

Understanding collective investment trusts

CITs are pooled investment vehicles that offer a number of potential advantages for retirement investors.

CITs meet a growing demand for low-cost retirement plan vehicles

Retirement consistently ranks as the number one savings goal. However, the key vehicle for retirement savings may be changing.

CITs have become more popular in recent years as the retirement industry has placed a greater focus on pricing and design flexibility. Lower administrative, management, and communications costs typically give CITs a cost advantage over mutual funds.

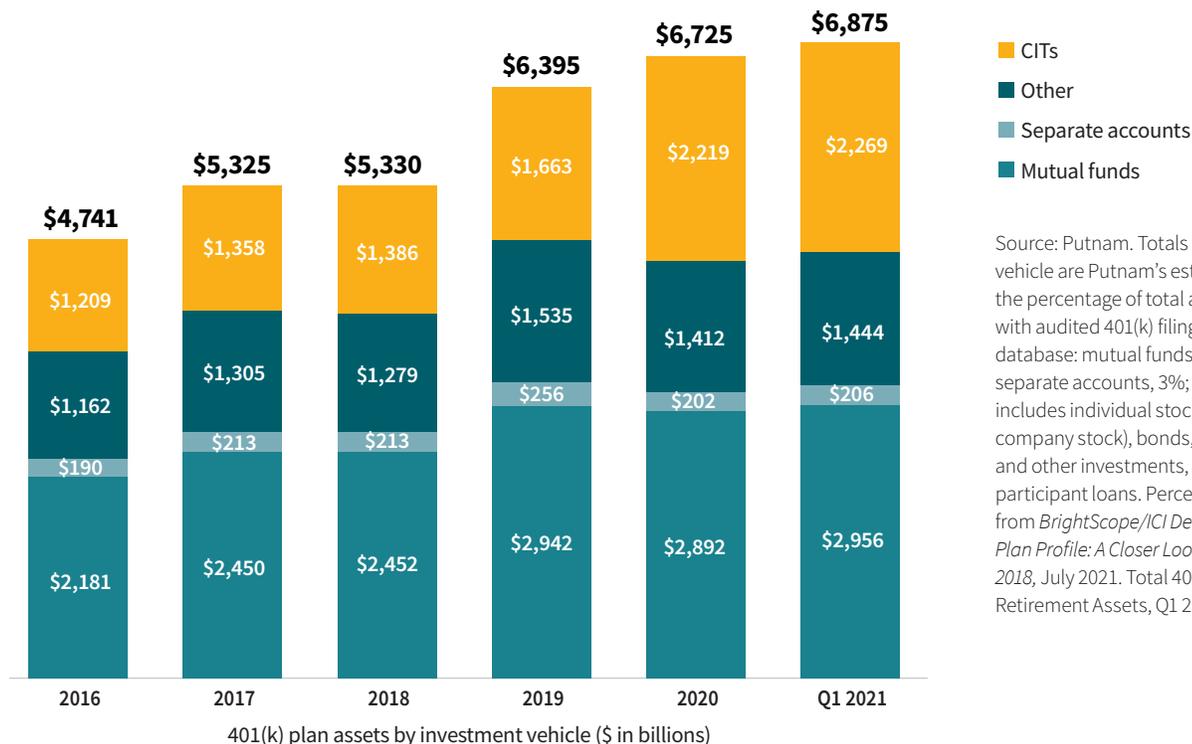
CITs are the most popular investment vehicle in 401(k) plans with more than \$1 trillion in assets.*

CITs are becoming a complement to mutual funds. Since 2015, assets in target-date CITs have grown to represent 42% of target-date assets versus 32%, while mutual funds now represent 58% of assets versus 68% in 2015.†

* Source: The BrightScope/ICI Defined Contribution Plan Profile: A Close Look at 401(k) Plans, 2018 (July 2021).

† Source: Sway Research, 2021.

CITs are claiming a larger share of total retirement plan assets



Source: Putnam. Totals by investment vehicle are Putnam's estimates based on the percentage of total assets among plans with audited 401(k) filings in the BrightScope database: mutual funds, 43%; CITs, 33%; separate accounts, 3%; other, 21%. Other includes individual stocks (including company stock), bonds, brokerage, GICs, and other investments, and excludes participant loans. Percentages of plan assets from BrightScope/ICI Defined Contribution Plan Profile: A Closer Look at 401(k) Plans, 2018, July 2021. Total 401(k) data from ICI Retirement Assets, Q1 2021.

