

## Q2 2020 | Putnam Growth Opportunities Fund Q&A

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# Strong quarterly performance and a new growth theme



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Industry since 2004



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Industry since 2008

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*We are observing significant changes in areas such as consumer purchasing preferences, human communication, and workflows.*

*We have identified many businesses that are likely to become even stronger in the aftermath of the COVID-19 crisis.*

### **Market conditions remained volatile in the second quarter. How did the fund perform?**

The fund delivered a solid return for the quarter and outperformed its benchmark, the Russell 1000 Growth Index. We are pleased to report that the fund also outperformed its benchmark for the 1-, 3-, 5-, and 10-year periods ended June 30, 2020.

### **What is your perspective on the pandemic and its impact on businesses?**

There is still much uncertainty surrounding COVID-19, but it is becoming clear that there will be notable differences between our pre- and post-pandemic worlds. Across the business landscape, we are already observing significant changes in areas such as consumer purchasing preferences, human communication, and workflows.

Once the dust settles, we believe many companies will be beneficiaries. In our research, we are looking beyond those businesses that have simply benefited from a closed economy. To meet our investment criteria, they must offer strong and durable growth potential over the long term. We have identified many businesses that have been resilient and strong during the COVID-19 crisis and that, in our view, are likely to become even stronger in the aftermath.

### Your theme-based approach is a distinct feature of the fund, and a new theme has emerged from the pandemic. Could you tell us about that?

Our thematic approach is a critical part of our investment process. Together with a team of analysts, we examine global trends as well as problems and potential solutions. From this analysis, we identify which themes could drive sustained growth for businesses over a multi-year time horizon.

Our newest growth theme is “viral effects.” This idea developed through our discussions about COVID-19-related behavioral trends and potential changes across a multitude of industries. We considered what will be different as we come out on the other side of the pandemic, what the new normal will look like, and which companies will benefit in a radical and durable way.

### What is your outlook and how are you positioning the portfolio in the coming months?

As active managers, we are able to take advantage of shifting market and economic conditions. Our intense focus on portfolio positioning and downside risk may be especially beneficial with swift and unexpected events such as the COVID-19 pandemic. As always, we are taking a patient and methodical approach while using market weakness and dislocations to add to existing holdings or to initiate new positions.

The macroeconomic uncertainty is challenging, but we believe the current environment presents opportunities. There are many stocks that had been on our radar for months, if not years, but did not make it into our portfolio for various reasons, often due to their high valuations. Today, valuations have become much more attractive for a number of businesses that meet our investment criteria.

### Putnam Growth Opportunities Fund (PGOYX)

Annualized total return performance as of 6/30/20

Class Y shares Inception 7/1/99	Net asset value	Russell 1000 Growth Index
Last quarter	28.50%	27.84%
1 year	25.64	23.28
3 years	22.05	18.99
5 years	17.37	15.89
10 years	17.84	17.23
Life of fund	9.39	9.49

Total expense ratio: 0.78%

Returns for periods of 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 of class Y shares assumes reinvestment of distributions and does not account for taxes. 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. Performance for class Y shares before their inception are derived from the historical performance of class A shares (inception 10/2/95), which have not been adjusted for the lower expenses; had they, returns would have been higher. Recent performance may have benefited from one or more legal settlements. For the most recent month-end performance, please visit putnam.com.*

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For informational purposes only. Not an investment recommendation.

The views and opinions expressed are those of the portfolio manager, as of June 30, 2020. 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 the market may not favor growth-style investing. The value of investments in the fund's portfolio may fall or fail to rise over extended periods of time for a variety of reasons, including general economic, political, or financial market conditions; investor sentiment and market perceptions; government actions, geopolitical events, or changes;

and factors related to a specific issuer, geography, industry, or sector. These and other factors may lead to increased volatility and reduced liquidity in the fund's portfolio holdings. From time to time, the fund may invest a significant portion of its assets in companies in one or more related industries or sectors, which would make the fund more vulnerable to adverse developments affecting those industries or sectors. Our investment techniques, analyses, and judgments may not produce the outcome we intend. The investments we select for the fund may not perform as well as other securities that we do not select for the fund. We, or the fund's other service providers, may experience disruptions or operating errors that could have a negative effect on the fund. You can lose money by investing in the fund.

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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.**