

A world of investing.®



# Putnam Variable Trust

## **Putnam VT Small Cap Value Fund**

**Annual report**

**12 | 31 | 20**

# Message from the Trustees

February 12, 2021

Dear Shareholder:

The world welcomed 2021 with high hopes for improvement in the global economy and public health. Although COVID-19 infections have reached new levels, distribution of vaccines is underway, boosting optimism about a return to normal in the not-too-distant future. In the United States, new proposals to rebuild the economy are anticipated from the Biden administration. The stock and bond markets started the year in good shape, indicating that investors are willing to look beyond current challenges and see the potential for renewed economic growth.

Putnam continues to employ active strategies that seek superior investment performance for you and your fellow shareholders. Putnam's portfolio managers and analysts take a research-intensive approach that includes risk management strategies designed to serve you through changing conditions.

As always, thank you for investing with Putnam.

Respectfully yours,



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



**Kenneth R. Leibler**  
Chair, Board of Trustees

## Performance summary (as of 12/31/20)

### Investment objective

Capital appreciation

**Net asset value** December 31, 2020

Class IA: \$10.18	Class IB: \$10.01
-------------------	-------------------

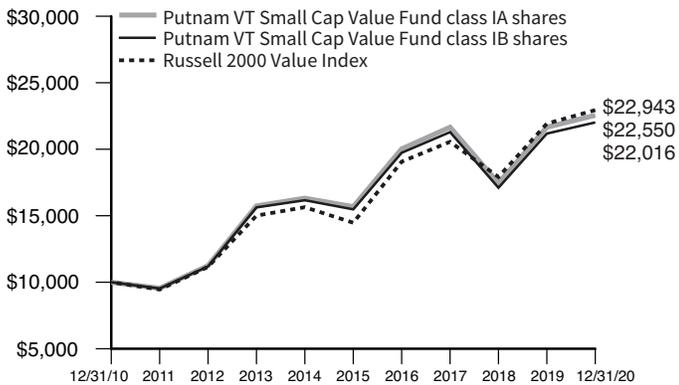
### Total return at net asset value

(as of 12/31/20)	Class IA shares*	Class IB shares*	Russell 2000 Value Index
1 year	4.12%	3.96%	4.63%
5 years	43.81	42.24	58.53
Annualized	7.54	7.30	9.65
10 years	125.50	120.16	129.43
Annualized	8.47	8.21	8.66
Life	498.57	468.63	532.11
Annualized	8.61	8.35	8.88

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

\* Class inception date: April 30, 1999.

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



The Russell 2000 Value Index is an unmanaged index of those companies in the small-cap Russell 2000 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

Financials	26.1%
Industrials	20.2%
Consumer discretionary	14.1%
Materials	11.2%
Real estate	7.0%
Information technology	5.1%
Energy	4.3%
Health care	4.1%
Communication services	4.0%
Utilities	2.8%
Consumer staples	1.3%
Cash and net other assets	-0.2%

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.

The cash and net other assets category may show a negative market value percentage as a result of the timing of trade-date versus settlement-date transactions.

## Report from your fund's manager

### What was the market like for U.S. small-cap stocks during the 12-month reporting period ended December 31, 2020?

During the first quarter, the asset class struggled, along with other risk assets due to the COVID-19 pandemic and the ensuing economic downturn. Monetary and fiscal authorities stepped in with massive stimulus, which sparked a sharp rebound in April. The rally continued into the summer months, led by large-cap growth stocks.

Although, overall, growth stocks outperformed value stocks in 2020, value started outperforming growth in September. In November, the Russell 2000 Value Index, the fund's benchmark and a measure of small-cap value stock performance, rose 19.31% for the month, its best month ever. Value stocks accelerated their gains on a single day — November 9 — when Pfizer announced impressive efficacy results for its COVID-19 vaccine trials. For the balance of the year, market leadership continued to shift away from high-technology growth stocks to more cyclical and value-oriented stocks poised to benefit from the reopening of the U.S. economy.

### How did Putnam VT Small Cap Value Fund perform in this environment?

The fund's class IA shares returned 4.12%, underperforming the fund's benchmark, which returned 4.63% for the 12-month reporting period. While the fund's relative performance benefited from our sector allocation decisions, security selection within energy, information technology, and health care weighed on performance relative to the benchmark. Security selection within consumer discretionary, industrials, and financials was a major positive contributor to performance for the period.

### What were some specific holdings that contributed to performance during the period?

The fund's two top performers hailed from the consumer discretionary sector and were beneficiaries of COVID-19-related consumer behavior trends. Purple Innovation is proving to be a disrupter in the traditional mattress industry with its innovative products, direct-to-consumer sales, and favorable return policies. Due to its robust online sales effort, the company gained market share from competitors whose brick-and-mortar stores closed amid stay-at-home orders. The fund's second best-performing holding was Vista Outdoor, a global marketer of consumer products for the outdoor sports and recreation markets. The stock benefited from an ongoing turnaround story driven by management's effective repositioning of Vista's brands and distribution, in our view. Higher ammunition sales and increased outdoor activity during the pandemic boosted investor interest in the stock.

### What were some specific holdings that detracted from performance during the period?

The fund's top detractor was Scorpio Tankers, a marine transporter of refined petroleum products. The company struggled due to pandemic-related lockdowns and a general decline in volume due to the economic slowdown. Cars.com, the online vehicle marketplace that connects car buyers and dealers, also struggled during the period. The company faced challenges due to falling sales amid the pandemic and heightened competition from direct-to-consumer

competitors offering discounts. We sold the position at a loss before period-end. We reallocated the proceeds into other consumer cyclical stocks that offered more attractive prospects, in our view.