Differences between CITs and mutual funds

	CITs	Mutual funds
Available plan types	ERISA plans; some other plans	ERISA and non-qualified plan; other U.S. investors
Regulator	Office of the Comptroller of the Currency or state banking regulators. In addition, the Dept. of Labor administers ERISA, which applies to CITs.	Securities and Exchange Commission (SEC)
Fees	Fees vary by share class, with greater overall flexibility than mutual funds; no 12b-1 fees	Fees vary by share class; 12b-1 fees permitted
Oversight	The bank or trust company is the trustee and acts as ERISA fiduciary.	Board of mutual fund directors/trustees provides independent oversight of investment management. The Investment Company Act of 1940 also requires a detailed compliance program.
Performance information	Growing availability via Morningstar, fi360, and other evaluation systems	Widely available on news and financial information websites
Requirements	Fewer required filings	More heavily regulated with greater SEC filing requirements

Contact your Putnam DC Investment Specialist at 1-866-478-8626. Putnam offers CITs in important categories for plans: Putnam Stable Value Fund, Putnam Retirement Advantage Trust, and equity choices such as Large Cap Value, Large Cap Growth, and Small Cap Growth.

Consider these risks before investing: Putnam Stable Value Fund seeks capital preservation, but there can be no assurances that it will achieve this goal. The fund's returns will fluctuate with interest rates and market conditions. The fund is not insured or guaranteed by any governmental agency. 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 risk than short-term bonds. Unlike bonds, bond funds have ongoing fees and expenses. Lower-rated bonds may offer higher yields in return for more risk. Funds that invest in government securities are not guaranteed. Mortgage-backed securities are subject to prepayment risk. The use of derivatives involves additional risks, such as the potential inability to terminate or sell derivatives positions and the potential failure of the other party to the instrument to meet its obligations. The fund may be exposed to risks associated with the providers of any wrap contracts (synthetic GICs) covering with the fund's assets, including credit risk and capacity risk. You can lose money by investing in the fund.

Value stocks may fail to rebound, and the market may not favor value-style investing. Income provided by the fund may be reduced by changes in the dividend policies of, and the capital resources available at, the companies in which the fund invests. Stock values may fall or fail to rise over time for several reasons, including general financial market conditions, changing market perceptions, changes in government intervention in the financial markets, and factors related to a specific issuer, industry, or sector. 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.

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. Lower-rated bonds may offer higher yields in return for more risk. Funds that invest in government securities are not guaranteed. Mortgage-backed securities are subject to prepayment risk and the risk that they may increase in value less when interest rates decline and decline in value more when interest rates rise. *Money market options are not insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other governmental agency. Although the funds seek to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in these funds.* 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 greater for longer-term bonds, and credit risk is greater for below-investment-grade bonds. Risks associated with

derivatives include increased investment exposure (which may be considered leverage) and, in the case of over-the-counter instruments, the potential inability to terminate or sell derivative positions and the potential failure of the other party to the instrument to meet its obligations. Unlike bonds, funds that invest in bonds have fees and expenses. You can lose money by investing in the funds.

Putnam Fiduciary Trust Company, LLC (PFTC), a non-depository New Hampshire trust company, manages, and distributes collective investment trusts in the Target Date, Stable Value, and Large Cap Value strategies. PFTC also manages collective investment trusts in the Equity strategies that are sponsored by Wilmington Trust, N.A. (the "Trustee"), which serves as the Trustee of these Funds and maintains ultimate fiduciary authority over the management of, and investments made in, the Funds. The Equity strategies are part of the Wilmington Trust Collective Investment Trust operated by the Trustee. It is important to note collective investment trusts are not FDIC insured; not a deposit or other obligation of, and not guaranteed by, Wilmington Trust or PFTC including any of its affiliates. The funds are not mutual funds registered under the Investment Company Act of 1940, and their units are not registered under the Securities Act of 1933. The funds are only available for investment by eligible, qualified retirement plan trusts, as defined in the Declaration of Trust and the Participation Agreement.

Each Retirement Advantage Trust has a different target date indicating when the trust's investors expect to retire and begin withdrawing assets from their account. The dates range from 2025 to 2065 in five-year intervals. The trusts are generally weighted more heavily toward more aggressive, higher-risk investments when the target date of the trust is far off, and more conservative, lower-risk investments when the target date of the trust is near. This means that both the risk of your investment and your potential return are reduced as the target date of the particular trust approaches, although there can be no assurance that any one trust will have less risk or more reward than any other trust. The principal value of the trusts is not guaranteed at any time, including the target date.

ERISA is the Employee Retirement Income Security Act, a federal law that sets standards for retirement plans.

Your clients should carefully consider the investment objective, risks, charges, and expenses of a fund before investing. To request the offering document or prospectus of the fund call Putnam Client Engagement Center at 1-800-354-4000. Your clients should read the offering document carefully before investing.