

A world of investing.®



# Putnam Variable Trust

**Annual report**

**12 | 31 | 17**

Putnam VT  
Equity Income Fund

# Message from the Trustees

February 8, 2018

Dear Shareholder:

We enter 2018 on the heels of an impressive year for global stock markets. While bond market performance was a bit uneven in 2017, stocks in most regions worldwide delivered solid advances and encountered very little volatility. As seasoned investors, we realize that benign markets like this rarely last long, and we are monitoring risks accordingly.

Although no one can predict the direction of the markets in the months ahead, Putnam's experienced investment professionals actively seek to position their fund portfolios for all types of conditions. They take a research-intensive approach to investing that includes risk management strategies designed to serve investors through changing markets.

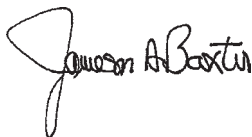
In all environments, we believe investors should remain focused on time-tested strategies: maintain a well-diversified portfolio, think about long-term goals, and speak regularly with your financial advisor. In the following pages, you will find an overview of your fund's performance for the reporting period as well as an outlook for the coming months.

Thank you for investing with Putnam.

Respectfully yours,



**Robert L. Reynolds**  
President and Chief Executive Officer  
Putnam Investments



**Jameson A. Baxter**  
Chair, Board of Trustees

## Performance summary (as of 12/31/17)

### Investment objective

Capital growth and current income

### Net asset value December 31, 2017

Class IA: \$26.94

Class IB: \$26.69

### Total return at net asset value

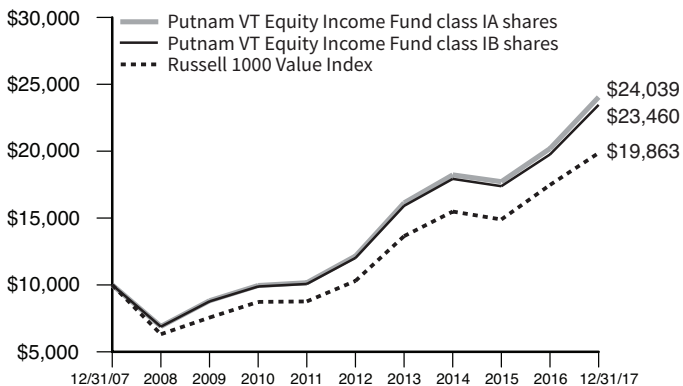
| (as of 12/31/17)* | Class IA shares† | Class IB shares† | Russell 1000 Value Index |
|-------------------|------------------|------------------|--------------------------|
| 1 year            | 19.06%           | 18.77%           | 13.66%                   |
| 5 years           | 97.75            | 95.23            | 92.86                    |
| Annualized        | 14.61            | 14.32            | 14.04                    |
| 10 years          | 140.39           | 134.60           | 98.63                    |
| Annualized        | 9.17             | 8.90             | 7.10                     |
| Life              | 327.08           | 311.99           | 279.75                   |
| Annualized        | 10.41            | 10.13            | 9.52                     |

For a portion of the periods, the fund had expense limitations, without which returns would have been lower.

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

† Class inception date: May 1, 2003.

### Cumulative total returns of a \$10,000 investment in class IA and class IB shares at net asset value — since 12/31/07

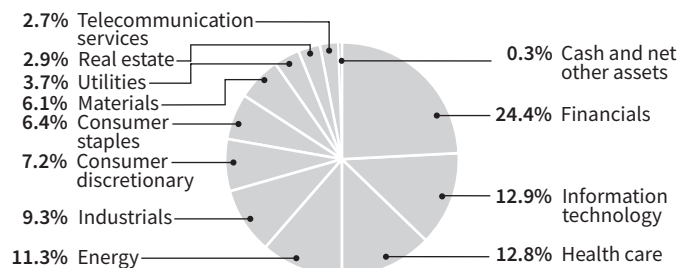


The Russell 1000 Value Index is an unmanaged index of those companies in the large-cap Russell 1000 Index chosen for their value orientation.

Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. Russell® is a trademark of Frank Russell Company.

**Data represent past performance. Past performance does not guarantee future results. More recent returns may be less or more than those shown. Investment return and principal value will fluctuate, and you may have a gain or a loss when you sell your shares. Performance information does not reflect any deduction for taxes a shareholder may owe on fund distributions or on the redemption of fund shares. All total return figures are at net asset value and exclude contract charges and expenses, which are added to the variable annuity contracts to determine total return at unit value. Had these charges and expenses been reflected, performance would have been lower. For more recent performance, contact your variable annuity provider who can provide you with performance that reflects the charges and expenses at your contract level.**

### Portfolio composition



Allocations are shown as a percentage of the fund's net assets. Cash and net other assets, if any, represent the market value weights of cash, derivatives, short-term securities, and other unclassified assets in the portfolio. Summary information may differ from the portfolio schedule included in the financial statements due to the inclusion of derivative securities, any interest accruals, the exclusion of as-of-trades, if any, the use of different classifications of securities for presentation purposes, and rounding. Holdings and allocations may vary over time.

## Report from your fund's manager

### How was the environment for U.S. stocks during the 12-month reporting period ended December 31, 2017?

U.S. stock markets continued their historic rally in 2017, buoyed by positive corporate earnings and optimism that the Trump administration would implement a pro-growth agenda. All three major stock indexes posted their best year since 2013, with the Dow Jones Industrial Average and the S&P 500 Index recording dozens of record closes throughout 2017.

Economic data remained positive during the year, reflecting persistent gross domestic product growth and a solid job market. Despite headwinds of policy uncertainty at home and political tension with North Korea, U.S. stock markets experienced very little volatility. In fact, investors in most markets worldwide shrugged off a number of geopolitical and macroeconomic risks throughout the year.

There were a few brief market downturns when investors became more skeptical about the administration's ability to deliver on its pro-growth agenda. Yet U.S. stocks continued to climb, buoyed further in the final weeks of the year, when Congress finalized an agreement and passed a \$1.4 trillion tax reform bill.

### How did Putnam VT Equity Income Fund perform in this environment?

For the 12-month reporting period, the fund's IA shares delivered a return of 19.06%, outperforming the Russell 1000 Value Index benchmark, which returned 13.66%.

### What were some holdings that helped fund performance?

The top contributor to performance for the period was the fund's investment in Microsoft, which generated earnings that exceeded analysts' estimates throughout 2017. A key contributor to Microsoft's growth has been its focus on its cloud computing business.

Our decision to hold a relatively small position in General Electric was also a top contributor to the fund's performance versus the benchmark. This classic dividend-paying stock has struggled significantly, hitting multiyear lows in 2017. We believed the company was overexposed to some of the weakest segments of the industrials sector, such as power generation.

### What were some holdings that detracted from performance?

A top detractor for the period was an investment in Edgewell Personal Care, a maker of razors and other consumer products. The stock of this company, which was a spin-off from Energizer in 2015, struggled mainly due to steep competition in the shaving industry from new businesses offering razors at significant discounts. Our position in Edgewell was sold during the period.

Another disappointment was Anadarko Petroleum. The fund's limited exposure to the energy sector overall was helpful, but performance was weakened by our investment in this company, whose profitability was closely tied to the price of oil at a time when prices were declining.

### As the fund begins a new fiscal year, what is your outlook?

I believe that the stock market will be hard-pressed to repeat the gains we saw in 2017. In many ways, it seems like we have had a directionless market, with a hodgepodge of sectors outperforming at various times. One persistent theme, however, has been the considerable outperformance of growth stocks over value stocks. While it is not unusual for the styles to diverge, there was a dramatic bifurcation in 2017. As we assess the macroeconomic and earnings environment, I believe there may be more opportunities among value stocks — which are the focus of this fund — in the months ahead.

*The views expressed in this report are exclusively those of Putnam Management and are subject to change. They are not meant as investment advice. Please note that the holdings discussed in this report may not have been held by the fund for the entire period. Portfolio composition is subject to review in accordance with the fund's investment strategy and may vary in the future.*

**Consider these risks before investing:** Value stocks may fail to rebound, and the market may not favor value-style investing. Income provided by the fund may be reduced by changes in the dividend policies of, and the capital resources available at, the companies in which the fund invests. Stock values may fall or fail to rise over time for several reasons, including general financial market conditions, changing market perceptions, changes in government intervention in the financial markets, and factors related to a specific issuer or industry. These and other factors may lead to increased volatility and reduced liquidity in the fund's portfolio holdings. You can lose money by investing in the fund.

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## Your fund's managers



Portfolio Manager **Darren A. Jaroch, CFA**, joined Putnam in 1999 and has been in the investment industry since 1996.

In addition to Darren, your fund is managed by Walter D. Scully, CPA. He has been in the investment industry since he joined Putnam in 1996.

Your fund's managers may also manage other accounts advised by Putnam Management or an affiliate, including retail mutual fund counterparts to the funds in Putnam Variable Trust.

## Understanding your fund's expenses

As an investor in a variable annuity product that invests in a registered investment company, you pay ongoing expenses, such as management fees, distribution fees (12b-1 fees), and other expenses. Using the following information, you can estimate how these expenses affect your investment and compare them with the expenses of other funds. You may also pay one-time transaction expenses, which are not shown in this section and would result in higher total expenses. Charges and expenses at the insurance company separate account level are not reflected. For more information, see your fund's prospectus or talk to your financial representative.

### Review your fund's expenses

The two left-hand columns of the Expenses per \$1,000 table show the expenses you would have paid on a \$1,000 investment in your fund from 7/1/17 to 12/31/17. They also show how much a \$1,000 investment would be worth at the close of the period, *assuming actual returns and expenses*. To estimate the ongoing expenses you paid over the period, divide your account value by \$1,000, then multiply the result by the number in the first line for the class of shares you own.

### Compare your fund's expenses with those of other funds

The two right-hand columns of the Expenses per \$1,000 table show your fund's expenses based on a \$1,000 investment, *assuming a hypothetical 5% annualized return*. You can use this information to compare the ongoing expenses (but not transaction expenses or total costs) of investing in the fund with those of other funds. All shareholder reports of mutual funds and funds serving as variable annuity vehicles will provide this information to help you make this comparison. Please note that you cannot use this information to estimate your actual ending account balance and expenses paid during the period.

### Expense ratios

|  | Class IA | Class IB |
|--|----------|----------|
| Total annual operating expenses for the fiscal year ended 12/31/16 | 0.59%    | 0.84%    |
| Annualized expense ratio for the six-month period ended 12/31/17*  | 0.57%    | 0.82%    |

Fiscal-year expense information in this table is taken from the most recent prospectus, is subject to change, and may differ from that shown for the annualized expense ratio and in the financial highlights of this report.

Expenses are shown as a percentage of average net assets.

\*For the fund's most recent fiscal half year; may differ from expense ratios based on one-year data in the financial highlights.

### Expenses per \$1,000

|                               | Expenses and value for a \$1,000 investment, assuming actual returns for the 6 months ended 12/31/17 |            | Expenses and value for a \$1,000 investment, assuming a hypothetical 5% annualized return for the 6 months ended 12/31/17 |            |
|-------------------------------|--|------------|---|------------|
|                               | Class IA   | Class IB   | Class IA  | Class IB   |
| Expenses paid per \$1,000*†   | \$3.05   | \$4.38     | \$2.91  | \$4.18     |
| Ending value (after expenses) | \$1,120.60   | \$1,119.10 | \$1,022.33  | \$1,021.07 |

\*Expenses for each share class are calculated using the fund's annualized expense ratio for each class, which represents the ongoing expenses as a percentage of average net assets for the six months ended 12/31/17. The expense ratio may differ for each share class.

†Expenses based on actual returns are calculated by multiplying the expense ratio by the average account value for the period; then multiplying the result by the number of days in the period; and then dividing that result by the number of days in the year. Expenses based on a hypothetical 5% return are calculated by multiplying the expense ratio by the average account value for the six-month period; then multiplying the result by the number of days in the six-month period; and then dividing that result by the number of days in the year.

