

Q1 2017 | Putnam Investors Fund and Putnam Multi-Cap Core Fund Q&A

Exuberance eases a bit in a solid first quarter for U.S. equities



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Industry since 1982

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Despite recent weakness, I believe the financials sector is one of the most promising areas of the U.S. equity market today.

I am generally avoiding the more defensive stocks, which I believe are too expensive considering their anemic growth prospects.

U.S. equities continued to advance in the first quarter. What are your thoughts on market conditions today?

U.S. equities have moved pretty well since the November election, but the market has cooled a bit recently, and I would describe the first quarter's advance as a reluctant rally. Much of the reluctance is based on political issues — particularly the progress, or lack thereof, with President Trump's agenda. We are likely to continue seeing the market move in fits and starts as the administration works to get changes through Congress.

I believe the forces still are in place for continued improvement in U.S. business and economic growth. Sentiment is playing an important role — there seems to be a greater level of confidence from both company managements and consumers. I believe this positive sentiment is already reflected in higher wages and improving employment data. Also, despite possible delays and battles in Congress, businesses generally believe that the administration is looking out for their best interests with a pro-growth agenda that seeks to lower taxes and lighten some of their regulatory burdens.

Financial stocks have been a highlight of your portfolios, particularly when the sector rallied in late 2016. What is your view on financial stocks today?

I continue to maintain overweight positions in financials, although I trimmed them a bit after their strong run. After finishing among the top sectors in 2016, financial stocks weakened quite a bit in the first quarter, with the S&P Financials Index delivering the lowest return among S&P 500 sectors. The downturn was largely the result of growing concerns about the prospects for tax reform and deregulation.

I still believe this sector is one of the most promising areas of the U.S. equity market today. This is due to my positive outlook for economic growth. As I mentioned, wages are increasing and businesses are hiring. In addition, the PMI Index — a gauge of manufacturing activity — reached its highest level since 2014. Financial institutions have also become much more efficiently managed since the 2008 global financial crisis. When the economy accelerates in a more meaningful way, they will be among the greatest beneficiaries, in my view.

What are some other areas of interest to you?

Although airline stocks have advanced significantly, my view remains positive for the industry, and I've generally maintained the funds' positions there. I believe more revenue growth is in store for airlines as they continue to demonstrate tighter capacity control. Airline stocks underperformed throughout most of 2016 after the industry took steps to grow capacity — adding flights or available seats — to prepare for increased demand. This resulted in a supply/demand imbalance that squeezed profit margins. Since then, however, we have seen a trend in which airlines are cutting back on capacity, and I believe that is a recipe for better pricing.

I am generally avoiding the more defensive areas of the market, such as consumer staples, utilities, and real estate investment trusts. In my view, these stocks are much too expensive considering their anemic growth prospects. I am also proceeding cautiously with health-care stocks, as pharmaceutical and biotechnology companies continue to face pricing pressure.

Putnam Investors Fund (PNVYX)

Annualized total return performance as of 3/31/17

Class Y shares Inception 1/7/97	Net asset value	S&P 500 Index
Last quarter	5.62%	6.07%
1 year	20.23	17.17
3 years	8.85	10.37
5 years	12.85	13.30
10 years	6.14	7.51
Life of fund	9.31	—*

Total expense ratio: 0.80%

* Putnam Investors Fund predates the S&P 500 Index by more than 25 years.

Putnam Multi-Cap Core Fund (PMYYX)

Annualized total return performance as of 3/31/17

Class Y shares Inception 9/24/10	Net asset value	Russell 3000 Index
Last quarter	5.63%	5.74%
1 year	21.71	18.07
3 years	8.78	9.76
5 years	14.07	13.18
Life of fund	15.88	14.04

Total expense ratio: 0.79%

Returns for periods of less than one year are not annualized.

Recent performance may have benefited from one or more legal settlements.

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. For Investors Fund, class Y shares before their inception are derived from the historical performance of class A shares (inception, 12/1/25), which have not been adjusted for the lower expenses; had they, returns would have been higher. For a portion of the periods, these funds may have had expense limitations, without which returns would have been lower. Class Y shares are generally only available for corporate and institutional clients and have no initial sales charge.

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The views and opinions expressed are those of Gerard P. Sullivan, Portfolio Manager, as of March 31, 2017. They are subject to change with market conditions and are not meant as investment advice.

Consider these risks before investing: Growth stocks may be more susceptible to earnings disappointments, and value stocks may fail to rebound. Stock prices may fall or fail to rise over time for several reasons, including general financial market conditions and factors related to a specific issuer or industry. You can lose money by investing in the funds. For Multi-Cap Core Fund, these risks also apply: Investments in small and/or midsize companies increase the risk of greater price fluctuations.

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Request a prospectus or summary prospectus from your financial representative or by calling 1-800-225-1581. The prospectus includes investment objectives, risks, fees, expenses, and other information that you should read and consider carefully before investing.