### What is your outlook as we look into 2021?

As an asset class, small-cap value stocks underperformed for much of 2020, as investors sought out more defensive growth companies, particularly in the technology sector. This is understandable as small-cap value stocks tend to be more exposed to cyclical areas of the economy, such as financials and industrials. They are also less exposed to COVID-19-related beneficiaries, such as health care and information technologies. In our view, small-cap value stocks are well-positioned for a cyclical recovery and could see renewed interest from a broader investor audience as health concerns abate.

*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.*

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.

**Consider these risks before investing:** Investments in small and/or midsize companies increase the risk of greater price fluctuations. Value stocks may fail to rebound, and the market may not favor value-style investing. The value of investments in the fund's portfolio may fall or fail to rise over extended periods of time for a variety of reasons, including general economic, political, or financial market conditions; investor sentiment and market perceptions; government actions; geopolitical events or changes; and factors related to a specific issuer, geography, industry, or sector. These and other factors may lead to increased volatility and reduced liquidity in the fund's portfolio holdings. These risks are generally greater for small and midsize companies. From time to time, the fund may invest a significant portion of its assets in companies in one or more related industries or sectors, which would make the fund more vulnerable to adverse developments affecting those industries or sectors. Our investment techniques, analyses, and judgments may not produce the outcome we intend. The investments we select for the fund may not perform as well as other securities that we do not select for the fund. We, or the fund's other service providers, may experience disruptions or operating errors that could have a negative effect on the fund. You can lose money by investing in the fund.

---

## Your fund's manager



Portfolio Manager **Michael C. Petro, CFA**, joined Putnam in 2002 and has been in the investment industry since 1999.

Your fund's manager also manages 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 7/1/20 to 12/31/20. 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 12/31/19	1.09%	1.34%
Annualized expense ratio for the six-month period ended 12/31/20*	0.81%	1.06%

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.

Prospectus expense information also includes the impact of acquired fund fees and expenses of 0.29%, which is not included in the financial highlights or annualized expense ratios. 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 12/31/20		Expenses and value for a \$1,000 investment, assuming a hypothetical 5% annualized return for the 6 months ended 12/31/20	
	Class IA	Class IB	Class IA	Class IB
Expenses paid per \$1,000*†	\$4.83	\$6.32	\$4.12	\$5.38
Ending value (after expenses)	\$1,373.80	\$1,373.10	\$1,021.06	\$1,019.81

\*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 12/31/20. 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 Board of Trustees of Putnam Variable Trust and Shareholders of  
Putnam VT Small Cap Value Fund:

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

We have audited the accompanying statement of assets and liabilities, including the fund's portfolio, of Putnam VT Small Cap Value Fund (one of the funds constituting Putnam Variable Trust, referred to hereafter as the "Fund") as of December 31, 2020, the related statement of operations for the year ended December 31, 2020, the statement of changes in net assets for each of the two years in the period ended December 31, 2020, including the related notes, and the financial highlights for each of the five years in the period ended December 31, 2020 (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, 2020, 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, 2020 and the financial highlights for each of the five years in the period ended December 31, 2020 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, 2020 by correspondence with the custodian, transfer agent, portfolio company investee 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 12, 2021

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 been able to determine the specific year we began serving as auditor.

## The fund's portfolio 12/31/20

<b>COMMON STOCKS (97.9%)*</b>	<b>Shares</b>	<b>Value</b>
<b>Aerospace and defense (1.1%)</b>		
Vectrus, Inc. †	26,998	\$1,342,341
		<b>1,342,341</b>
<b>Air freight and logistics (0.9%)</b>		
Radiant Logistics, Inc. †	184,100	1,067,780
		<b>1,067,780</b>
<b>Airlines (1.3%)</b>		
Allegiant Travel Co.	8,200	1,551,768
		<b>1,551,768</b>
<b>Auto components (0.8%)</b>		
Cooper Tire & Rubber Co.	24,923	1,009,382
		<b>1,009,382</b>
<b>Banks (16.8%)</b>		
Ameris Bancorp	38,000	1,446,660
Baycom Corp. †	45,600	691,752
Berkshire Hills Bancorp, Inc.	57,600	986,112
Cadence Bancorporation	90,400	1,484,368
Coastal Financial Corp./WA †	16,898	354,858
ConnectOne Bancorp, Inc.	75,369	1,491,553
CrossFirst Bankshares, Inc. †	38,000	408,500
Eastern Bankshares, Inc. †	68,800	1,122,128
First Bancshares, Inc. (The)	34,900	1,077,712
First Horizon Corp.	96,200	1,227,512
Independent Bank Corp./MI	56,700	1,047,249
Investors Bancorp, Inc. <sup>S</sup>	157,313	1,661,225
Lakeland Bancorp, Inc.	99,000	1,257,300
OFG Bancorp (Puerto Rico)	89,300	1,655,622
Professional Holding Corp. Class A †	56,889	877,797
QCR Holdings, Inc.	34,906	1,381,929
Southern First Bancshares, Inc. †	26,384	932,674
Univest Financial Corp.	50,200	1,033,116
		<b>20,138,067</b>
<b>Building products (1.6%)</b>		
Insteel Industries, Inc.	43,400	966,518
Quanex Building Products Corp.	41,446	918,858
		<b>1,885,376</b>
<b>Capital markets (0.9%)</b>		
Stifel Financial Corp.	22,200	1,120,212
		<b>1,120,212</b>
<b>Chemicals (4.2%)</b>		
AdvanSix, Inc. †	57,800	1,155,422
Element Solutions, Inc.	58,800	1,042,524
Koppers Holdings, Inc †	35,100	1,093,716
Tronox Holdings PLC Class A (United Kingdom)	116,600	1,704,692
		<b>4,996,354</b>
<b>Commercial services and supplies (4.2%)</b>		
ACCO Brands Corp.	135,500	1,144,975
CECO Environmental Corp. †	117,326	816,589
Clean Harbors, Inc. †	12,600	958,860
IBEX, Ltd. †	112,350	2,100,947
		<b>5,021,371</b>
<b>Communications equipment (1.1%)</b>		
Ribbon Communications, Inc. †	195,500	1,282,480
		<b>1,282,480</b>
<b>Construction and engineering (2.7%)</b>		
MYR Group, Inc. †	18,552	1,114,975
Sterling Construction Co., Inc. †	50,017	930,816
WillScot Mobile Mini Holdings Corp. †	50,900	1,179,353
		<b>3,225,144</b>
<b>Construction materials (0.8%)</b>		
Tecnoglass, Inc. (Colombia)	135,000	932,850
		<b>932,850</b>