## **Report of Independent Registered Public Accounting Firm**

To the Trustees of Putnam Variable Trust  
and Shareholders of Putnam VT Equity Income Fund

### ***Opinion on the Financial Statements***

We have audited the accompanying statement of assets and liabilities, including the portfolio, of Putnam VT Equity Income Fund (one of the funds constituting Putnam Variable Trust referred to hereafter as the “Fund”) as of December 31, 2017, the related statement of operations for the year ended December 31, 2017, the statement of changes in net assets for each of the two years in the period ended December 31, 2017, including the related notes, and the financial highlights for each of the five years in the period ended December 31, 2017 (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of December 31, 2017, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period ended December 31, 2017 and the financial highlights for each of the five years in the period ended December 31, 2017 in conformity with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

These financial statements are the responsibility of the Fund’s management. Our responsibility is to express an opinion on the Fund’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Fund in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of December 31, 2017 by correspondence with the custodian, transfer agent and brokers; when replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP  
Boston, Massachusetts  
February 8, 2018

We have served as the auditor of one or more investment companies in the Putnam Investments family of mutual funds since at least 1957. We have not determined the specific year we began serving as auditor.

## The fund's portfolio 12/31/17

| <b>COMMON STOCKS (99.1%)*</b>  | <b>Shares</b> | <b>Value</b>       |
|--|---------------|--------------------|
| <b>Aerospace and defense (4.5%)</b>  |               |                    |
| Airbus SE (France)   | 64,713        | \$6,426,367        |
| Arconic, Inc.  | 49,644        | 1,352,799          |
| Northrop Grumman Corp.   | 141,410       | 43,400,143         |
| Raytheon Co.   | 109,330       | 20,537,641         |
|  |               | <b>71,716,950</b>  |
| <b>Airlines (1.0%)</b>   |               |                    |
| Southwest Airlines Co.   | 241,140       | 15,782,613         |
|  |               | <b>15,782,613</b>  |
| <b>Auto components (1.0%)</b>  |               |                    |
| Delphi Automotive PLC (United Kingdom)   | 153,200       | 12,995,956         |
| Delphi Technologies PLC (United Kingdom) †   | 51,066        | 2,679,433          |
|  |               | <b>15,675,389</b>  |
| <b>Automobiles (0.5%)</b>  |               |                    |
| General Motors Co.   | 186,150       | 7,630,289          |
|  |               | <b>7,630,289</b>   |
| <b>Banks (13.8%)</b>   |               |                    |
| Bank of America Corp.  | 1,824,375     | 53,855,550         |
| Citigroup, Inc.  | 688,265       | 51,213,799         |
| JPMorgan Chase & Co.   | 578,536       | 61,868,640         |
| KeyCorp  | 527,520       | 10,640,078         |
| Regions Financial Corp.  | 1,039,660     | 17,965,325         |
| Wells Fargo & Co.  | 331,012       | 20,082,498         |
|  |               | <b>215,625,890</b> |
| <b>Beverages (2.7%)</b>  |               |                    |
| Dr. Pepper Snapple Group, Inc.   | 140,620       | 13,648,577         |
| Molson Coors Brewing Co. Class B   | 144,530       | 11,861,577         |
| PepsiCo, Inc.  | 146,290       | 17,543,097         |
|  |               | <b>43,053,251</b>  |
| <b>Biotechnology (2.3%)</b>  |               |                    |
| Amgen, Inc.  | 105,210       | 18,296,019         |
| Gilead Sciences, Inc.  | 248,830       | 17,826,181         |
|  |               | <b>36,122,200</b>  |
| <b>Building products (1.1%)</b>  |               |                    |
| Johnson Controls International PLC   | 446,950       | 17,033,265         |
|  |               | <b>17,033,265</b>  |
| <b>Capital markets (5.1%)</b>  |               |                    |
| Charles Schwab Corp. (The)   | 526,100       | 27,025,757         |
| Goldman Sachs Group, Inc. (The)  | 60,119        | 15,315,916         |
| Invesco, Ltd.  | 180,520       | 6,596,201          |
| KKR & Co. LP   | 625,342       | 13,169,703         |
| State Street Corp.   | 179,420       | 17,513,186         |
|  |               | <b>79,620,763</b>  |
| <b>Chemicals (3.1%)</b>  |               |                    |
| Air Products & Chemicals, Inc.   | 70,450        | 11,559,436         |
| CF Industries Holdings, Inc.   | 246,950       | 10,505,253         |
| DowDuPont, Inc.  | 385,957       | 27,487,858         |
|  |               | <b>49,552,547</b>  |
| <b>Commercial services and supplies (—%)</b>   |               |                    |
| New Bigfoot Other Assets GmbH (acquired 8/2/13, cost \$13) (Private) (Germany) † ΔΔ F    | 10            | 9                  |
| New Middle East Other Assets GmbH (acquired 8/2/13, cost \$5) (Private) (Germany) † ΔΔ F | 4             | 4                  |
|  |               | <b>13</b>          |
| <b>Communications equipment (1.0%)</b>   |               |                    |
| Cisco Systems, Inc.  | 413,650       | 15,842,795         |
|  |               | <b>15,842,795</b>  |
| <b>Consumer finance (0.7%)</b>   |               |                    |
| Capital One Financial Corp.  | 113,150       | 11,267,477         |
| Oportun Financial Corp. (acquired 6/23/15, cost \$223,215) (Private) † ΔΔ F              | 78,321        | 189,091            |
|  |               | <b>11,456,568</b>  |

| <b>COMMON STOCKS (99.1%)* cont.</b>  | <b>Shares</b> | <b>Value</b>      |
|--|---------------|-------------------|
| <b>Containers and packaging (1.3%)</b>   |               |                   |
| Ball Corp.   | 250,740       | \$9,490,509       |
| Sealed Air Corp.   | 223,940       | 11,040,242        |
|  |               | <b>20,530,751</b> |
| <b>Diversified telecommunication services (2.2%)</b>                               |               |                   |
| AT&T, Inc.   | 661,160       | 25,705,901        |
| Verizon Communications, Inc.   | 168,290       | 8,907,590         |
|  |               | <b>34,613,491</b> |
| <b>Electric utilities (2.7%)</b>   |               |                   |
| American Electric Power Co., Inc.  | 134,780       | 9,915,765         |
| Edison International   | 134,290       | 8,492,500         |
| Exelon Corp.   | 343,760       | 13,547,582        |
| NextEra Energy, Inc.   | 46,010        | 7,186,302         |
| PG&E Corp.   | 84,490        | 3,787,687         |
|  |               | <b>42,929,836</b> |
| <b>Energy equipment and services (0.8%)</b>  |               |                   |
| Halliburton Co.  | 259,800       | 12,696,426        |
|  |               | <b>12,696,426</b> |
| <b>Equity real estate investment trusts (REITs) (2.7%)</b>                         |               |                   |
| American Tower Corp. <sup>R</sup>  | 104,770       | 14,947,536        |
| Boston Properties, Inc. <sup>R</sup>   | 92,100        | 11,975,763        |
| Federal Realty Investment Trust <sup>R</sup>                                       | 60,300        | 8,008,443         |
| Gaming and Leisure Properties, Inc. <sup>R</sup>                                   | 226,296       | 8,372,952         |
|  |               | <b>43,304,694</b> |
| <b>Food and staples retail (1.3%)</b>  |               |                   |
| Kroger Co. (The)   | 468,540       | 12,861,423        |
| Walgreens Boots Alliance, Inc.   | 106,540       | 7,736,935         |
|  |               | <b>20,598,358</b> |
| <b>Food products (0.8%)</b>  |               |                   |
| Kraft Heinz Co. (The)  | 157,870       | 12,275,971        |
|  |               | <b>12,275,971</b> |
| <b>Health-care equipment and supplies (2.4%)</b>                                   |               |                   |
| Becton, Dickinson and Co.  | 117,142       | 25,075,417        |
| Danaher Corp.  | 132,390       | 12,288,440        |
|  |               | <b>37,363,857</b> |
| <b>Health-care providers and services (1.5%)</b>                                   |               |                   |
| Cigna Corp.  | 119,040       | 24,175,834        |
|  |               | <b>24,175,834</b> |
| <b>Hotels, restaurants, and leisure (0.9%)</b>                                     |               |                   |
| Hilton Worldwide Holdings, Inc.  | 176,312       | 14,080,276        |
|  |               | <b>14,080,276</b> |
| <b>Household durables (0.6%)</b>   |               |                   |
| FabFurnish GmbH (acquired 8/2/13 to 8/31/16, cost \$13) (Private) (Germany) † ΔΔ F | 20            | 18                |
| PulteGroup, Inc.   | 271,510       | 9,027,708         |
|  |               | <b>9,027,726</b>  |
| <b>Household products (1.2%)</b>   |               |                   |
| Colgate-Palmolive Co.  | 42,910        | 3,237,560         |
| Kimberly-Clark Corp.   | 133,750       | 16,138,275        |
|  |               | <b>19,375,835</b> |
| <b>Independent power and renewable electricity producers (0.9%)</b>                |               |                   |
| Calpine Corp. †  | 658,081       | 9,956,766         |
| NRG Energy, Inc.   | 165,390       | 4,710,307         |
|  |               | <b>14,667,073</b> |
| <b>Industrial conglomerates (1.1%)</b>   |               |                   |
| General Electric Co.   | 372,460       | 6,499,427         |
| Honeywell International, Inc.  | 72,820        | 11,167,675        |
|  |               | <b>17,667,102</b> |
| <b>Insurance (3.7%)</b>  |               |                   |
| American International Group, Inc.   | 302,960       | 18,050,357        |
| Assured Guaranty, Ltd.   | 404,837       | 13,711,829        |
| Chubb, Ltd.  | 86,830        | 12,688,468        |
| Hartford Financial Services Group, Inc. (The)                                      | 245,370       | 13,809,424        |
|  |               | <b>58,260,078</b> |

