

Q4 2019 | Putnam Growth Opportunities Fund Q&A

A solid quarter and year for U.S. growth stocks



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Industry since 2004



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Industry since 2008

Stocks of large growth companies were among the best performers for 2019, which was the U.S. equity market's best year since 2013.

Although it underperformed in the fourth quarter, the fund outperformed its Russell 1000 Growth Index benchmark for the 1-, 3-, 5-, and 10-year periods ended December 31, 2019.

While some economic acceleration would be nice, we don't believe it is necessary for the holdings in our portfolio to outperform.

Richard, what can you tell us about investing conditions and fund performance for the fourth quarter?

It was a strong quarter for U.S. equities and for large-cap growth stocks in particular. The same is true for overall 2019 performance. Stocks of large growth companies were among the best performers for 2019, which was the U.S. equity market's best year since 2013.

For the quarter, the fund delivered a solid return, but underperformed its Russell 1000 Growth Index benchmark. However, the fund outperformed the benchmark for the 1-, 3-, 5-, and 10-year periods ended December 31, 2019.

The consumer sector is thriving while manufacturing is weak. What opportunities and risks does this trend present to your strategy, and how are you navigating them?

Consumer spending makes up two thirds of GDP, which makes it a powerful force within the economy. In the United States, consumer spending is quite healthy. Low interest rates, full employment, and stock market appreciation are some of the factors that have boosted consumer sentiment and driven spending.

Conversely, the industrial sector has encountered a bit of a slump, which some are calling a recession. In our portfolio, we are trying to balance the two. Together, consumer and industrial stocks make up about a quarter of the fund's holdings.

The industrials sector tends to be cyclical, but many of the industrial stocks we own are less sensitive to macroeconomic shifts. Among industrial companies, we look for the same characteristics we seek across all sectors of the portfolio — high levels of recurring revenue, high margins, and less cyclical business models. While some economic acceleration would be nice, we don't believe it is necessary for the holdings in our portfolio to outperform.

A thematic overlay is a distinct feature of your investment process. Could you provide an example of a recent growth theme?

One theme within our portfolio is personalized medicine. This refers to the customization of medical treatments, therapies, and approaches based on an individual patient's specific needs. We believe that, increasingly, patients' genetic makeup will factor into the therapy and treatment they receive. Many companies are making great strides in cell and gene therapy to help in the diagnosis and treatment of cancers and genetic diseases.

There are currently hundreds of treatments and programs in various phases of development. Rather than trying to forecast at this stage which individual businesses will be successful, we are invested in a company that provides a gene and cell therapy manufacturing facility for many businesses. The company offers the largest facility of this type in the world, and we believe it has the potential to benefit as customized treatments come to market.

Putnam Growth Opportunities Fund (PGOYX)

Annualized total return performance as of 12/31/19

Class Y shares Inception 7/1/99	Net asset value	Russell 1000 Growth Index
Last quarter	9.15%	10.62%
1 year	36.74	36.39
3 years	22.56	20.49
5 years	14.73	14.63
10 years	15.31	15.22
Life of fund	8.98	—
Total expense ratio: 0.78%		

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

Recent performance benefited from a settlement from Household International, a unit of HSBC Holdings Plc.

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 December 31, 2019. 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. 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.