

# ACTIVE VOICE *from Putnam Investments*

## Leading smart change

Q&A with Robert L. Reynolds, President and CEO, Putnam Investments



In this edition of *Active Voice*, Cathy Saunders, Head of Public Policy and Advocacy, hosts a conversation with Robert L. Reynolds, President and CEO of Putnam Investments, on the state of the investment industry; the role of environmental, social, and governance (ESG) strategies; innovation at Putnam; and lessons learned over the past year.

**The world's experience with the Covid-19 pandemic and market recently passed the one-year mark. What are some of your reflections looking back?**

When we at Putnam began remote work on March 13, 2020, we thought we might be there through Memorial Day, then July 4, then Labor Day. But here we are. Our team proved very resourceful — productivity is up across the board, we had one of our best years, and momentum is continuing into 2021.

**How would you characterize the first 100 days of the new leadership in Washington, particularly regarding retirement savings policy?**

Any time there's a change in administration — and this year there was also a change in the Senate — there are adjustments. But the majorities are razor thin, so government is walking a very fine line. For our industry, federal tax incentives for retirement saving are often considered low-hanging fruit. Since workplace savings are invested before taxes, they grow tax free and then are only taxed upon distribution (except for Roth IRAs). The retirement savings sector is heavily regulated, and we are working with new leadership at the Department of Labor and other agencies.

**What do you anticipate with the proposed Securing a Strong Retirement Act (aka "SECURE Act 2.0")?**

The SECURE Act 2.0 bill enjoys robust bipartisan support, as did previous retirement legislation such as the Pension Protection Act (2006) and the SECURE Act (2019). Workplace savings works — fully 75% of workers with access to plans are saving for retirement, as compared with 10% outside of plans. Roughly 55%–60% of workers have access to ERISA-regulated plans.<sup>1</sup> We need to expand coverage, and SECURE Act 2.0 will help.

<sup>1</sup> U.S. Department of Labor, Bureau of Labor Statistics, "National Compensation Survey: Employee Benefits in the United States, March 2019."

**During the Covid-19 market turmoil, defined contribution retirement savers stayed the course. Few changed investment allocations or savings levels and even fewer cashed out their portfolios.**

The 401(k) savings system is stable and efficient. Many years ago, when the industry shifted from giving savers access to their accounts from quarterly to daily, I recall that the number of transactions were cut in half. Today, some 70% of 401(k) inflows are directed to managed solutions like target-date funds,<sup>2</sup> which, in my opinion, are “packaged advice,” making it easier for savers to succeed and harder to fail.

**Do you consider ESG factors to represent a philosophy, an investment category, a product, or a way to manage Putnam Investments?**

All of the above. Europe is ahead in this area, but U.S. ESG strategies are steadily rising. Some five years ago we hired Katherine Collins, our Head of Sustainable Investing, who has been applying an ESG approach to all parts of our investment platform — equity, income, and multi-asset. For the first two years of this effort, we worked to engrain ESG into people’s thinking. Then, three years ago we made ESG the mandate for two of our equity funds. Our ESG funds are in high demand among investors across all age groups.

**One feature of ESG investing gaining new prominence in our industry is a focus on diversity.**

To succeed in a competitive industry, you need the best people. And of course, excellence doesn’t correspond to gender, race, sexual orientation, or anything else. The best professionals are always in demand, so we’ve developed a first-class recruiting effort. Over 50% of retail assets under management at Putnam have women on the portfolio management team, well above the industry average.<sup>3</sup>

**What’s on top of Putnam’s innovation agenda?**

Putnam is an engine that strives to generate alpha. And we deliver that alpha through many different forms — mutual funds, collective investment trusts (CITs), and separately managed accounts (SMAs). We’ve recently added four active exchange-traded funds (ETFs) to the mix. In terms of strategies, we are delivering absolute return and hedge funds. We deliver clients what they need — not what we think they ought to want.

**Our principle is to be “always active” — in investment strategies, distribution, service, and policy engagement. Where are the next active opportunities to be found?**

We’re totally open to new ideas and new thinking with a view to maximizing opportunities. We’ve trimmed the number of funds in our lineup, and we are studying market consolidation very closely. We offer a variety of investment strategies to serve investors as markets evolve, as in the recent shift from growth to value. Putnam is an active manager. This means we manage the company actively, embracing change in an industry that demands constant change.

**What lessons have you learned over the past 12 months that have helped you focus on your “true north?”**

The importance of listening. The key to our success is a passion to understand what’s really happening — to learn new things and to be open to new ideas. Today, the future is as bright as I’ve ever seen. Investors need good advice, and we believe they need our investment products. Putnam is right in the middle of it. We’re in a great position to help people. So, we will be there.

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2 Sarah Holden, Jack VanDerhei, and Steven Bass, “401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2018,” EBRI Issue Brief, no. 526, and ICI Research Perspective, vol. 27, no. 2 (March 2021).

3 Asset data as of 12/31/20; Flowspring Research 2018.

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