<b>COMMON STOCKS (97.9%)* cont.</b>	<b>Shares</b>	<b>Value</b>
<b>Containers and packaging (1.9%)</b>		
Berry Global Group, Inc. †	18,600	\$1,045,134
Myers Industries, Inc.	21,100	438,458
Silgan Holdings, Inc.	22,600	838,008
		<b>2,321,600</b>
<b>Diversified consumer services (1.0%)</b>		
Universal Technical Institute, Inc. †	181,145	1,170,197
		<b>1,170,197</b>
<b>Diversified telecommunication services (1.2%)</b>		
ORBCOMM, Inc. †	196,732	1,459,751
		<b>1,459,751</b>
<b>Electric utilities (1.1%)</b>		
Otter Tail Corp.	29,900	1,274,039
		<b>1,274,039</b>
<b>Electrical equipment (0.9%)</b>		
nVent Electric PLC (United Kingdom)	45,900	1,069,011
		<b>1,069,011</b>
<b>Electronic equipment, instruments, and components (0.8%)</b>		
Jabil, Inc.	22,527	958,073
		<b>958,073</b>
<b>Energy equipment and services (1.2%)</b>		
Newpark Resources, Inc. †	718,600	1,379,712
		<b>1,379,712</b>
<b>Entertainment (2.1%)</b>		
IMAX Corp. (Canada) †	66,100	1,191,122
Lions Gate Entertainment Corp. Class A † <sup>S</sup>	114,184	1,298,272
		<b>2,489,394</b>
<b>Equity real estate investment trusts (REITs) (7.0%)</b>		
Alpine Income Property Trust, Inc. <sup>R</sup>	65,867	987,346
Diversified Healthcare Trust <sup>R</sup>	253,628	1,044,947
Gaming and Leisure Properties, Inc. <sup>R</sup>	24,616	1,043,718
Plymouth Industrial REIT, Inc. <sup>R</sup>	59,130	886,950
RLJ Lodging Trust <sup>R</sup>	75,300	1,065,495
Spirit Realty Capital, Inc. <sup>R</sup>	30,599	1,229,162
STORE Capital Corp. <sup>R</sup>	28,900	982,022
Xenia Hotels & Resorts, Inc. <sup>R</sup>	69,600	1,057,920
		<b>8,297,560</b>
<b>Food and staples retail (1.4%)</b>		
Andersons, Inc. (The)	34,100	835,791
Ingles Markets, Inc. Class A	18,421	785,840
		<b>1,621,631</b>
<b>Gas utilities (0.7%)</b>		
Chesapeake Utilities Corp.	7,200	779,112
		<b>779,112</b>
<b>Health-care equipment and supplies (0.9%)</b>		
Lantheus Holdings, Inc. †	78,300	1,056,267
		<b>1,056,267</b>
<b>Health-care providers and services (3.2%)</b>		
Acadia Healthcare Co., Inc. †	24,309	1,221,770
Brookdale Senior Living, Inc. †	287,866	1,275,246
RadNet, Inc. †	67,700	1,324,889
		<b>3,821,905</b>
<b>Hotels, restaurants, and leisure (3.3%)</b>		
Brinker International, Inc.	14,900	842,893
Cedar Fair LP	20,400	802,536
Darden Restaurants, Inc.	6,813	811,565
Everi Holdings, Inc. †	103,500	1,429,335
		<b>3,886,329</b>
<b>Household durables (2.0%)</b>		
Purple Innovation, Inc. †	39,601	1,304,457
Universal Electronics, Inc. †	21,700	1,138,382
		<b>2,442,839</b>
<b>Insurance (1.7%)</b>		
Argo Group International Holdings, Ltd. (Bermuda)	24,100	1,053,170
Heritage Insurance Holdings, Inc.	91,289	924,758
		<b>1,977,928</b>