| <b>COMMON STOCKS (99.1%)* cont.</b>  | <b>Shares</b> | <b>Value</b>       |
|--|---------------|--------------------|
| <b>Internet and direct marketing retail (—%)</b>   |               |                    |
| Global Fashion Group SA (acquired 8/2/13, cost \$636,303) (Private) (Luxembourg) † Δ Δ F | 15,020        | \$144,904          |
|  |               | <b>144,904</b>     |
| <b>Internet software and services (0.9%)</b>   |               |                    |
| Alphabet, Inc. Class C †   | 13,470        | 14,095,008         |
|  |               | <b>14,095,008</b>  |
| <b>IT Services (2.0%)</b>  |               |                    |
| DXC Technology Co.   | 198,390       | 18,827,211         |
| Fidelity National Information Services, Inc.   | 138,340       | 13,016,411         |
|  |               | <b>31,843,622</b>  |
| <b>Life sciences tools and services (0.7%)</b>   |               |                    |
| Agilent Technologies, Inc.   | 157,550       | 10,551,124         |
|  |               | <b>10,551,124</b>  |
| <b>Machinery (0.4%)</b>  |               |                    |
| Fortive Corp.  | 89,990        | 6,510,777          |
|  |               | <b>6,510,777</b>   |
| <b>Media (2.5%)</b>  |               |                    |
| Charter Communications, Inc. Class A †   | 44,030        | 14,792,319         |
| Comcast Corp. Class A  | 516,970       | 20,704,649         |
| DISH Network Corp. Class A †   | 77,470        | 3,699,193          |
|  |               | <b>39,196,161</b>  |
| <b>Metals and mining (1.6%)</b>  |               |                    |
| Alcoa Corp. †  | 476,460       | 25,666,900         |
|  |               | <b>25,666,900</b>  |
| <b>Mortgage real estate investment trusts (REITs) (0.3%)</b>                             |               |                    |
| MFA Financial, Inc. R  | 663,061       | 5,251,443          |
|  |               | <b>5,251,443</b>   |
| <b>Oil, gas, and consumable fuels (10.6%)</b>  |               |                    |
| Anadarko Petroleum Corp.   | 228,939       | 12,280,288         |
| Cheniere Energy, Inc. †  | 146,080       | 7,864,947          |
| ConocoPhillips   | 444,190       | 24,381,589         |
| EOG Resources, Inc.  | 136,710       | 14,752,376         |
| Exxon Mobil Corp.  | 360,078       | 30,116,924         |
| Kinder Morgan, Inc.  | 223,090       | 4,031,236          |
| Marathon Oil Corp.   | 1,404,660     | 23,780,894         |
| Pioneer Natural Resources Co.  | 29,160        | 5,040,306          |
| Suncor Energy, Inc. (Canada)   | 253,609       | 9,311,102          |
| Total SA (France)  | 259,880       | 14,338,956         |
| Valero Energy Corp.  | 212,540       | 19,534,551         |
|  |               | <b>165,433,169</b> |
| <b>Personal products (0.4%)</b>  |               |                    |
| Coty, Inc. Class A S   | 316,183       | 6,288,880          |
|  |               | <b>6,288,880</b>   |
| <b>Pharmaceuticals (6.0%)</b>  |               |                    |
| AstraZeneca PLC ADR (United Kingdom) S   | 446,740       | 15,501,878         |
| Eli Lilly & Co.  | 166,490       | 14,061,745         |
| Johnson & Johnson  | 241,740       | 33,775,913         |
| Merck & Co., Inc.  | 308,665       | 17,368,580         |
| Pfizer, Inc.   | 358,443       | 12,982,805         |
|  |               | <b>93,690,921</b>  |
| <b>Road and rail (1.1%)</b>  |               |                    |
| Union Pacific Corp.  | 134,040       | 17,974,764         |
|  |               | <b>17,974,764</b>  |
| <b>Semiconductors and semiconductor equipment (3.7%)</b>                                 |               |                    |
| Applied Materials, Inc.  | 190,440       | 9,735,293          |
| Broadcom, Ltd.   | 29,910        | 7,683,879          |
| Intel Corp.  | 262,560       | 12,119,770         |
| NXP Semiconductor NV †   | 68,020        | 7,964,462          |
| Texas Instruments, Inc.  | 188,260       | 19,661,874         |
|  |               | <b>57,165,278</b>  |
| <b>Software (3.0%)</b>   |               |                    |
| Microsoft Corp.  | 553,060       | 47,308,744         |
|  |               | <b>47,308,744</b>  |

| <b>COMMON STOCKS (99.1%)* cont.</b>                         | <b>Shares</b> | <b>Value</b>           |
|---|---------------|------------------------|
| <b>Specialty retail (1.7%)</b>                              |               |                        |
| Home Depot, Inc. (The)                                      | 64,640        | \$12,251,219           |
| O'Reilly Automotive, Inc. †                                 | 61,300        | 14,745,102             |
|   |               | <b>26,996,321</b>      |
| <b>Technology hardware, storage, and peripherals (1.9%)</b> |               |                        |
| Apple, Inc.   | 175,970       | 29,779,403             |
|   |               | <b>29,779,403</b>      |
| <b>Thriffs and mortgage finance (0.9%)</b>                  |               |                        |
| Radian Group, Inc.  | 722,129       | 14,883,079             |
|   |               | <b>14,883,079</b>      |
| <b>Wireless telecommunication services (0.5%)</b>           |               |                        |
| Vodafone Group PLC ADR (United Kingdom) S                   | 266,257       | 8,493,598              |
|   |               | <b>8,493,598</b>       |
| <b>Total common stocks (cost \$1,144,009,210)</b>           |               | <b>\$1,561,953,937</b> |

| <b>CONVERTIBLE PREFERRED STOCKS (0.7%)*</b>  | <b>Shares</b> | <b>Value</b>        |
|--|---------------|---------------------|
| American Tower Corp. \$5.50 cv. pfd. R   | 16,265        | \$2,047,357         |
| Global Fashion Group SA zero % cv. pfd. (acquired 7/11/16, cost \$76,645) (Luxembourg) (Private) † Δ Δ F | 11,662        | 114,758             |
| Mandatory Exchangeable Trust 144A \$5.75 cv. pfd.  | 39,320        | 7,657,963           |
| Oportun Financial Corp. Ser. A-1, 8.00% cv. pfd. (acquired 6/23/15, cost \$610) (Private) † Δ Δ F        | 214           | 517                 |
| Oportun Financial Corp. Ser. B-1, 8.00% cv. pfd. (acquired 6/23/15, cost \$11,658) (Private) † Δ Δ F     | 3,701         | 9,876               |
| Oportun Financial Corp. Ser. C-1, 8.00% cv. pfd. (acquired 6/23/15, cost \$27,379) (Private) † Δ Δ F     | 5,379         | 23,194              |
| Oportun Financial Corp. Ser. D-1, 8.00% cv. pfd. (acquired 6/23/15, cost \$39,712) (Private) † Δ Δ F     | 7,802         | 33,641              |
| Oportun Financial Corp. Ser. E-1, 8.00% cv. pfd. (acquired 6/23/15, cost \$22,267) (Private) † Δ Δ F     | 4,056         | 18,863              |
| Oportun Financial Corp. Ser. F, 8.00% cv. pfd. (acquired 6/23/15, cost \$67,223) (Private) † Δ Δ F       | 8,753         | 56,946              |
| Oportun Financial Corp. Ser. F-1, 8.00% cv. pfd. (acquired 6/23/15, cost \$188,556) (Private) † Δ Δ F    | 66,160        | 159,731             |
| Oportun Financial Corp. Ser. G, 8.00% cv. pfd. (acquired 6/23/15, cost \$238,428) (Private) † Δ Δ F      | 83,659        | 201,979             |
| Oportun Financial Corp. Ser. H, 8.00% cv. pfd. (acquired 2/6/15, cost \$732,781) (Private) † Δ Δ F       | 257,360       | 620,752             |
| <b>Total convertible preferred stocks (cost \$8,705,776)</b>   |               | <b>\$10,945,577</b> |

| <b>U.S. TREASURY OBLIGATIONS (—%)*</b>                                    | <b>Principal amount</b> | <b>Value</b>     |
|---|-------------------------|------------------|
| U.S. Treasury Inflation Protected Securities 0.125%, 4/15/18 <sup>i</sup> | \$123,789               | \$123,679        |
| <b>Total U.S. treasury obligations (cost \$123,679)</b>                   |                         | <b>\$123,679</b> |

| <b>SHORT-TERM INVESTMENTS (1.6%)*</b>  | <b>Principal amount/ shares</b> | <b>Value</b>           |
|--|---------------------------------|------------------------|
| Putnam Cash Collateral Pool, LLC 1.55% <sup>d</sup>  | Shares 20,943,700               | \$20,943,700           |
| Putnam Short Term Investment Fund 1.45% <sup>L</sup>   | Shares 1,454,748                | 1,454,748              |
| State Street Institutional U.S. Government Money Market Fund, Premier Class 1.21% <sup>P</sup> | Shares 340,000                  | 340,000                |
| U.S. Treasury Bills 1.040%, 1/18/18  | \$182,000                       | 181,880                |
| U.S. Treasury Bills 1.064%, 2/1/18   | 798,000                         | 797,071                |
| U.S. Treasury Bills 1.082%, 2/15/18  | 251,000                         | 250,573                |
| U.S. Treasury Bills 1.108%, 2/8/18   | 1,818,000                       | 1,815,422              |
| <b>Total short-term investments (cost \$25,784,223)</b>  |                                 | <b>\$25,783,394</b>    |
| <b>Total investments (cost \$1,178,622,888)</b>  |                                 | <b>\$1,598,806,587</b> |



## Key to holding's abbreviations

**ADR** American Depository Receipts: represents ownership of foreign securities on deposit with a custodian bank

## Notes to the fund's portfolio

Unless noted otherwise, the notes to the fund's portfolio are for the close of the fund's reporting period, which ran from January 1, 2017 through December 31, 2017 (the reporting period). Within the following notes to the portfolio, references to "Putnam Management" represent Putnam Investment Management, LLC, the fund's manager, an indirect wholly-owned subsidiary of Putnam Investments, LLC and references to "ASC 820" represent Accounting Standards Codification 820 *Fair Value Measurements and Disclosures*.

\* Percentages indicated are based on net assets of \$1,576,358,618.

† This security is non-income-producing.

ΔΔ This security is restricted with regard to public resale. The total fair value of this security and any other restricted securities (excluding 144A securities), if any, held at the close of the reporting period was \$1,574,283, or 0.1% of net assets.

**d** Affiliated company. See Notes 1 and 5 to the financial statements regarding securities lending. The rate quoted in the security description is the annualized 7-day yield of the fund at the close of the reporting period.

**F** This security is valued by Putnam Management at fair value following procedures approved by the Trustees. Securities are classified as Level 3 for ASC 820 based on the securities' valuation inputs. At the close of the reporting period, fair value pricing was also used for certain foreign securities in the portfolio (Note 1).

**i** This security was pledged, or purchased with cash that was pledged, to the fund for collateral on certain derivative contracts (Note 1).

**L** Affiliated company (Note 5). The rate quoted in the security description is the annualized 7-day yield of the fund at the close of the reporting period.

**P** This security was pledged, or purchased with cash that was pledged, to the fund for collateral on certain derivative contracts. The rate quoted in the security description is the annualized 7-day yield of the fund at the close of the reporting period (Note 1).

**R** Real Estate Investment Trust.

**S** Security on loan, in part or in entirety, at the close of the reporting period (Note 1).

At the close of the reporting period, the fund maintained liquid assets totaling \$38,993 to cover certain derivative contracts.

Unless otherwise noted, the rates quoted in Short-term investments security descriptions represent the weighted average yield to maturity.

144A after the name of an issuer represents securities exempt from registration under Rule 144A of the Securities Act of 1933, as amended. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers.

The dates shown on debt obligations are the original maturity dates.

## FORWARD CURRENCY CONTRACTS at 12/31/17 (aggregate face value \$65,978,309)

| Counterparty                           | Currency        | Contract type* | Delivery date | Value       | Aggregate face value | Unrealized appreciation/(depreciation) |
|--|-----------------|----------------|---------------|-------------|----------------------|--|
| <b>Bank of America N.A.</b>            |                 |                |               |             |                      |  |
|  | British Pound   | Buy            | 3/21/18       | \$2,245,621 | \$2,248,179          | \$(2,558)                              |
|  | Euro            | Sell           | 3/21/18       | 7,229,353   | 7,193,641            | (35,712)                               |
| <b>Barclays Bank PLC</b>               |                 |                |               |             |                      |  |
|  | British Pound   | Sell           | 3/21/18       | 17,103,806  | 17,121,901           | 18,095                                 |
| <b>Citibank, N.A.</b>                  |                 |                |               |             |                      |  |
|  | Canadian Dollar | Sell           | 1/17/18       | 6,010,663   | 6,050,908            | 40,245                                 |
| <b>Goldman Sachs International</b>     |                 |                |               |             |                      |  |
|  | British Pound   | Sell           | 3/21/18       | 21,013,812  | 21,031,526           | 17,714                                 |
|  | Canadian Dollar | Sell           | 1/17/18       | 1,888,115   | 1,900,769            | 12,654                                 |
|  | Euro            | Sell           | 3/21/18       | 3,292,951   | 3,264,474            | (28,477)                               |
| <b>State Street Bank and Trust Co.</b> |                 |                |               |             |                      |  |
|  | Euro            | Sell           | 3/21/18       | 7,229,231   | 7,166,911            | (62,320)                               |
| <b>Unrealized appreciation</b>         |                 |                |               |             |                      | <b>88,708</b>                          |
| <b>Unrealized (depreciation)</b>       |                 |                |               |             |                      | <b>(129,067)</b>                       |
| <b>Total</b>                           |                 |                |               |             |                      | <b>\$(40,359)</b>                      |

\* The exchange currency for all contracts listed is the United States Dollar.

