3.74	7.61
BBB-rated corporates	3.54	4.32	7.60

Sources: Bloomberg Barclays Government, U.S. Treasury Bellwethers, High Yield, and Aggregate indices; S&P/LSTA Loan Index. Indexes are unmanaged and do not incur expenses. You cannot invest directly in an index. Past performance is not a guarantee of future results.

For dealer use only. Not for public distribution.
PPT293 310759 5/18



Putnam
INVESTMENTS