COMMON STOCKS (97.9%)* cont.	Shares	Value
<b>IT Services (2.4%)</b>		
Concentrix Corp. †	6,563	\$647,768
Limelight Networks, Inc. † <sup>§</sup>	166,300	663,537
Unisys Corp. †	80,900	1,592,112
		<b>2,903,417</b>
<b>Leisure products (1.8%)</b>		
Vista Outdoor, Inc. †	88,008	2,091,070
		<b>2,091,070</b>
<b>Machinery (4.9%)</b>		
Columbus McKinnon Corp./NY	28,494	1,095,309
Crane Co.	14,700	1,141,602
Hillenbrand, Inc.	32,100	1,277,580
Mayville Engineering Co., Inc. †	81,835	1,098,226
Wabash National Corp. <sup>§</sup>	69,800	1,202,654
		<b>5,815,371</b>
<b>Media (0.6%)</b>		
Emerald Holding, Inc.	138,900	752,838
		<b>752,838</b>
<b>Metals and mining (2.3%)</b>		
Ferroglobe Representation & Warranty Insurance Trust † <sup>§</sup>	102,740	—
Major Drilling Group International, Inc. (Canada) †	316,700	1,913,287
Olympic Steel, Inc.	65,500	873,115
		<b>2,786,402</b>
<b>Mortgage real estate investment trusts (REITs) (0.8%)</b>		
Ladder Capital Corp. <sup>R</sup>	93,800	917,364
		<b>917,364</b>
<b>Multi-utilities (1.0%)</b>		
Unitil Corp.	28,200	1,248,414
		<b>1,248,414</b>
<b>Oil, gas, and consumable fuels (3.1%)</b>		
Arch Resources, Inc. <sup>§</sup>	27,600	1,208,052
Magnolia Oil & Gas Corp. Class A † <sup>§</sup>	157,700	1,113,362
Range Resources Corp. †	107,200	718,240
Scorpio Tankers, Inc. <sup>§</sup>	61,544	688,677
		<b>3,728,331</b>
<b>Paper and forest products (1.9%)</b>		
Domtar Corp.	33,900	1,072,935
Verso Corp. Class A	102,147	1,227,807
		<b>2,300,742</b>
<b>Professional services (—%)</b>		
BancTec, Inc. 144A CVR <sup>F</sup>	152,299	—
		<b>—</b>
<b>Road and rail (0.6%)</b>		
Universal Logistics Holdings, Inc.	37,600	774,184
		<b>774,184</b>
<b>Software (0.9%)</b>		
Xperi Holding Corp.	48,800	1,019,920
		<b>1,019,920</b>
<b>Specialty retail (2.8%)</b>		
Citi Trends, Inc.	23,300	1,157,544
Shoe Carnival, Inc. <sup>§</sup>	25,600	1,003,008
Zumiez, Inc. †	30,800	1,132,824
		<b>3,293,376</b>
<b>Textiles, apparel, and luxury goods (2.3%)</b>		
Carter's, Inc.	9,778	919,816
Unifi, Inc. †	104,344	1,851,063
		<b>2,770,879</b>
<b>Thriffs and mortgage finance (3.8%)</b>		
Flagstar Bancorp, Inc.	24,600	1,002,696
MGIC Investment Corp.	85,200	1,069,260
Premier Financial Corp.	55,926	1,286,298
Walker & Dunlop, Inc.	12,500	1,150,250
		<b>4,508,504</b>

COMMON STOCKS (97.9%)* cont.	Shares	Value
<b>Trading companies and distributors (1.9%)</b>		
Nesco Holdings, Inc. †	155,157	\$1,143,507
Nesco Holdings, Inc. (Private) † <sup>F#</sup>	160,790	1,066,520
		<b>2,210,027</b>
<b>Total common stocks (cost \$94,892,293)</b>		<b>\$116,699,312</b>

INVESTMENT COMPANIES (2.2%)*	Shares	Value
Barings BDC, Inc.	131,200	\$1,207,040
Crescent Capital BDC, Inc.	28,348	413,030
Saratoga Investment Corp.	49,233	1,026,508
<b>Total investment companies (cost \$2,589,162)</b>		<b>\$2,646,578</b>

WARRANTS (—%)* †	Expiration date	Strike price	Warrants	Value
Nesco Holdings, Inc.	1/1/25	\$11.50	25,714	\$24,685
<b>Total warrants (cost \$32,914)</b>				<b>\$24,685</b>

SHORT-TERM INVESTMENTS (7.3%)	Shares	Value
Putnam Cash Collateral Pool, LLC 0.14% <sup>d</sup>	7,786,756	\$7,786,756
Putnam Short Term Investment Fund Class P 0.17% <sup>L</sup>	933,987	933,987
<b>Total short-term investments (cost \$8,720,743)</b>		<b>\$8,720,743</b>
<b>Total investments (cost \$106,235,112)</b>		<b>\$128,091,318</b>

#### Key to holding's abbreviations

CVR Contingent Value Rights

#### 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, 2020 through December 31, 2020 (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 \$119,203,691.

† This security is non-income-producing.

<sup>d</sup> 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.

<sup>F</sup> 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 (Note 1).

<sup>L</sup> 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.

<sup>R</sup> Real Estate Investment Trust.

<sup>§</sup> Security on loan, in part or in entirety, at the close of the reporting period (Note 1).

# Represents the asset to be received in a private investment in public entity (PIPE) commitment, of which \$803,950 is included in the Payable for purchases of delayed delivery securities (Note 1).

At the close of the reporting period, the fund maintained liquid assets totaling \$803,950 to cover the settlement of certain securities.

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.

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*:			
Communication services	\$4,701,983	\$—	\$—
Consumer discretionary	16,664,072	—	—
Consumer staples	1,621,631	—	—
Energy	5,108,043	—	—
Financials	28,662,075	—	—
Health care	4,878,172	—	—
Industrials	22,895,853	—	1,066,520
Information technology	6,163,890	—	—
Materials	13,337,948	—	—
Real estate	8,297,560	—	—
Utilities	3,301,565	—	—
<b>Total common stocks</b>	<b>115,632,792</b>	<b>—</b>	<b>1,066,520</b>
Investment companies	2,646,578	—	—
Warrants	24,685	—	—
Short-term investments	933,987	7,786,756	—
<b>Totals by level</b>	<b>\$119,238,042</b>	<b>\$7,786,756</b>	<b>\$1,066,520</b>

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

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.