ASC 820 establishes a three-level hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of the fund's investments. The three levels are defined as follows:

Level 1: Valuations based on quoted prices for identical securities in active markets.

Level 2: Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3: Valuations based on inputs that are unobservable and significant to the fair value measurement.

The following is a summary of the inputs used to value the fund's net assets as of the close of the reporting period:

| Investments in securities:   | Valuation inputs       |                     |                    |
|------------------------------|------------------------|---------------------|--------------------|
|                              | Level 1                | Level 2             | Level 3            |
| Common stocks*:              |                        |                     |                    |
| Consumer discretionary       | \$112,606,144          | \$—                 | \$144,922          |
| Consumer staples             | 101,592,295            | —                   | —                  |
| Energy                       | 163,790,639            | 14,338,956          | —                  |
| Financials                   | 384,908,730            | —                   | 189,091            |
| Health care                  | 201,903,936            | —                   | —                  |
| Industrials                  | 140,259,104            | 6,426,367           | 13                 |
| Information technology       | 196,034,850            | —                   | —                  |
| Materials                    | 95,750,198             | —                   | —                  |
| Real estate                  | 43,304,694             | —                   | —                  |
| Telecommunication services   | 43,107,089             | —                   | —                  |
| Utilities                    | 57,596,909             | —                   | —                  |
| <b>Total common stocks</b>   | <b>1,540,854,588</b>   | <b>20,765,323</b>   | <b>334,026</b>     |
| Convertible preferred stocks | —                      | 9,705,320           | 1,240,257          |
| U.S. treasury obligations    | —                      | 123,679             | —                  |
| Short-term investments       | 1,794,748              | 23,988,646          | —                  |
| <b>Totals by level</b>       | <b>\$1,542,649,336</b> | <b>\$54,582,968</b> | <b>\$1,574,283</b> |

| Other financial instruments: | Valuation inputs |                   |            |
|------------------------------|------------------|-------------------|------------|
|                              | Level 1          | Level 2           | Level 3    |
| Forward currency contracts   | \$—              | \$(40,359)        | \$—        |
| <b>Totals by level</b>       | <b>\$—</b>       | <b>\$(40,359)</b> | <b>\$—</b> |

\* Common stock classifications are presented at the sector level, which may differ from the fund's portfolio presentation.

During the reporting period, transfers within the fair value hierarchy, if any (other than certain transfers involving non-U.S. equity securities as described in Note 1), did not represent, in the aggregate, more than 1% of the fund's net assets measured as of the end of the period. Transfers are accounted for using the end of period pricing valuation method.

At the start and close of the reporting period, Level 3 investments in securities represented less than 1% of the fund's net assets and were not considered a significant portion of the fund's portfolio.

The accompanying notes are an integral part of these financial statements.

# Statement of assets and liabilities

12/31/17

| <b>Assets</b>   |                        |
|---|------------------------|
| Investment in securities, at value, including \$20,622,525 of securities on loan (Notes 1 and 8):                   |                        |
| Unaffiliated issuers (identified cost \$1,156,224,440)  | \$1,576,408,139        |
| Affiliated issuers (identified cost \$22,398,448) (Notes 1 and 5)   | 22,398,448             |
| Dividends, interest and other receivables   | 2,410,645              |
| Receivable for shares of the fund sold  | 386,742                |
| Unrealized appreciation on forward currency contracts (Note 1)  | 88,708                 |
| <b>Total assets</b>   | <b>1,601,692,682</b>   |
| <b>Liabilities</b>  |                        |
| Payable to custodian  | 19                     |
| Payable for shares of the fund repurchased  | 1,805,677              |
| Payable for compensation of Manager (Note 2)  | 630,280                |
| Payable for custodian fees (Note 2)   | 9,887                  |
| Payable for investor servicing fees (Note 2)  | 175,990                |
| Payable for Trustee compensation and expenses (Note 2)  | 880,493                |
| Payable for administrative services (Note 2)  | 16,096                 |
| Payable for distribution fees (Note 2)  | 111,965                |
| Unrealized depreciation on forward currency contracts (Note 1)  | 129,067                |
| Collateral on securities loaned, at value (Note 1)  | 20,943,700             |
| Collateral on certain derivative contracts, at value (Notes 1 and 8)  | 463,679                |
| Other accrued expenses  | 167,211                |
| <b>Total liabilities</b>  | <b>25,334,064</b>      |
| <b>Net assets</b>   | <b>\$1,576,358,618</b> |
| <b>Represented by</b>   |                        |
| Paid-in capital (Unlimited shares authorized) (Notes 1, 4 and 9)  | \$1,080,015,691        |
| Undistributed net investment income (Note 1)  | 12,181,248             |
| Accumulated net realized gain on investments and foreign currency transactions (Note 1)                             | 64,015,373             |
| Net unrealized appreciation of investments and assets and liabilities in foreign currencies                         | 420,146,306            |
| <b>Total — Representing net assets applicable to capital shares outstanding</b>                                     | <b>\$1,576,358,618</b> |
| <b>Computation of net asset value Class IA</b>  |                        |
| Net assets  | \$1,047,038,620        |
| Number of shares outstanding  | 38,867,834             |
| Net asset value, offering price and redemption price per share (net assets divided by number of shares outstanding) | \$26.94                |
| <b>Computation of net asset value Class IB</b>  |                        |
| Net assets  | \$529,319,998          |
| Number of shares outstanding  | 19,828,714             |
| Net asset value, offering price and redemption price per share (net assets divided by number of shares outstanding) | \$26.69                |

The accompanying notes are an integral part of these financial statements.

## Statement of operations

Year ended 12/31/17

### Investment income

|   |                   |
|---|-------------------|
| Dividends (net of foreign tax of \$120,862)   | \$24,117,224      |
| Interest (including interest income of \$214,254 from investments in affiliated issuers) (Note 5) | 255,313           |
| Securities lending (net of expenses) (Notes 1 and 5)  | 83,015            |
| <b>Total investment income</b>  | <b>24,455,552</b> |

### Expenses

|  |                  |
|--|------------------|
| Compensation of Manager (Note 2)           | 5,448,114        |
| Investor servicing fees (Note 2)           | 801,556          |
| Custodian fees (Note 2)                    | 19,538           |
| Trustee compensation and expenses (Note 2) | 42,356           |
| Distribution fees (Note 2)                 | 1,102,580        |
| Administrative services (Note 2)           | 37,608           |
| Other                                      | 393,551          |
| <b>Total expenses</b>                      | <b>7,845,303</b> |
| Expense reduction (Note 2)                 | (14,098)         |

### Net expenses

**7,831,205**

### Net investment income

**16,624,347**

|   |                      |
|---|----------------------|
| Net realized gain on securities from unaffiliated issuers (Notes 1 and 3)                   | 67,797,962           |
| Net realized loss on forward currency contracts (Note 1)                                    | (4,669,913)          |
| Net realized gain on foreign currency transactions (Note 1)                                 | 7,368                |
| Net realized gain on futures contracts (Note 1)   | 272,158              |
| Net unrealized appreciation of securities in unaffiliated issuers during the year           | 135,543,819          |
| Net unrealized depreciation of forward currency contracts during the year                   | (40,359)             |
| Net unrealized appreciation of assets and liabilities in foreign currencies during the year | 2,518                |
| <b>Net gain on investments</b>  | <b>198,913,553</b>   |
| <b>Net increase in net assets resulting from operations</b>                                 | <b>\$215,537,900</b> |

## Statement of changes in net assets

|  | Year ended<br>12/31/17 | Year ended<br>12/31/16 |
|--|------------------------|------------------------|
| <b>Increase in net assets</b>  |                        |                        |
| <b>Operations:</b>   |                        |                        |
| Net investment income  | \$16,624,347           | \$8,762,333            |
| Net realized gain on investments and foreign currency transactions   | 63,407,575             | 15,093,536             |
| Net unrealized appreciation of investments and assets and liabilities in foreign currencies                      | 135,505,978            | 37,753,397             |
| <b>Net increase in net assets resulting from operations</b>  | <b>215,537,900</b>     | <b>61,609,266</b>      |
| Distributions to shareholders (Note 1):  |                        |                        |
| From ordinary income   |                        |                        |
| Net investment income  |                        |                        |
| Class IA   | (3,566,821)            | (3,730,983)            |
| Class IB   | (5,523,358)            | (5,509,380)            |
| From net realized long-term gain on investments  |                        |                        |
| Class IA   | (5,568,986)            | (3,103,792)            |
| Class IB   | (9,783,118)            | (5,186,880)            |
| Increase in capital from settlement payments   | 365,607                | —                      |
| Increase (decrease) from capital share transactions (Notes 4 and 9)  | 889,148,217            | (18,988,496)           |
| <b>Total increase in net assets</b>  | <b>1,080,609,441</b>   | <b>25,089,735</b>      |
| <b>Net assets:</b>   |                        |                        |
| Beginning of year  | 495,749,177            | 470,659,442            |
| <b>End of year</b> (including undistributed net investment income of \$12,181,248 and \$8,834,670, respectively) | <b>\$1,576,358,618</b> | <b>\$495,749,177</b>   |

The accompanying notes are an integral part of these financial statements.

## Financial highlights (For a common share outstanding throughout the period)

| Period ended    | INVESTMENT OPERATIONS:               |   |  |                                  | LESS DISTRIBUTIONS:        |                                       |                     |                              | RATIOS AND SUPPLEMENTAL DATA:  |  |  |  |   |                        |
|-----------------|--------------------------------------|---|--|----------------------------------|----------------------------|---------------------------------------|---------------------|------------------------------|--------------------------------|--|--|--|---|------------------------|
|                 | Net asset value, beginning of period | Net investment income (loss) <sup>a</sup> | Net realized and unrealized gain (loss) on investments | Total from investment operations | From net investment income | From net realized gain on investments | Total distributions | Non-recurring reimbursements | Net asset value, end of period | Total return at net asset value (%) <sup>b,c</sup> | Net assets, end of period (in thousands) | Ratio of expenses to average net assets (%) <sup>b,d</sup> | Ratio of net investment income (loss) to average net assets (%) | Portfolio turnover (%) |
| <b>Class IA</b> |                                      |   |  |                                  |                            |                                       |                     |                              |                                |  |  |  |   |                        |
| 12/31/17        | \$23.80                              | .38                                       | 3.98   | 4.36                             | (.48)                      | (.75)                                 | (1.23)              | .01 <sup>f,g</sup>           | \$26.94                        | 19.06  | \$1,047,039                              | .58  | 1.53  | 12                     |
| 12/31/16        | 21.73                                | .44                                       | 2.48   | 2.92                             | (.46)                      | (.39)                                 | (.85)               | —                            | 23.80                          | 13.96  | 179,950                                  | .59 <sup>e</sup>   | 2.01 <sup>e</sup>   | 16                     |
| 12/31/15        | 22.76                                | .46                                       | (1.07)   | (.61)                            | (.42)                      | —                                     | (.42)               | —                            | 21.73                          | (2.79)   | 180,032                                  | .58  | 2.06  | 22                     |
| 12/31/14        | 20.55                                | .39                                       | 2.23   | 2.62                             | (.41)                      | —                                     | (.41)               | —                            | 22.76                          | 12.97  | 202,797                                  | .61  | 1.81  | 31                     |
| 12/31/13        | 15.83                                | .39                                       | 4.72   | 5.11                             | (.39)                      | —                                     | (.39)               | —                            | 20.55                          | 32.72  | 204,742                                  | .63  | 2.12  | 37                     |
| <b>Class IB</b> |                                      |   |  |                                  |                            |                                       |                     |                              |                                |  |  |  |   |                        |
| 12/31/17        | \$23.59                              | .32                                       | 3.94   | 4.26                             | (.42)                      | (.75)                                 | (1.17)              | .01 <sup>f,g</sup>           | \$26.69                        | 18.77  | \$529,320                                | .83  | 1.30  | 12                     |
| 12/31/16        | 21.55                                | .38                                       | 2.46   | 2.84                             | (.41)                      | (.39)                                 | (.80)               | —                            | 23.59                          | 13.64  | 315,799                                  | .84 <sup>e</sup>   | 1.77 <sup>e</sup>   | 16                     |
| 12/31/15        | 22.58                                | .41                                       | (1.08)   | (.67)                            | (.36)                      | —                                     | (.36)               | —                            | 21.55                          | (3.04)   | 290,628                                  | .83  | 1.83  | 22                     |
| 12/31/14        | 20.40                                | .33                                       | 2.21   | 2.54                             | (.36)                      | —                                     | (.36)               | —                            | 22.58                          | 12.66  | 288,698                                  | .86  | 1.56  | 31                     |
| 12/31/13        | 15.72                                | .34                                       | 4.69   | 5.03                             | (.35)                      | —                                     | (.35)               | —                            | 20.40                          | 32.41  | 266,168                                  | .88  | 1.87  | 37                     |

<sup>a</sup> Per share net investment income (loss) has been determined on the basis of the weighted average number of shares outstanding during the period.

