

Q1 2022 | Putnam Growth Opportunities Fund Q&A

Navigating volatility in a difficult first quarter for markets



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We stayed focused on companies we believe can grow at above-market rates across a full economic cycle.

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How were investing conditions in the first quarter, and how did large-cap stocks fare?

It was a challenging quarter for large-cap growth stocks. Companies across most industries and sectors faced issues such as supply chain disruptions and higher costs for energy, labor, and materials. Concerns about Covid-19 variants and Russia's invasion of Ukraine weighed on investor sentiment as well. One of the biggest headwinds for the financial markets was concern about inflation and the potential for several interest-rate hikes in the coming year.

How did you manage the portfolio in this environment?

In a difficult environment for growth stocks, the fund performed in line with its benchmark for the first quarter. In managing the portfolio, we stayed focused on companies we believe can grow at above-market rates across a full economic cycle. This means high-quality companies with strong long-term growth potential and a narrow range of outcomes.

Could you describe some key components of your process?

Despite short-term headwinds, our process remains the same. We continue to prioritize above-market growth across a cycle, regardless of the economic backdrop. We focus on the return profiles of businesses we invest in, including return on invested capital, industry structure, and pricing power. We also prioritize an ownership culture, which includes insider ownership, divisional accountability, and managers who act like

owners. We seek businesses with high levels of recurring revenue, long-term customer contracts, the ability to set prices, and a lack of customer concentration.

What is your outlook as we begin a new quarter?

Looking ahead, we believe equity markets will remain volatile and growth will become scarcer than it was over the past year, meaning fewer companies will report strong earnings growth. Not all businesses will be able to adequately cope with the effects of inflation, supply chain disruptions, difficult earnings comparisons, and macroeconomic headwinds. As companies navigate this wide array of challenges, it's reasonable to assume we'll see a wider range of stock price outcomes in 2022 than in typical years. We believe this will be a favorable environment for our active management strategy because we focus on stocks with a narrower range of likely outcomes.

Putnam Growth Opportunities Fund (PGOYX)

Annualized total return performance as of 3/31/22

	Class Y shares Inception 7/1/99	Russell 1000 Growth Index
Last quarter	-9.06%	-9.04%
1 year	11.91	14.98
3 years	21.92	23.60
5 years	21.02	20.88
10 years	16.98	17.04
Life of fund	9.99	10.41

Total expense ratio: 0.74%

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 managers, as of March 31, 2022. They are subject to change with market conditions and are not meant as investment advice.

Consider these risks before 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.

Lower-rated bonds may offer higher yields in return for more risk. 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 generally greater for longer-term bonds, and credit risk is generally greater for below-investment-grade bonds.

Unlike bonds, funds that invest in bonds have fees and expenses. 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 derivatives positions and the potential failure of the other party to the instrument to meet its obligations. Floating-rate loans may reduce, but not eliminate, interest-rate risk. These loans are typically secured by specific collateral or assets of the issuer (so that holders of the loan, such as the fund, have a priority claim on those assets in the event of the issuer's default or bankruptcy). The value of collateral may be insufficient to meet the issuer's obligations, and the fund's access to collateral may be limited by bankruptcy or other insolvency laws.

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.