# Statement of assets and liabilities

12/31/20

## Assets

Investment in securities, at value, including \$7,510,491 of securities on loan (Note 1):	
Unaffiliated issuers (identified cost \$97,514,369)	\$119,370,575
Affiliated issuers (identified cost \$8,720,743) (Notes 1 and 5)	8,720,743
Dividends, interest and other receivables	174,369
Receivable for shares of the fund sold	6,589
Receivable for investments sold	626,760
<b>Total assets</b>	<b>128,899,036</b>

## Liabilities

Payable for investments purchased	475,806
Payable for purchases of delayed delivery securities (Note 1)	803,950
Payable for shares of the fund repurchased	365,326
Payable for compensation of Manager (Note 2)	61,127
Payable for custodian fees (Note 2)	32,504
Payable for investor servicing fees (Note 2)	13,050
Payable for Trustee compensation and expenses (Note 2)	90,007
Payable for administrative services (Note 2)	1,298
Payable for distribution fees (Note 2)	16,752
Collateral on securities loaned, at value (Note 1)	7,786,756
Other accrued expenses	48,769
<b>Total liabilities</b>	<b>9,695,345</b>

**Net assets** **\$119,203,691**

## Represented by

Paid-in capital (Unlimited shares authorized) (Notes 1 and 4)	\$124,377,795
Total distributable earnings (Note 1)	(5,174,104)
<b>Total — Representing net assets applicable to capital shares outstanding</b>	<b>\$119,203,691</b>

## Computation of net asset value Class IA

Net assets	\$38,990,174
Number of shares outstanding	3,828,220
Net asset value, offering price and redemption price per share (net assets divided by number of shares outstanding)	\$10.18

## Computation of net asset value Class IB

Net assets	\$80,213,517
Number of shares outstanding	8,016,460
Net asset value, offering price and redemption price per share (net assets divided by number of shares outstanding)	\$10.01

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

# Statement of operations

Year ended 12/31/20

## Investment income

Dividends (net of foreign tax of \$4,952)	\$2,033,612
Interest (including interest income of \$10,441 from investments in affiliated issuers) (Note 5)	10,441
Securities lending (net of expenses) (Notes 1 and 5)	44,634
<b>Total investment income</b>	<b>2,088,687</b>

## Expenses

Compensation of Manager (Note 2)	608,463
Investor servicing fees (Note 2)	69,019
Custodian fees (Note 2)	35,482
Trustee compensation and expenses (Note 2)	4,480
Distribution fees (Note 2)	166,906
Administrative services (Note 2)	2,930
Other	67,687
<b>Total expenses</b>	<b>954,967</b>

Expense reduction (Note 2) (301)

**Net expenses** **954,666**

**Net investment income** **1,134,021**

## Realized and unrealized gain (loss)

### Net realized gain (loss) on:

Securities from unaffiliated issuers (Notes 1 and 3)	(10,074,779)
Foreign currency transactions (Note 1)	(242)
Written options (Note 1)	4,002
<b>Total net realized loss</b>	<b>(10,071,019)</b>

### Change in net unrealized appreciation (depreciation) on:

Securities from unaffiliated issuers	14,084,931
Assets and liabilities in foreign currencies	(74)

**Total change in net unrealized appreciation** **14,084,857**

**Net gain on investments** **4,013,838**

**Net increase in net assets resulting from operations** **\$5,147,859**

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

## Statement of changes in net assets

	Year ended 12/31/20	Year ended 12/31/19
<b>Increase (decrease) in net assets</b>		
<b>Operations:</b>		
Net investment income	\$1,134,021	\$1,430,472
Net realized loss on investments and foreign currency transactions	(10,071,019)	(71,532)
Change in net unrealized appreciation of investments and assets and liabilities in foreign currencies	14,084,857	24,586,462
<b>Net increase in net assets resulting from operations</b>	<b>5,147,859</b>	<b>25,945,402</b>
Distributions to shareholders (Note 1):		
From ordinary income		
Net investment income		
Class IA	(432,081)	(486,034)
Class IB	(701,871)	(735,114)
Net realized short-term gain on investments		
Class IA	—	(4,126,171)
Class IB	—	(8,271,601)
From net realized long-term gain on investments		
Class IA	—	(157,036)
Class IB	—	(314,804)
Decrease from capital share transactions (Note 4)	(8,319,600)	(850,862)
<b>Total increase (decrease) in net assets</b>	<b>(4,305,693)</b>	<b>11,003,780</b>
<b>Net assets:</b>		
Beginning of year	123,509,384	112,505,604
<b>End of year</b>	<b>\$119,203,691</b>	<b>\$123,509,384</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	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>c,d</sup>	Ratio of net investment income (loss) to average net assets (%)	Portfolio turnover (%)
<b>Class IA</b>													
12/31/20	\$9.96	.11	.22	.33	(.11)	—	(.11)	\$10.18	4.12	\$38,990	.80	1.32	119
12/31/19	9.05	.13	1.94	2.07	(.12)	(1.04)	(1.16)	9.96	24.12	40,671	.80	1.34	164
12/31/18	16.41	.18	(2.62)	(2.44)	(.11)	(4.81)	(4.92)	9.05	(19.42)	38,310	.85	1.51	561
12/31/17	15.94	.10	1.15	1.25	(.15)	(.63)	(.78)	16.41	8.15	55,886	.82	.66	398
12/31/16	14.16	.15	3.28	3.43	(.21)	(1.44)	(1.65)	15.94	27.70	59,872	.78 <sup>e</sup>	1.14 <sup>e</sup>	67
<b>Class IB</b>													
12/31/20	\$9.77	.08	.25	.33	(.09)	—	(.09)	\$10.01	3.96	\$80,214	1.05	1.07	119
12/31/19	8.89	.10	1.91	2.01	(.09)	(1.04)	(1.13)	9.77	23.82	82,839	1.05	1.09	164
12/31/18	16.20	.15	(2.59)	(2.44)	(.06)	(4.81)	(4.87)	8.89	(19.66)	74,196	1.10	1.26	561
12/31/17	15.75	.06	1.13	1.19	(.11)	(.63)	(.74)	16.20	7.87	104,031	1.07	.41	398
12/31/16	13.99	.12	3.25	3.37	(.17)	(1.44)	(1.61)	15.75	27.49	110,569	1.03 <sup>e</sup>	.89 <sup>e</sup>	67