<sup>b</sup> The charges and expenses at the insurance company separate account level are not reflected.

<sup>c</sup> Total return assumes dividend reinvestment.

<sup>d</sup> Includes amounts paid through expense offset and/or brokerage/service arrangements, if any (Note 2). Also excludes acquired fund fees and expenses, if any.

<sup>e</sup> Reflects a voluntary waiver of certain fund expenses in effect during the period. As a result of such waiver, the expenses of each class reflect a reduction of less than 0.01% as a percentage of average net assets.

<sup>f</sup> Reflects a non-recurring reimbursement pursuant to a settlement between the Securities and Exchange Commission (the SEC) and JPMorgan Chase which amounted to less than \$0.01 per share outstanding on September 29, 2017.

<sup>g</sup> Reflects a non-recurring reimbursement pursuant to a settlement between the Securities and Exchange Commission (the SEC) and Countrywide Financial which amounted to less than \$0.01 per share outstanding on November 29, 2017.

The accompanying notes are an integral part of these financial statements.

## Notes to financial statements 12/31/17

Within the following Notes to financial statements, references to “State Street” represent State Street Bank and Trust Company, references to “the SEC” represent the Securities and Exchange Commission, references to “Putnam Management” represent Putnam Investment Management, LLC, the fund’s manager, an indirect wholly-owned subsidiary of Putnam Investments, LLC and references to “OTC”, if any, represent over-the-counter. Unless otherwise noted, the “reporting period” represents the period from January 1, 2017 through December 31, 2017.

Putnam VT Equity Income Fund (the fund) is a diversified series of Putnam Variable Trust (the Trust), a Massachusetts business trust registered under the Investment Company Act of 1940, as amended, as an open-end management investment company. The goal of the fund is to seek capital growth and current income. The fund invests mainly in common stocks of midsize and large U.S. companies, with a focus on value stocks that offer the potential for capital growth, current income, or both. Under normal circumstances, Putnam Management invests at least 80% of the fund’s net assets in common stocks and other equity investments that offer the potential for current income. This policy may be changed only after 60 days’ notice to shareholders. Value stocks are issued by companies that Putnam Management believes are currently undervalued by the market. If Putnam Management is correct and other investors ultimately recognize the value of the company, the price of its stock may rise. Putnam Management may consider, among other factors, a company’s valuation, financial strength, growth potential, competitive position in its industry, projected future earnings, cash flows and dividends when deciding whether to buy or sell investments.

The fund offers class IA and class IB shares of beneficial interest. Class IA shares are offered at net asset value and are not subject to a distribution fee. Class IB shares are offered at net asset value and pay an ongoing distribution fee, which is identified in Note 2.

In the normal course of business, the fund enters into contracts that may include agreements to indemnify another party under given circumstances. The fund’s maximum exposure under these arrangements is unknown as this would involve future claims that may be, but have not yet been, made against the fund. However, the fund’s management team expects the risk of material loss to be remote.

The fund has entered into contractual arrangements with an investment adviser, administrator, distributor, shareholder servicing agent and custodian, who each provide services to the fund. Unless expressly stated otherwise, shareholders are not parties to, or intended beneficiaries of these contractual arrangements, and these contractual arrangements are not intended to create any shareholder right to enforce them against the service providers or to seek any remedy under them against the service providers, either directly or on behalf of the fund.

Under the fund’s Agreement and Declaration of Trust, any claims asserted against or on behalf of the Putnam Funds, including claims against Trustees and Officers, must be brought in state and federal courts located within the Commonwealth of Massachusetts.

### Note 1 — Significant accounting policies

The following is a summary of significant accounting policies consistently followed by the fund in the preparation of its financial statements. The preparation of financial statements is in conformity with accounting principles generally accepted in the United States of America and requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities in the financial statements and the reported amounts of increases and decreases in net assets from operations. Actual results could differ from those estimates. Subsequent events after the Statement of assets and liabilities date through the date that the financial statements were issued have been evaluated in the preparation of the financial statements.

Investment income, realized and unrealized gains and losses and expenses of the fund are borne pro-rata based on the relative net assets of each class to the total net assets of the fund, except that each class bears expenses unique to that class (including the distribution fees applicable to such classes). Each class votes as a class only with respect to its own distribution plan or other matters on which a class vote is required by law or determined by the Trustees. If the fund were liquidated, shares of each class would receive their pro-rata share of the net assets of the fund. In addition, the Trustees declare separate dividends on each class of shares.

**Security valuation** Portfolio securities and other investments are valued using policies and procedures adopted by the Board of Trustees. The Trustees have formed a Pricing Committee to oversee the implementation of these procedures

and have delegated responsibility for valuing the fund’s assets in accordance with these procedures to Putnam Management. Putnam Management has established an internal Valuation Committee that is responsible for making fair value determinations, evaluating the effectiveness of the pricing policies of the fund and reporting to the Pricing Committee.

Investments for which market quotations are readily available are valued at the last reported sales price on their principal exchange, or official closing price for certain markets, and are classified as Level 1 securities under Accounting Standards Codification 820 *Fair Value Measurements and Disclosures* (ASC 820). If no sales are reported, as in the case of some securities that are traded OTC, a security is valued at its last reported bid price and is generally categorized as a Level 2 security.

Investments in open-end investment companies (excluding exchange-traded funds), if any, which can be classified as Level 1 or Level 2 securities, are valued based on their net asset value. The net asset value of such investment companies equals the total value of their assets less their liabilities and divided by the number of their outstanding shares.

Market quotations are not considered to be readily available for certain debt obligations (including short-term investments with remaining maturities of 60 days or less) and other investments; such investments are valued on the basis of valuations furnished by an independent pricing service approved by the Trustees or dealers selected by Putnam Management. Such services or dealers determine valuations for normal institutional-size trading units of such securities using methods based on market transactions for comparable securities and various relationships, generally recognized by institutional traders, between securities (which consider such factors as security prices, yields, maturities and ratings). These securities will generally be categorized as Level 2.

Many securities markets and exchanges outside the U.S. close prior to the scheduled close of the New York Stock Exchange and therefore the closing prices for securities in such markets or on such exchanges may not fully reflect events that occur after such close but before the scheduled close of the New York Stock Exchange. Accordingly, on certain days, the fund will fair value certain foreign equity securities taking into account multiple factors including movements in the U.S. securities markets, currency valuations and comparisons to the valuation of American Depository Receipts, exchange-traded funds and futures contracts. The foreign equity securities, which would generally be classified as Level 1 securities, will be transferred to Level 2 of the fair value hierarchy when they are valued at fair value. The number of days on which fair value prices will be used will depend on market activity and it is possible that fair value prices will be used by the fund to a significant extent. At the close of the reporting period, fair value pricing was used for certain foreign securities in the portfolio. Securities quoted in foreign currencies, if any, are translated into U.S. dollars at the current exchange rate.

To the extent a pricing service or dealer is unable to value a security or provides a valuation that Putnam Management does not believe accurately reflects the security’s fair value, the security will be valued at fair value by Putnam Management in accordance with policies and procedures approved by the Trustees. Certain investments, including certain restricted and illiquid securities and derivatives, are also valued at fair value following procedures approved by the Trustees. These valuations consider such factors as significant market or specific security events such as interest rate or credit quality changes, various relationships with other securities, discount rates, U.S. Treasury, U.S. swap and credit yields, index levels, convexity exposures, recovery rates, sales and other multiples and resale restrictions. These securities are classified as Level 2 or as Level 3 depending on the priority of the significant inputs.

To assess the continuing appropriateness of fair valuations, the Valuation Committee reviews and affirms the reasonableness of such valuations on a regular basis after considering all relevant information that is reasonably available. Such valuations and procedures are reviewed periodically by the Trustees. The fair value of securities is generally determined as the amount that the fund could reasonably expect to realize from an orderly disposition of such securities over a reasonable period of time. By its nature, a fair value price is a good faith estimate of the value of a security in a current sale and does not reflect an actual market price, which may be different by a material amount.

**Security transactions and related investment income** Security transactions are recorded on the trade date (the date the order to buy or sell is executed). Gains or losses on securities sold are determined on the identified cost basis.

Interest income, net of any applicable withholding taxes, is recorded on the accrual basis. Dividend income, net of any applicable withholding taxes, is recognized on the ex-dividend date except that certain dividends from foreign securities, if any, are recognized as soon as the fund is informed of the ex-dividend date. Non-cash dividends, if any, are recorded at the fair value of the securities received. Dividends representing a return of capital or capital gains, if any, are reflected as a reduction of cost and/or as a realized gain.

All premiums/discounts are amortized/accreted on a yield-to-maturity basis.

**Foreign currency translation** The accounting records of the fund are maintained in U.S. dollars. The fair value of foreign securities, currency holdings, and other assets and liabilities is recorded in the books and records of the fund after translation to U.S. dollars based on the exchange rates on that day. The cost of each security is determined using historical exchange rates. Income and withholding taxes are translated at prevailing exchange rates when earned or incurred. The fund does not isolate that portion of realized or unrealized gains or losses resulting from changes in the foreign exchange rate on investments from fluctuations arising from changes in the market prices of the securities. Such gains and losses are included with the net realized and unrealized gain or loss on investments. Net realized gains and losses on foreign currency transactions represent net realized exchange gains or losses on disposition of foreign currencies, currency gains and losses realized between the trade and settlement dates on securities transactions and the difference between the amount of investment income and foreign withholding taxes recorded on the fund's books and the U.S. dollar equivalent amounts actually received or paid. Net unrealized appreciation and depreciation of assets and liabilities in foreign currencies arise from changes in the value of assets and liabilities other than investments at the period end, resulting from changes in the exchange rate.

**Futures contracts** The fund uses futures contracts to equitize cash.

The potential risk to the fund is that the change in value of futures contracts may not correspond to the change in value of the hedged instruments. In addition, losses may arise from changes in the value of the underlying instruments, if there is an illiquid secondary market for the contracts, if interest or exchange rates move unexpectedly or if the counterparty to the contract is unable to perform. With futures, there is minimal counterparty credit risk to the fund since futures are exchange traded and the exchange's clearinghouse, as counterparty to all exchange traded futures, guarantees the futures against default. Risks may exceed amounts recognized on the Statement of assets and liabilities. When the contract is closed, the fund records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed.

