

PUTNAM SMALL CAP GROWTH FUND

William J. Monroe, CFA
 Portfolio Manager

Average annual total returns and fund expenses (%)

as of March 31, 2024

Class A	3-mo	1-yr	5-yr	10-yr	Expenses	
					Gross	Net
Excluding sales charges	15.99	33.26	14.69	11.59	1.25	1.25
Including effects of maximum sales charges	9.32	25.59	13.34	10.93	1.25	1.25
Class Y	16.07	33.58	14.98	11.87	1.00	1.00
Russell 2000 Growth Index	7.58	20.35	7.38	7.89	-	-

Maximum initial sales charge -- Class A: 5.75%

Performance data quoted represents past performance, which does not guarantee future results. Current performance may be lower or higher than the figures shown. Principal value and investment returns will fluctuate, and investors' shares, when redeemed, may be worth more or less than the original cost. Performance would have been lower if fees had not been waived in various periods. Total returns assume the reinvestment of all distributions and the deduction of all fund expenses. Returns for class Y shares prior to their inception are derived from the historical performance of class A shares, which have not been adjusted for their lower expenses; had they, returns would have been higher. Class Y shares, available to investors through an asset-based fee program or for institutional clients, are sold without an initial sales charge and have no CDSC. Returns for periods of less than one year are not annualized. All classes of shares may not be available to all investors or through all distribution channels. For current month-end performance, please visit www.putnam.com.

Gross expenses are the fund's total annual operating expenses as of the fund's prospectus available at the time of publication. Net expenses are capped under a contractual agreement, which cannot be terminated prior to 10/30/2024 without Board consent. Actual expenses may be higher and may impact portfolio returns.

The **Russell 2000 Growth Index** measures the performance of the small-cap growth segment of the U.S. equity universe. Source: FTSE. Important data provider notices and terms available at www.franklintempletondatasources.com. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

Market review

After a weak start, the small-cap growth equity universe ended the first quarter in positive territory, as measured by the Russell 2000 Growth Index. Much of the market's attention was focused on the Federal Reserve after late-2023 comments from Chair Jerome Powell confirmed the market's hopes that the rate-hiking cycle was over. Now, despite inflation remaining above the target 2% rate and stronger-than-anticipated employment data, the conversation has shifted to how many rate cuts we might see in 2024.

Portfolio performance

The portfolio posted strong absolute and relative results during the quarter. Outperformance during the period was driven by stock selection, though sector allocation efforts also proved beneficial. The portfolio saw positive total attribution in 11 of 11 sectors during the period. The industrials and health care sectors drove relative results, while the real estate sector was the smallest contributor during the period.

It is worth noting that Portfolio Manager Bill Monroe marked his seven-year anniversary on the portfolio on March 31, 2024. During his tenure, the portfolio has offered an attractive performance and risk profile, with +682 basis points of excess return and an up/down capture ratio of 100.8/77.8 (class Y shares, net of fees, as of 3/31/24.)

The portfolio's long-term position in Kinsale Capital (financials), an out-of-benchmark holding, was the top contributor for the period. Other strong performers included out-of-benchmark holding EMCOR (industrials) and an overweight position in Comfort Systems (industrials). Both companies are in the mechanical and electrical construction and facilities services segment. Elsewhere in the portfolio, an

out-of-benchmark position in Five Below (consumer discretionary) weighed on relative results, as did overweight positions in Cytokinetics (health care) and ConMed (health care).

Portfolio positioning

Because our investment criteria are grounded on company fundamentals, the least favorable environments for our approach would be abnormal or irrational market conditions. For example, when fundamentals matter less and/or the market is focused on a narrow subset of sectors or factors. During periods of short-term market dislocations, the strategy may generate returns that differ materially from its benchmark.

By sector, we typically remain within +/-10% of benchmark weight for major growth sectors and within +/-5% for minor growth sectors. As of quarter-end, the largest overweight allocations relative to the benchmark are to the industrials, materials, and consumer discretionary sectors. The portfolio's largest sector underweights are to the health care and communication services sectors.

During the period, we exited several positions in the health care sector as we lost conviction in medium-term prospects for a few individual companies. We also exited a position in Integral Ad Science after weaker earnings results tempered the outlook for profits.

Top 10 holdings (%)	
Super Micro Computer	3.50
Comfort Systems USA	2.68
Medpace	2.24
Kinsale Capital Group	2.19
Emcor	2.09
Installed Building Products	2.09
Eagle Materials	1.94
Nova	1.77
HealthSouth	1.74
Manhattan Associates	1.73

Sector allocation (%)	
Information Technology	23.9
Industrials	23.7
Health Care	18.1
Consumer Discretionary	11.8
Materials	5.9
Financials	4.8
Consumer Staples	3.9
Energy	3.8
Real Estate	1.0
Cash/Other	3.0

Percentages are based on total portfolio as of quarter end and are subject to change at any time. For informational purposes only and not to be considered a recommendation to purchase or sell any security.

Definitions and additional terms:

Please note that an investor cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

The **Federal Reserve Board ("Fed")** is responsible for the formulation of policies designed to promote economic growth, full employment, stable prices and a sustainable pattern of international trade and payments.



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What should I know before investing?

All investments involve risks, including possible loss of principal. Small- and mid-cap stocks involve greater risks and volatility than large-cap stocks. The **investment style** may become out of favor, which may have a negative impact on performance. To the extent the portfolio invests in a **concentration of certain securities, regions or industries**, it is subject to increased volatility. **Active management** does not ensure gains or protect against market declines. The manager may **consider environmental, social and governance (ESG) criteria** in the research or investment process; however, ESG considerations may not be a determinative factor in security selection. In addition, the manager may not assess every investment for ESG criteria, and not every ESG factor may be identified or evaluated. These and other risks are discussed in the fund's prospectus.

Putnam funds are not exchangeable for funds distributed by Franklin Distributors, LLC.

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Portfolio holdings and sector allocations may not be representative of the portfolio manager's current or future investment and are subject to change at any time.

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