<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> Total return assumes dividend reinvestment.

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

<sup>d</sup> Includes amounts paid through expense offset and 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.

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

## Notes to financial statements 12/31/20

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, 2020 through December 31, 2020.

Putnam VT Small Cap Value 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 appreciation. The fund invests mainly in common stocks of small U.S. companies, with a focus on value stocks. 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. Under normal circumstances, Putnam Management invests at least 80% of the fund’s net assets in companies of a size similar to those in the Russell 2000 Value Index. This policy may be changed only after 60 days’ notice to shareholders. As of March 31, 2020, the index was composed of companies having market capitalizations of between approximately \$5.3 million and \$5.5 billion. 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 Amended and Restated 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.

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. Securities quoted in foreign currencies, if any, are translated into U.S. dollars at the current exchange rate. Short-term securities with remaining maturities of 60 days or less are valued using an independent pricing service approved by the Trustees, and are classified as Level 2 securities.

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, if any, 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.

Securities purchased or sold on a forward commitment basis may be settled at a future date beyond customary settlement time; interest income is accrued based on the terms of the securities. Losses may arise due to changes in the fair value of the underlying securities or if the counterparty does not perform under the contract.

**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.

**Options contracts** The fund uses options contracts to generate additional income for the portfolio.

The potential risk to the fund is that the change in value of options 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. Realized gains and losses on purchased options are included in realized gains and losses on investment securities. If a written call option is exercised, the premium originally received is recorded as an addition to sales proceeds. If a written put option is exercised, the premium originally received is recorded as a reduction to the cost of investments.

Exchange-traded options are valued at the last sale price or, if no sales are reported, the last bid price for purchased options and the last ask price for written options. OTC traded options are valued using prices supplied by dealers.

Options on swaps are similar to options on securities except that the premium paid or received is to buy or grant the right to enter into a previously agreed upon interest rate or credit default contract. Forward premium swap option contracts include premiums that have extended settlement dates. The delayed settlement of the premiums is factored into the daily valuation of the option contracts. In the case of interest rate cap and floor contracts, in return for a premium, ongoing payments between two parties are based on interest rates exceeding a specified rate, in the case of a cap contract, or falling below a specified rate in the case of a floor contract.

Written option 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 pledged 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 did not have a net liability position on open derivative contracts subject to the Master 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 \$7,786,756 and the value of securities loaned amounted to \$7,510,491.

**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 Bank Funding Rate (overnight LIBOR prior to October 16, 2020) for the committed line of credit and 1.30% plus the higher of (1) the Federal Funds rate and (2) the Overnight Bank Funding Rate (1.30% prior to October 16, 2020) for the uncommitted line of credit. A closing fee equal to 0.04% of the committed line of credit 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.

Under the Regulated Investment Company Modernization Act of 2010, the fund will be permitted to carry forward capital losses incurred for an unlimited period and the carry forwards will retain their character as either short-term or long-term capital losses. At December 31, 2020, the fund had the following capital loss carryovers available, to the extent allowed by the Code, to offset future net capital gain, if any:

Loss carryover		
Short-term	Long-term	Total
\$14,170,129	\$9,466,741	\$23,636,870

**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, from nontaxable dividends and from partnership income. 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 \$144,536 to decrease undistributed net investment income, \$10,299 to decrease paid-in capital and \$154,835 to decrease accumulated net realized loss.

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	\$23,582,207
Unrealized depreciation	(6,097,050)
Net unrealized appreciation	17,485,157
Undistributed ordinary income	977,605
Capital loss carryforward	(23,636,870)
Cost for federal income tax purposes	\$110,606,161

**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 39.1% 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:

0.780%	of the first \$5 billion,
0.730%	of the next \$5 billion,
0.680%	of the next \$10 billion,
0.630%	of the next \$10 billion,
0.580%	of the next \$50 billion,
0.560%	of the next \$50 billion,
0.550%	of the next \$100 billion and
0.545%	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 0.618% of the fund's average net assets.

Putnam Management has contractually agreed, through April 30, 2022 to waive fees and/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 plan, 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	\$22,264
Class IB	46,755
Total	\$69,019

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. For the reporting period, the fund's expenses were reduced by \$301 under the expense offset arrangements.