Futures contracts are valued at the quoted daily settlement prices established by the exchange on which they trade. The fund and the broker agree to exchange an amount of cash equal to the daily fluctuation in the value of the futures contract. Such receipts or payments are known as "variation margin."

Futures contracts outstanding at period end, if any, are listed after the fund's portfolio.

**Forward currency contracts** The fund buys and sells forward currency contracts, which are agreements between two parties to buy and sell currencies at a set price on a future date. These contracts are used to hedge foreign exchange risk.

The U.S. dollar value of forward currency contracts is determined using current forward currency exchange rates supplied by a quotation service. The fair value of the contract will fluctuate with changes in currency exchange rates. The contract is marked to market daily and the change in fair value is recorded as an unrealized gain or loss. The fund records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed when the contract matures or by delivery of the currency. The fund could be exposed to risk if the value of the currency changes unfavorably, if the counterparties to the contracts are unable to meet the terms of their contracts or if the fund is unable to enter into a closing position. Risks may exceed amounts recognized on the Statement of assets and liabilities.

Forward currency contracts outstanding at period end, if any, are listed after the fund's portfolio.

**Master agreements** The fund is a party to ISDA (International Swaps and Derivatives Association, Inc.) Master Agreements (Master Agreements) with certain counterparties that govern OTC derivative and foreign exchange contracts entered into from time to time. The Master Agreements may contain provisions regarding, among other things, the parties' general obligations, representations, agreements, collateral requirements, events of default and early termination. With respect to certain counterparties, in accordance with the terms of the Master Agreements, collateral posted to the fund is held in a segregated account

by the fund's custodian and, with respect to those amounts which can be sold or repledged, is presented in the fund's portfolio.

Collateral pledged by the fund is segregated by the fund's custodian and identified in the fund's portfolio. Collateral can be in the form of cash or debt securities issued by the U.S. Government or related agencies or other securities as agreed to by the fund and the applicable counterparty. Collateral requirements are determined based on the fund's net position with each counterparty.

Termination events applicable to the fund may occur upon a decline in the fund's net assets below a specified threshold over a certain period of time. Termination events applicable to counterparties may occur upon a decline in the counterparty's long-term and short-term credit ratings below a specified level. In each case, upon occurrence, the other party may elect to terminate early and cause settlement of all derivative and foreign exchange contracts outstanding, including the payment of any losses and costs resulting from such early termination, as reasonably determined by the terminating party. Any decision by one or more of the fund's counterparties to elect early termination could impact the fund's future derivative activity.

At the close of the reporting period, the fund had a net liability position of \$100,590 on open derivative contracts subject to the Master Agreements. There was no collateral posted by the fund at period end for these agreements.

**Securities lending** The fund may lend securities, through its agent, to qualified borrowers in order to earn additional income. The loans are collateralized by cash in an amount at least equal to the fair value of the securities loaned. The fair value of securities loaned is determined daily and any additional required collateral is allocated to the fund on the next business day. The remaining maturities of the securities lending transactions are considered overnight and continuous. The risk of borrower default will be borne by the fund's agent; the fund will bear the risk of loss with respect to the investment of the cash collateral. Income from securities lending, net of expenses, is included in investment income on the Statement of operations. Cash collateral is invested in Putnam Cash Collateral Pool, LLC, a limited liability company managed by an affiliate of Putnam Management. Investments in Putnam Cash Collateral Pool, LLC are valued at its closing net asset value each business day. There are no management fees charged to Putnam Cash Collateral Pool, LLC. At the close of the reporting period, the fund received cash collateral of \$20,943,700 and the value of securities loaned amounted to \$20,622,525.

**Interfund lending** The fund, along with other Putnam funds, may participate in an interfund lending program pursuant to an exemptive order issued by the SEC. This program allows the fund to borrow from or lend to other Putnam funds that permit such transactions. Interfund lending transactions are subject to each fund's investment policies and borrowing and lending limits. Interest earned or paid on the interfund lending transaction will be based on the average of certain current market rates. During the reporting period, the fund did not utilize the program.

**Lines of credit** The fund participates, along with other Putnam funds, in a \$317.5 million unsecured committed line of credit and a \$235.5 million unsecured uncommitted line of credit, both provided by State Street. Borrowings may be made for temporary or emergency purposes, including the funding of shareholder redemption requests and trade settlements. Interest is charged to the fund based on the fund's borrowing at a rate equal to 1.25% plus the higher of (1) the Federal Funds rate and (2) the overnight LIBOR for the committed line of credit and the Federal Funds rate plus 1.30% for the uncommitted line of credit. A closing fee equal to 0.04% of the committed line of credit plus a \$25,000 flat fee and 0.04% of the uncommitted line of credit has been paid by the participating funds. In addition, a commitment fee of 0.21% per annum on any unutilized portion of the committed line of credit is allocated to the participating funds based on their relative net assets and paid quarterly. During the reporting period, the fund had no borrowings against these arrangements.

**Federal taxes** It is the policy of the fund to distribute all of its taxable income within the prescribed time period and otherwise comply with the provisions of the Internal Revenue Code of 1986, as amended (the Code), applicable to regulated investment companies.

The fund is subject to the provisions of Accounting Standards Codification 740 *Income Taxes* (ASC 740). ASC 740 sets forth a minimum threshold for financial statement recognition of the benefit of a tax position taken or expected to be taken in a tax return. The fund did not have a liability to record for any unrecognized tax benefits in the accompanying financial statements. No provision has been made for federal taxes on income, capital gains or unrealized appreciation on securities held nor for excise tax on income and capital gains. Each of the fund's federal tax returns for the prior three fiscal years remains subject to examination by the Internal Revenue Service.

The fund may also be subject to taxes imposed by governments of countries in which it invests. Such taxes are generally based on either income or gains earned or repatriated. The fund accrues and applies such taxes to net investment income, net realized gains and net unrealized gains as income and/or capital gains are earned. In some cases, the fund may be entitled to reclaim all or a portion of such taxes, and such reclaim amounts, if any, are reflected as an asset on the fund's books. In many cases, however, the fund may not receive such amounts for an extended period of time, depending on the country of investment.

**Distributions to shareholders** Distributions to shareholders from net investment income are recorded by the fund on the ex-dividend date. Distributions from capital gains, if any, are recorded on the ex-dividend date and paid at least annually. The amount and character of income and gains to be distributed are determined in accordance with income tax regulations, which may differ from generally accepted accounting principles. These differences include temporary and/or permanent differences from losses on wash sale transactions, foreign currency gains and losses, partnership income, activity related to the merger as disclosed in Note 9 and basis adjustments due to corporate actions. Reclassifications are made to the fund's capital accounts to reflect income and gains available for distribution (or available capital loss carryovers) under income tax regulations. At the close of the reporting period, the fund reclassified \$6,167,501 to decrease undistributed net investment income, \$2,466,421 to decrease paid-in capital and \$8,633,922 to increase accumulated net realized gain.

Tax cost of investments includes adjustments to net unrealized appreciation (depreciation) which may not necessarily be final tax cost basis adjustments, but closely approximate the tax basis unrealized gains and losses that may be realized and distributed to shareholders. The tax basis components of distributable earnings and the federal tax cost as of the close of the reporting period were as follows:

|                                      |                 |
|--------------------------------------|-----------------|
| Unrealized appreciation              | \$450,829,932   |
| Unrealized depreciation              | (33,865,824)    |
| Net unrealized appreciation          | 416,964,108     |
| Undistributed ordinary income        | 12,157,846      |
| Undistributed long-term gain         | 63,721,668      |
| Undistributed short-term gain        | 3,513,296       |
| Cost for federal income tax purposes | \$1,181,802,120 |

**Expenses of the Trust** Expenses directly charged or attributable to any fund will be paid from the assets of that fund. Generally, expenses of the Trust will be allocated among and charged to the assets of each fund on a basis that the Trustees deem fair and equitable, which may be based on the relative assets of each fund or the nature of the services performed and relative applicability to each fund.

**Beneficial interest** At the close of the reporting period, insurance companies or their separate accounts were record owners of all but a de minimis number of the shares of the fund. Approximately 31.5% of the fund is owned by accounts of one insurance company.

## Note 2 — Management fee, administrative services and other transactions

The fund pays Putnam Management a management fee (based on the fund's average net assets and computed and paid monthly) at annual rates that may vary based on the average of the aggregate net assets of all open-end mutual funds sponsored by Putnam Management (excluding net assets of funds that are invested in, or that are invested in by, other Putnam funds to the extent necessary to avoid "double counting" of those assets). Such annual rates may vary as follows:

|        |                               |
|--------|-------------------------------|
| 0.630% | of the first \$5 billion,     |
| 0.580% | of the next \$5 billion,      |
| 0.530% | of the next \$10 billion,     |
| 0.480% | of the next \$10 billion,     |
| 0.430% | of the next \$50 billion,     |
| 0.410% | of the next \$50 billion,     |
| 0.400% | of the next \$100 billion and |
| 0.395% | of any excess thereafter.     |

For the reporting period, the management fee represented an effective rate (excluding the impact from any expense waivers in effect) of 0.472% of the fund's average net assets.

Putnam Management has contractually agreed, through April 30, 2019, to waive fees or reimburse the fund's expenses to the extent necessary to limit the cumulative expenses of the fund, exclusive of brokerage, interest, taxes,

investment-related expenses, extraordinary expenses, acquired fund fees and expenses and payments under the fund's investor servicing contract, investment management contract and distribution plans, on a fiscal year-to-date basis to an annual rate of 0.20% of the fund's average net assets over such fiscal year-to-date period. During the reporting period, the fund's expenses were not reduced as a result of this limit.

Putnam Investments Limited (PIL), an affiliate of Putnam Management, is authorized by the Trustees to manage a separate portion of the assets of the fund as determined by Putnam Management from time to time. PIL did not manage any portion of the assets of the fund during the reporting period. If Putnam Management were to engage the services of PIL, Putnam Management would pay a quarterly sub-management fee to PIL for its services at an annual rate of 0.35% of the average net assets of the portion of the fund managed by PIL.

The fund reimburses Putnam Management an allocated amount for the compensation and related expenses of certain officers of the fund and their staff who provide administrative services to the fund. The aggregate amount of all such reimbursements is determined annually by the Trustees.

Custodial functions for the fund's assets are provided by State Street. Custody fees are based on the fund's asset level, the number of its security holdings and transaction volumes.

Putnam Investor Services, Inc., an affiliate of Putnam Management, provides investor servicing agent functions to the fund. Putnam Investor Services, Inc. was paid a monthly fee for investor servicing at an annual rate of 0.07% of the fund's average daily net assets. During the reporting period, the expenses for each class of shares related to investor servicing fees were as follows:

|          |           |
|----------|-----------|
| Class IA | \$493,432 |
| Class IB | 308,124   |
| Total    | \$801,556 |

The fund has entered into expense offset arrangements with Putnam Investor Services, Inc. and State Street whereby Putnam Investor Services, Inc.'s and State Street's fees are reduced by credits allowed on cash balances. The fund also reduced expenses through brokerage/service arrangements. For the reporting period, the fund's expenses were reduced by \$444 under the expense offset arrangements and by \$13,654 under the brokerage/service arrangements.

Each Independent Trustee of the fund receives an annual Trustee fee, of which \$1,117, as a quarterly retainer, has been allocated to the fund, and an additional fee for each Trustee meeting attended. Trustees also are reimbursed for expenses they incur relating to their services as Trustees.

The fund has adopted a Trustee Fee Deferral Plan (the Deferral Plan) which allows the Trustees to defer the receipt of all or a portion of Trustees fees payable on or after July 1, 1995. The deferred fees remain invested in certain Putnam funds until distribution in accordance with the Deferral Plan.