Each Independent Trustee of the fund receives an annual Trustee fee, of which \$64, 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)	\$117,191,081	\$124,032,856
U.S. government securities (Long-term)	—	—
<b>Total</b>	<b>\$117,191,081</b>	<b>\$124,032,856</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 12/31/20		Year ended 12/31/19		Year ended 12/31/20		Year ended 12/31/19	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount
Shares sold	458,766	\$3,514,741	374,879	\$3,566,050	1,224,186	\$7,732,249	506,812	\$4,703,164
Shares issued in connection with reinvestment of distributions	73,608	432,081	525,826	4,769,241	121,431	701,871	1,045,013	9,321,519
	532,374	3,946,822	900,705	8,335,291	1,345,617	8,434,120	1,551,825	14,024,683
Shares repurchased	(786,293)	(6,371,834)	(1,053,103)	(9,960,922)	(1,804,478)	(14,328,708)	(1,423,410)	(13,249,914)
<b>Net increase (decrease)</b>	<b>(253,919)</b>	<b>\$(2,425,012)</b>	<b>(152,398)</b>	<b>\$(1,625,631)</b>	<b>(458,861)</b>	<b>\$(5,894,588)</b>	<b>128,415</b>	<b>\$774,769</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 12/31/19	Purchase cost	Sale proceeds	Investment income	Shares outstanding and fair value as of 12/31/20
<b>Short-term investments</b>					
Putnam Cash Collateral Pool, LLC*	\$16,711,340	\$74,501,532	\$83,426,116	\$99,521	\$7,786,756
Putnam Short Term Investment Fund**	1,931,235	35,416,251	36,413,499	10,441	933,987
<b>Total Short-term investments</b>	<b>\$18,642,575</b>	<b>\$109,917,783</b>	<b>\$119,839,615</b>	<b>\$109,962</b>	<b>\$8,720,743</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.

Beginning in January 2020, global financial markets have experienced, and may continue to experience, significant volatility resulting from the spread of a virus known as COVID-19. The outbreak of COVID-19 has resulted in travel and border restrictions, quarantines, supply chain disruptions, lower consumer demand, and general market uncertainty. The effects of COVID-19 have adversely affected, and may continue to adversely affect, the global economy, the economies of certain nations, and individual issuers, all of which may negatively impact the fund's performance.

#### 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:

Written equity option contracts (contract amount)	\$—*
Warrants (number of warrants)	26,000

\* 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
Equity contracts	Investments	\$24,685	Payables	\$—
<b>Total</b>		<b>\$24,685</b>		<b>\$—</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	Options	Total
Equity contracts	\$4,002	\$4,002
<b>Total</b>	<b>\$4,002</b>	<b>\$4,002</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	Warrants	Total
Equity contracts	\$12,599	\$12,599
<b>Total</b>	<b>\$12,599</b>	<b>\$12,599</b>

**Federal tax information** (Unaudited)

The fund designated 91.61% of ordinary income distributions as qualifying for the dividends received deduction for corporations.

## About the Trustees

Name	Year of birth	Position held	Principal occupations during past five years	Other directorships	
<b>Independent Trustees</b>					
<b>Liaquat Ahamed</b>	Born 1952	Trustee since 2012	Author; won Pulitzer Prize for <i>Lords of Finance: The Bankers Who Broke the World</i> .	Chairman of the Sun Valley Writers Conference, a literary not-for-profit organization, and a Trustee of the Journal of Philosophy.	
<b>Ravi Akhoury</b>	Born 1947	Trustee since 2009	Private investor	Director of English Helper, Inc., a private software company; Trustee of the Rubin Museum, serving on the Investment Committee; and previously a Director of RAGE Frameworks, Inc.	
<b>Barbara M. Baumann</b>	Born 1955	Trustee since 2010	President of Cross Creek Energy Corporation, a strategic consultant to domestic energy firms and direct investor in energy projects.	Director of Devon Energy Corporation, a publicly traded independent natural gas and oil exploration and production company; Director of National Fuel Gas Company, a publicly traded energy company that engages in the production, gathering, transportation, distribution, and marketing of natural gas; Senior Advisor to the energy private equity firm First Reserve; Director of Ascent Resources, LLC, a private exploration and production company established to acquire, explore for, develop, and produce natural gas, oil, and natural gas liquids reserves in the Appalachian Basin; Director of Texas American Resources Company II, a private, independent oil and gas exploration and production company; member of the Finance Committee of the Children's Hospital of Colorado; member of the Investment Committee of the Board of The Denver Foundation; and previously a Director of publicly traded companies Buckeye Partners LP, UNS Energy Corporation, CVR Energy Company, and SM Energy Corporation.	
<b>Katinka Domotorffy</b>	Born 1955	Trustee since 2012	Voting member of the Investment Committees of the Anne Ray Foundation and Margaret A. Cargill Foundation, part of the Margaret A. Cargill Philanthropies.	Director of the Great Lakes Science Center and of College Now Greater Cleveland.	
<b>Catharine Bond Hill</b>	Born 1954	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, the 10th president of Vassar College.	Director of Yale-NUS College and Trustee of Yale University.	
<b>Paul L. Joskow</b>	Born 1947	Trustee since 1997	The Elizabeth and James Killian Professor of Economics, Emeritus at the Massachusetts Institute of Technology (MIT). From 2008 to 2017, the President of the Alfred P. Sloan Foundation, a philanthropic institution focused primarily on research and education on issues related to science, technology, and economic performance.	Trustee of Yale University; a Director of Exelon Corporation, an energy company focused on power services; and a member Emeritus of the Board of Advisors of the Boston Symphony Orchestra.	
<b>Kenneth R. Leibler</b>	Born 1949	Trustee since 2006 Vice Chair from 2016 to 2018, and Chair since 2018	Vice Chairman Emeritus of the Board of Trustees of Beth Israel Deaconess Hospital in Boston. Member of the Investment Committee of the Boston Arts Academy Foundation.	Director of Eversource Corporation, which operates New England's largest energy delivery system; previously the Chairman of the Boston Options Exchange, an electronic market place for the trading of listed derivatives securities; previously the Chairman and Chief Executive Officer of the Boston Stock Exchange; and previously the President and Chief Operating Officer of the American Stock Exchange.	
<b>George Putnam, III</b>	Born 1951	Trustee since 1984	Chairman of New Generation Research, Inc., a publisher of financial advisory and other research services, and President of New Generation Advisors, LLC, a registered investment adviser to private funds.	Director of The Boston Family Office, LLC, a registered investment advisor; a Trustee of the Gloucester Marine Genomics Institute; previously a Trustee of the Marine Biological Laboratory; and previously a Trustee of Epiphany School.	

Name Year of birth Position held	Principal occupations during past five years	Other directorships	
<b>Manoj P. Singh</b> Born 1952 Trustee since 2017	Until 2015, Chief Operating Officer and Global Managing Director at Deloitte Touche Tohmatsu, Ltd., a global professional services organization, serving 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 working in the fields of health, social and environmental policy, and international development; Trustee of Carnegie Mellon University; 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; and Director of DXC Technology, a global IT services and consulting company.	
<b>Mona K. Sutphen</b> Born 1967 Trustee since 2020	Senior Advisor at The Vistria Group, a private investment firm focused on middle-market companies in the healthcare, education, and financial services industries. From 2014 to 2018, Partner at Macro Advisory Partners, a global consulting firm.	Director of Unitek Learning, a private nursing and medical services education provider in the United States; previous Director of Pattern Energy, a publicly traded renewable energy company; Board Member, International Rescue Committee; Co-Chair of the Board of Human Rights First; Trustee of Mount Holyoke College; and member of the Advisory Board for the Center on Global Energy Policy at Columbia University's School of International and Public Affairs.	

### Interested Trustee

<b>Robert L. Reynolds*</b> Born 1952 Trustee since 2008 and President and Chief Executive Officer of Putnam Investments since 2008	President and Chief Executive Officer of Putnam Investments; 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; President and Chief Executive Officer of Great-West Lifeco U.S. Inc., a holding company that owns Putnam Investments and Great-West Financial; and member of Putnam Investments' and Great-West Financial's Board of Directors.	Director of West Virginia University Foundation; director of the Concord Museum; director of Dana-Farber Cancer Institute; Chairman of Massachusetts Competitive Partnership; director of Boston Chamber of Commerce; member of the Chief Executives Club of Boston; member of the National Innovation Initiative; member of the Massachusetts General Hospital President's Council; member of the Council on Competitiveness; and previously the President of the Commercial Club of Boston.	
---------------------------------------------------------------------------------------------------------------------------------------------------	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------

\*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 100 Federal Street, Boston, MA 02110.

As of December 31, 2020, there were 97 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:

**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 and Chief Risk Officer, Putnam Investments and Chief Compliance Officer, Putnam Management

**Nancy E. Florek** (Born 1957)  
Vice President, Director of Proxy Voting and Corporate Governance, Assistant Clerk, and Assistant Treasurer  
Since 2000

**Michael J. Higgins** (Born 1976)  
Vice President, Treasurer, and Clerk  
Since 2010

**Jonathan S. Horwitz** (Born 1955)  
Executive Vice President, Principal Executive Officer, and Compliance Liaison  
Since 2004

**Richard T. Kircher** (Born 1962)  
Vice President and BSA Compliance Officer  
Since 2019

Assistant Director, Operational Compliance, Putnam Investments and Putnam Retail Management

**Susan G. Malloy** (Born 1957)  
Vice President and Assistant Treasurer  
Since 2007

Head of Accounting and Middle Office Services, Putnam Investments and Putnam Management

**Denere P. Poulack** (Born 1968)  
Assistant Vice President, Assistant Clerk, and Assistant Treasurer  
Since 2004

**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

**Mark C. Trenchard** (Born 1962)  
Vice President  
Since 2002  
Director of Operational Compliance, Putnam Investments and Putnam Retail Management

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 100 Federal Street, Boston, MA 02110.

This page intentionally left blank.

This page intentionally left blank.

## 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, 2020, are available in the Individual Investors section of putnam.com and on the Securities and Exchange Commission's (SEC) website at 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

The 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-PORT within 60 days of the end of such fiscal quarter. Shareholders may obtain the fund's Form N-PORT from the SEC's website at www.sec.gov.

Prior to its use of Form N-PORT, the fund filed its complete schedule of its portfolio holdings with the SEC on Form N-Q, which is available online at www.sec.gov.

## Fund information

### Investment Manager

Putnam Investment Management, LLC  
100 Federal Street  
Boston, MA 02110

### Investment Sub-Advisor

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

### Marketing Services

Putnam Retail Management  
100 Federal Street  
Boston, MA 02110

### Investor Servicing Agent

Putnam Investments  
Mailing address:  
P.O. Box 219697  
Kansas City, MO 64121-9697  
1-800-225-1581

### Custodian

State Street Bank and Trust Company

### Legal Counsel

Ropes & Gray LLP

### Independent Registered Public Accounting Firm

PricewaterhouseCoopers LLP

### Trustees

Kenneth R. Leibler, *Chair*  
Liaquat Ahamed  
Ravi Akhoury  
Barbara M. Baumann  
Katinka Domotorffy  
Catharine Bond Hill  
Paul L. Joskow  
George Putnam, III  
Robert L. Reynolds  
Manoj P. Singh  
Mona K. Sutphen

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.