The fund has adopted an unfunded noncontributory defined benefit pension plan (the Pension Plan) covering all Trustees of the fund who have served as a Trustee for at least five years and were first elected prior to 2004. Benefits under the Pension Plan are equal to 50% of the Trustee's average annual attendance and retainer fees for the three years ended December 31, 2005. The retirement benefit is payable during a Trustee's lifetime, beginning the year following retirement, for the number of years of service through December 31, 2006. Pension expense for the fund is included in Trustee compensation and expenses in the Statement of operations. Accrued pension liability is included in Payable for Trustee compensation and expenses in the Statement of assets and liabilities. The Trustees have terminated the Pension Plan with respect to any Trustee first elected after 2003.

The fund has adopted a distribution plan (the Plan) with respect to its class IB shares pursuant to Rule 12b-1 under the Investment Company Act of 1940. The purpose of the Plan is to compensate Putnam Retail Management Limited Partnership, an indirect wholly-owned subsidiary of Putnam Investments, LLC, for services provided and expenses incurred in distributing shares of the fund. The Plan provides for payment by the fund to Putnam Retail Management Limited Partnership at an annual rate of up to 0.35% of the average net assets attributable to the fund's class IB shares. The Trustees have approved payment by the fund at an annual rate of 0.25% of the average net assets attributable to the fund's class IB shares. The expenses related to distribution fees during the reporting period are included in Distribution fees in the Statement of operations.



### Note 3 — Purchases and sales of securities

During the reporting period, the cost of purchases and the proceeds from sales, excluding short-term investments, were as follows:

|  | Cost of purchases    | Proceeds from sales  |
|--|----------------------|----------------------|
| Investments in securities (Long-term)  | \$127,601,735        | \$250,836,170        |
| U.S. government securities (Long-term) | —                    | —                    |
| <b>Total</b>                           | <b>\$127,601,735</b> | <b>\$250,836,170</b> |

The fund may purchase or sell investments from or to other Putnam funds in the ordinary course of business, which can reduce the fund's transaction costs, at prices determined in accordance with SEC requirements and policies approved by the Trustees. During the reporting period, purchases or sales of long-term securities from or to other Putnam funds, if any, did not represent more than 5% of the fund's total cost of purchases and/or total proceeds from sales.

### Note 4 — Capital shares

At the close of the reporting period, there were an unlimited number of shares of beneficial interest authorized. Subscriptions and redemptions are presented at the omnibus level. Transactions in capital shares were as follows:

|   | Class IA shares     |                      |                     |                        | Class IB shares     |                      |                     |                      |
|---|---------------------|----------------------|---------------------|------------------------|---------------------|----------------------|---------------------|----------------------|
|   | Year ended 12/31/17 |                      | Year ended 12/31/16 |                        | Year ended 12/31/17 |                      | Year ended 12/31/16 |                      |
|   | Shares              | Amount               | Shares              | Amount                 | Shares              | Amount               | Shares              | Amount               |
| Shares sold   | 260,500             | \$6,339,703          | 271,613             | \$5,853,115            | 1,232,040           | \$29,941,835         | 1,431,898           | \$30,535,590         |
| Shares issued in connection with reinvestment of distributions                  | 350,247             | 8,328,864            | 296,264             | 6,221,552              | 648,305             | 15,306,476           | 512,764             | 10,696,260           |
| Shares issued in connection with the merger of Putnam VT Growth and Income Fund | 34,666,046          | 823,484,978          | —                   | —                      | 7,603,438           | 179,265,490          | —                   | —                    |
|   | 35,276,793          | 838,153,545          | 567,877             | 12,074,667             | 9,483,783           | 224,513,801          | 1,944,662           | 41,231,850           |
| Shares repurchased  | (3,971,360)         | (98,756,247)         | (1,288,895)         | (28,111,288)           | (3,040,412)         | (74,762,882)         | (2,042,474)         | (44,183,725)         |
| <b>Net increase (decrease)</b>  | <b>31,305,433</b>   | <b>\$739,397,298</b> | <b>(721,018)</b>    | <b>\$ (16,036,621)</b> | <b>6,443,371</b>    | <b>\$149,750,919</b> | <b>(97,812)</b>     | <b>\$(2,951,875)</b> |

### Note 5 — Affiliated transactions

Transactions during the reporting period with any company which is under common ownership or control were as follows:

| Name of affiliate                   | Fair value as of 12/31/16 | Purchase cost        | Sale proceeds        | Investment income | Shares outstanding and fair value as of 12/31/17 |
|-------------------------------------|---------------------------|----------------------|----------------------|-------------------|--|
| <b>Short-term investments</b>       |                           |                      |                      |                   |  |
| Putnam Cash Collateral Pool, LLC*   | \$2,962,875               | \$324,561,707        | \$306,580,882        | \$321,401         | \$20,943,700                                     |
| Putnam Short Term Investment Fund** | 12,831,177                | 217,828,711          | 229,205,140          | 214,254           | 1,454,748  |
| <b>Total Short-term investments</b> | <b>\$15,794,052</b>       | <b>\$542,390,418</b> | <b>\$535,786,022</b> | <b>\$535,655</b>  | <b>\$22,398,448</b>                              |

\*No management fees are charged to Putnam Cash Collateral Pool, LLC (Note 1). Investment income shown is included in securities lending income on the Statement of operations. There were no realized or unrealized gains or losses during the period.

\*\*Management fees charged to Putnam Short Term Investment Fund have been waived by Putnam Management. There were no realized or unrealized gains or losses during the period.

### Note 6 — Market, credit and other risks

In the normal course of business, the fund trades financial instruments and enters into financial transactions where risk of potential loss exists due to changes in the market (market risk) or failure of the contracting party to the transaction to perform (credit risk). The fund may be exposed to additional credit risk that an

institution or other entity with which the fund has unsettled or open transactions will default. Investments in foreign securities involve certain risks, including those related to economic instability, unfavorable political developments, and currency fluctuations.

### Note 7 — Summary of derivative activity

The volume of activity for the reporting period for any derivative type that was held during the period is listed below and was based on an average of the holdings at the end of each fiscal quarter:

|  |              |
|--|--------------|
| Futures contracts (number of contracts)      | —*           |
| Forward currency contracts (contract amount) | \$56,600,000 |

\*For the reporting period there were no holdings at the end of each fiscal quarter and the transactions were considered minimal.

The following is a summary of the fair value of derivative instruments as of the close of the reporting period:

**Fair value of derivative instruments as of the close of the reporting period**

| Derivatives not accounted for as hedging instruments under ASC 815 | Asset derivatives                            |                 | Liability derivatives                        |                  |
|--|--|-----------------|--|------------------|
|  | Statement of assets and liabilities location | Fair value      | Statement of assets and liabilities location | Fair value       |
| Foreign exchange contracts   | Receivables                                  | \$88,708        | Payables                                     | \$129,067        |
| <b>Total</b>   |  | <b>\$88,708</b> |  | <b>\$129,067</b> |

The following is a summary of realized and change in unrealized gains or losses of derivative instruments in the Statement of operations for the reporting period (Note 1):

**Amount of realized gain or (loss) on derivatives recognized in net gain or (loss) on investments**

| Derivatives not accounted for as hedging instruments under ASC 815 | Futures          | Forward currency contracts | Total                |
|--|------------------|----------------------------|----------------------|
| Foreign exchange contracts   | \$—              | \$(4,669,913)              | \$(4,669,913)        |
| Equity contracts   | 272,158          | —                          | 272,158              |
| <b>Total</b>   | <b>\$272,158</b> | <b>\$(4,669,913)</b>       | <b>\$(4,397,755)</b> |

**Change in unrealized appreciation or (depreciation) on derivatives recognized in net gain or (loss) on investments**

| Derivatives not accounted for as hedging instruments under ASC 815 | Forward currency contracts | Total             |
|--|----------------------------|-------------------|
| Foreign exchange contracts   | \$(40,359)                 | \$(40,359)        |
| <b>Total</b>   | <b>\$(40,359)</b>          | <b>\$(40,359)</b> |

**Note 8 — Offsetting of financial and derivative assets and liabilities**

The following table summarizes any derivatives, repurchase agreements and reverse repurchase agreements, at the end of the reporting period, that are subject to an enforceable master netting agreement or similar agreement. For securities lending transactions or borrowing transactions associated with securities sold short, if any, see Note 1. For financial reporting purposes, the fund does not offset financial assets and financial liabilities that are subject to the master netting agreements in the Statement of assets and liabilities.

|   | Bank of America N.A. | Barclays Bank PLC | Citibank, N.A.  | Goldman Sachs International | State Street Bank and Trust Co. | Total             |
|---|----------------------|-------------------|-----------------|-----------------------------|---------------------------------|-------------------|
| <b>Assets:</b>  |                      |                   |                 |                             |                                 |                   |
| Forward currency contracts <sup>#</sup>                             | \$—                  | \$18,095          | \$40,245        | \$30,368                    | \$—                             | \$88,708          |
| <b>Total Assets</b>   | <b>\$—</b>           | <b>\$18,095</b>   | <b>\$40,245</b> | <b>\$30,368</b>             | <b>\$—</b>                      | <b>\$88,708</b>   |
| <b>Liabilities:</b>   |                      |                   |                 |                             |                                 |                   |
| Forward currency contracts <sup>#</sup>                             | 38,270               | —                 | —               | 28,477                      | 62,320                          | 129,067           |
| <b>Total Liabilities</b>  | <b>\$38,270</b>      | <b>\$—</b>        | <b>\$—</b>      | <b>\$28,477</b>             | <b>\$62,320</b>                 | <b>\$129,067</b>  |
| <b>Total Financial and Derivative Net Assets</b>                    | <b>\$(38,270)</b>    | <b>\$18,095</b>   | <b>\$40,245</b> | <b>\$1,891</b>              | <b>\$(62,320)</b>               | <b>\$(40,359)</b> |
| Total collateral received (pledged) <sup>†##</sup>                  | \$—                  | \$18,095          | \$40,245        | \$1,891                     | \$—                             |                   |
| Net amount  | \$(38,270)           | \$—               | \$—             | \$—                         | \$(62,320)                      |                   |
| <i>Controlled collateral received (including TBA commitments)**</i> | \$—                  | \$123,679         | \$140,000       | \$200,000                   | \$—                             | \$463,679         |
| <i>Uncontrolled collateral received</i>                             | \$—                  | \$—               | \$—             | \$—                         | \$—                             | \$—               |
| <i>Collateral (pledged) (including TBA commitments)**</i>           | \$—                  | \$—               | \$—             | \$—                         | \$—                             | \$—               |

\*\* Included with Investments in securities on the Statement of assets and liabilities.

† Additional collateral may be required from certain brokers based on individual agreements.

# Covered by master netting agreement (Note 1).

## Any over-collateralization of total financial and derivative net assets is not shown. Collateral may include amounts related to unsettled agreements.

**Note 9 — Acquisition of Putnam VT Growth and Income Fund**

On May 15, 2017, the fund issued 34,666,046 and 7,603,438 class IA and class IB shares, respectively, in exchange for 34,623,858 and 7,553,709 class IA and class IB shares of Putnam VT Growth and Income Fund to acquire that fund's net assets in a tax-free exchange approved by the Board of Trustees. The purpose of the transaction was to combine two Putnam funds with substantially similar investment objectives and investment strategies into a single Putnam fund with a larger asset base and therefore potentially lower expenses for fund shareholders. The investment portfolio of Putnam VT Growth and Income Fund, with a fair value of \$1,010,513,704 and an identified cost of \$838,819,531 at May 12, 2017 was the principal asset acquired by the fund. The net assets of the fund and Putnam VT Growth and Income Fund on May 12, 2017 were \$501,357,561 and \$1,002,750,468, respectively. On May 12, 2017 Putnam VT Growth and Income Fund had

undistributed net investment income of \$1,979,911, accumulated net realized loss of \$6,315,767 and unrealized appreciation of \$171,694,173. The aggregate net assets of the fund immediately following the acquisition were \$1,504,108,029.

Assuming the acquisition had been completed on January 1, 2017, the fund's pro forma results of operations for the reporting period are as follows:

|  |               |
|--|---------------|
| Net investment income                                | \$22,396,429  |
| Net gain on investments                              | \$245,018,803 |
| Net increase in net assets resulting from operations | \$267,415,232 |










Because the combined investment portfolios have been managed as a single portfolio since the acquisition was completed, it is not practicable to separate the amounts of revenue and earnings of VT Growth and Income Fund that have been included in the fund's Statement of operations for the current fiscal period.

**Federal tax information** (Unaudited)

Pursuant to §852 of the Internal Revenue Code, as amended, the fund hereby designates \$70,311,124 as a capital gain dividend with respect to the taxable year ended December 31, 2017, or, if subsequently determined to be different, the net capital gain of such year.


The fund designated 100% of ordinary income distributions as qualifying for the dividends received deduction for corporations.

## About the Trustees

| Name<br>Year of birth<br>Position held   | Principal occupations during past five years   | Other directorships  |   |
|--|--|--|---|
| <b>Independent Trustees</b>  |  |  |   |
| <b>Liaquat Ahmed</b><br>Born 1952<br>Trustee since 2012  | Pulitzer Prize-winning author of <i>Lords of Finance: The Bankers Who Broke the World</i> , whose articles on economics have appeared in such publications as the <i>New York Times</i> , <i>Foreign Affairs</i> , and the <i>Financial Times</i> . Director of Aspen Insurance Co., a New York Stock Exchange company, and Chair of the Aspen Board's Investment Committee. Trustee of the Brookings Institution.   | The Rohatyn Group, an emerging-market fund complex that manages money for institutions   |    |
| <b>Ravi Akhoury</b><br>Born 1947<br>Trustee since 2009   | Trustee of American India Foundation and of the Rubin Museum. From 1992 to 2007, was Chairman and CEO of MacKay Shields, a multi-product investment management firm.   | RAGE Frameworks, Inc., a private software company; English Helper, Inc., a private software company  |    |
| <b>Barbara M. Baumann</b><br>Born 1955<br>Trustee since 2010   | President and Owner of Cross Creek Energy Corporation, a strategic consultant to domestic energy firms and direct investor in energy projects. Current Board member of The Denver Foundation. Former Chair and current Board member of Girls Incorporated of Metro Denver. Member of the Finance Committee, the Children's Hospital of Colorado.   | Buckeye Partners, L.P., a publicly traded master limited partnership focused on pipeline transport, storage, and distribution of petroleum products; Devon Energy Corporation, a leading independent natural gas and oil exploration and production company  |    |
| <b>Jameson A. Baxter</b><br>Born 1943<br>Trustee since 1994,<br>Vice Chair from 2005 to 2011, and Chair since 2011 | President of Baxter Associates, Inc., a private investment firm. Chair of Mutual Fund Directors Forum. Chair Emeritus of the Board of Trustees of Mount Holyoke College. Director of the Adirondack Land Trust and Trustee of the Nature Conservancy's Adirondack Chapter.   | None   |    |
| <b>Katinka Domotorffy</b><br>Born 1975<br>Trustee since 2012   | Voting member of the Investment Committees of the Anne Ray Charitable Trust and Margaret A. Cargill Foundation, part of the Margaret A. Cargill Philanthropies. Until 2011, Partner, Chief Investment Officer, and Global Head of Quantitative Investment Strategies at Goldman Sachs Asset Management.  | Reach Out and Read of Greater New York, an organization dedicated to promoting childhood literacy; Great Lakes Science Center; College Now Greater Cleveland   |  |
| <b>Catharine Bond Hill</b><br>Born 1954<br>Trustee since 2017  | Managing Director of Ithaca S+R, a not-for-profit service that helps the academic community navigate economic and technological change. From 2006 to 2016, served as the 10th President of Vassar College. Prior to 2006, was Provost of Williams College.   | Director of Yale-NUS College; Alumni Fellow to the Yale Corporation  |  |
| <b>Dr. Paul L. Joskow</b><br>Born 1947<br>Trustee since 1997   | Elizabeth and James Killian Professor of Economics, Emeritus at the Massachusetts Institute of Technology (MIT). Until 2017, President of the Alfred P. Sloan Foundation, a philanthropic institution focused primarily on research and education issues related to science, technology, and economic performance. Prior to 2007, served as the Director of the Center for Energy and Environmental Policy Research at MIT. Prior to 1998, served as Head of the Department of Economics at MIT. | Yale University; Exelon Corporation, an energy company focused on power services; Boston Symphony Orchestra; Prior to April 2013, served as Director of TransCanada Corporation and TransCanada Pipelines Ltd., energy companies focused on natural gas transmission, oil pipelines and power services |  |
| <b>Kenneth R. Leibler</b><br>Born 1949<br>Trustee since 2006<br>and Vice Chair since 2016                          | Founder and former Chairman of Boston Options Exchange, an electronic marketplace for the trading of derivative securities. Vice Chairman Emeritus of the Board of Trustees of Beth Israel Deaconess Hospital in Boston, Massachusetts. Director of Beth Israel Deaconess Care Organization. Until November 2010, director of Ruder Finn Group, a global communications and advertising firm.  | Eversource Corporation, which operates New England's largest energy delivery system  |  |
| <b>Robert E. Patterson</b><br>Born 1945<br>Trustee since 1984  | Co-Chairman of Cabot Properties, Inc., a private equity firm investing in commercial real estate, and Chairman or Co-Chairman of the Investment Committees for various Cabot Funds. Past Chairman and Trustee of the Joslin Diabetes Center.   | None   |  |

| Name<br>Year of birth<br>Position held                       | Principal occupations during past five years   | Other directorships  |   |
|--|--|--|---|
| <b>George Putnam, III</b><br>Born 1951<br>Trustee since 1984 | Chairman of New Generation Research, Inc., a publisher of financial advisory and other research services. Founder and President of New Generation Advisors, LLC, a registered investment advisor to private funds. Director of The Boston Family Office, LLC, a registered investment advisor. | None   |  |
| <b>Manoj P. Singh</b><br>Born 1952<br>Trustee since 2017     | Until 2015, Chief Operating Officer and Global Managing Director at Deloitte Touche Tohmatsu, Ltd., a global professional services organization. Served on the Deloitte U.S. Board of Directors and the boards of Deloitte member firms in China, Mexico, and Southeast Asia.                  | Director of Abt Associates, a global research firm focused on health, social and environmental policy, and international development. Trustee of Carnegie Mellon University. Trustee of Rubin Museum of Art. Director of Pratham USA, an organization dedicated to children's education in India. Member of the Advisory Board of Altimetrik, a business transformation and technology solutions firm. Director of DXC Technology, a global IT services and consulting company |  |

### Interested Trustee

|  |   |      |   |
|--|---|------|---|
| <b>Robert L. Reynolds*</b><br>Born 1952<br>Trustee since 2008<br>and President of the<br>Putnam Funds since 2009 | President and Chief Executive Officer of Putnam Investments since 2008 and, since 2014, President and Chief Executive Officer of Great-West Financial, a financial services company that provides retirement savings plans, life insurance, and annuity and executive benefits products, and of Great-West Lifeco U.S. Inc., a holding company that owns Putnam Investments and Great-West Financial. Prior to joining Putnam Investments, served as Vice Chairman and Chief Operating Officer of Fidelity Investments from 2000 to 2007. | None |  |
|--|---|------|---|

\*Mr. Reynolds is an "interested person" (as defined in the Investment Company Act of 1940) of the fund and Putnam Investments. He is President and Chief Executive Officer of Putnam Investments, as well as the President of your fund and each of the other Putnam funds.

The address of each Trustee is One Post Office Square, Boston, MA 02109.

As of December 31, 2017, there were 106 Putnam funds. All Trustees serve as Trustees of all Putnam funds.

Each Trustee serves for an indefinite term, until his or her resignation, retirement at age 75, removal, or death.

## Officers

In addition to Robert L. Reynolds, the other officers of the fund are shown below:

**Jonathan S. Horwitz** (Born 1955)

Executive Vice President, Principal Executive Officer, and Compliance Liaison  
Since 2004

**Robert T. Burns** (Born 1961)

Vice President and Chief Legal Officer  
Since 2011  
General Counsel, Putnam Investments, Putnam Management, and Putnam Retail Management

**James F. Clark** (Born 1974)

Vice President and Chief Compliance Officer  
Since 2016  
Chief Compliance Officer, Putnam Investments and Putnam Management

**Michael J. Higgins** (Born 1976)

Vice President, Treasurer, and Clerk  
Since 2010

**Janet C. Smith** (Born 1965)

Vice President, Principal Financial Officer, Principal Accounting Officer, and Assistant Treasurer  
Since 2007  
Head of Fund Administration Services, Putnam Investments and Putnam Management

**Susan G. Malloy** (Born 1957)

Vice President and Assistant Treasurer  
Since 2007  
Head of Accounting, Middle Office, & Control Services, Putnam Investments and Putnam Management

**Mark C. Trenchard** (Born 1962)

Vice President and BSA Compliance Officer  
Since 2002  
Director of Operational Compliance, Putnam Investments and Putnam Retail Management

**Nancy E. Florek** (Born 1957)

Vice President, Director of Proxy Voting and Corporate Governance, Assistant Clerk, and Assistant Treasurer  
Since 2000

**Denere P. Poulack** (Born 1968)

Assistant Vice President, Assistant Clerk, and Assistant Treasurer  
Since 2004

The principal occupations of the officers for the past five years have been with the employers as shown above, although in some cases they have held different positions with such employers. The address of each officer is One Post Office Square, Boston, MA 02109.

## Other important information

### Proxy voting

Putnam is committed to managing our mutual funds in the best interests of our shareholders. The Putnam funds' proxy voting guidelines and procedures, as well as information regarding how your fund voted proxies relating to portfolio securities during the 12-month period ended June 30, 2017, are available in the Individual Investors section of putnam.com and on the Securities and Exchange Commission's (SEC) website, www.sec.gov. If you have questions about finding forms on the SEC's website, you may call the SEC at 1-800-SEC-0330. You may also obtain the Putnam funds' proxy voting guidelines and procedures at no charge by calling Putnam's Shareholder Services at 1-800-225-1581.

### Fund portfolio holdings

Each Putnam VT fund will file a complete schedule of its portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. Shareholders may obtain the fund's Form N-Q on the SEC's website at www.sec.gov. In addition, the fund's Form N-Q may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. You may call the SEC at 1-800-SEC-0330 for information about the SEC's website or the operation of the Public Reference Room.

## Fund information

### Investment Manager

Putnam Investment Management, LLC  
One Post Office Square  
Boston, MA 02109

### Investment Sub-Advisor

Putnam Investments Limited  
16 St James's Street  
London, England SW1A 1ER

### Marketing Services

Putnam Retail Management  
One Post Office Square  
Boston, MA 02109

### Investor Servicing Agent

Putnam Investor Services, Inc.  
Mailing address:  
P.O. Box 8383  
Boston, MA 02266-8383  
1-800-225-1581

### Custodian

State Street Bank and Trust Company

### Legal Counsel

Ropes & Gray LLP

### Independent Registered Public Accounting Firm

PricewaterhouseCoopers LLP

### Trustees

Jameson A. Baxter, *Chair*  
Kenneth R. Leibler, *Vice Chair*  
Liaquat Ahamed  
Ravi Akhoury  
Barbara M. Baumann  
Katinka Domotorffy  
Catharine Bond Hill  
Paul L. Joskow  
Robert E. Patterson  
George Putnam, III  
Robert L. Reynolds  
Manoj P. Singh

The fund's Statement of Additional Information contains additional information about the fund's Trustees and is available without charge upon request by calling 1-800-225-1581.

