

A world of investing.®



Putnam Variable Trust

Annual report

12 | 31 | 16

Putnam VT
Absolute Return 500 Fund®

Message from the Trustees

Dear Shareholder:

With 2017 under way, investor sentiment generally brightened at the prospect of moving beyond the challenges of the past year, when politics tested markets. Fortunately, market turbulence in the aftermath of key political events was in many cases followed by impressive rebounds, and annual performance in most global financial markets exceeded expectations.

Of course, uncertainties and macroeconomic risks do not simply disappear with the close of the calendar year. Conditions in the bond market have changed given the shift in the potential for inflation. As such, we believe investors should continue to focus on time-tested strategies: maintain a well-diversified portfolio, keep a long-term view, and do not overreact to short-term market fluctuations. To help ensure that your portfolio is aligned with your individual goals, time horizon, and tolerance for risk, we also believe it is a good idea to speak regularly with your financial advisor.

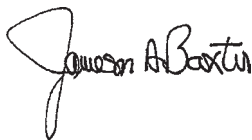
In today's environment, we favor the investment approach practiced at Putnam — active strategies based on fundamental research. Putnam portfolio managers, backed by a network of global analysts, bring years of experience to navigating changing market conditions and pursuing investment opportunities. In the following pages, you will find an overview of your fund's performance for the reporting period ended December 31, 2016, as well as an outlook for the coming months.

As always, 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

February 13, 2017

Performance summary (as of 12/31/16)

Investment objective

To earn a positive total return that exceeds the return on U.S. Treasury bills by 500 basis points (or 5.00%) on an annualized basis over a reasonable period of time (generally at least three years or more) regardless of market conditions

Net asset value December 31, 2016

Class IA: \$10.15 Class IB: \$10.03

Total return at net asset value

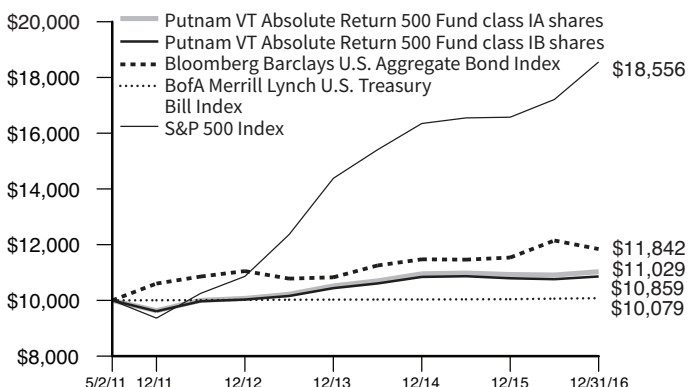
(as of 12/31/16)	Class IA shares*	Class IB shares*	BofA Merrill Lynch U.S. Treasury Bill Index	Bloomberg Barclays U.S. Aggregate Bond Index	S&P 500 Index	Fund's target†
1 year	0.93%	0.60%	0.37%	2.65%	11.96%	5.37%
5 years	14.53	13.00	0.72	11.67	98.18	—
Annualized	2.75	2.47	0.14	2.23	14.66	5.14
Life	10.29	8.59	0.79	18.42	85.56	—
Annualized	1.74	1.46	0.14	3.03	11.52	5.14

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

* Class inception date: May 2, 2011.

† Fund's benchmark plus 5.00%. No information for the target return is provided for periods of less than one year.

Cumulative total returns of a \$10,000 investment in class IA and class IB shares at net asset value — since 5/2/11



The S&P 500 Index is an unmanaged index of common stock performance. The BofA Merrill Lynch U.S. Treasury Bill Index is an unmanaged index that tracks the performance of U.S. dollar-denominated U.S. Treasury bills publicly issued in the U.S. domestic market. Qualifying securities must have a remaining term of at least one month to final maturity and a minimum amount outstanding of \$1 billion. The Bloomberg Barclays U.S. Aggregate Bond Index is an unmanaged index of U.S. investment-grade fixed-income securities.

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

U.S. stocks	27.2%
Agency pass-through	9.8%
High-yield corporate bonds	6.5%
Commercial MBS	6.3%
Agency CMO	4.9%
Commodities	2.7%
Emerging-market bonds	2.1%
Residential MBS (non-agency)	1.7%
International stocks	1.7%
Emerging-market stocks	0.2%
Asset-backed securities (ABS)	0.2%
Investment-grade corporate bonds	0.1%
U.S. Treasury/agency	-2.4%
Cash and net other assets	52.1%

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 use of different classifications of securities for presentation purposes, and rounding. Allocations may not total 100% because the table includes the notional value of derivatives (the economic value for purposes of calculating periodic payment obligations), in addition to the market value of securities. Holdings and allocations may vary over time.

Negative weights may result from timing differences between trade and settlement dates of securities, such as TBAs, or by the use of derivatives.

Report from your fund's manager

What factors influenced the global investment environment for the 12-month reporting period ended December 31, 2016?

The global investment environment was mostly favorable during 2016. The year began in the immediate aftermath of the U.S. Federal Reserve's first increase in its federal funds target rate since 2006. While the U.S. stock market had anticipated this move on the back of accelerating growth in the domestic economy, equity prices moved lower in the opening weeks of the year on renewed concerns about China, a global economic slowdown, and sinking oil prices. Crude oil prices reached a 13-year low in February due to concerns about a global recession, weakening demand for natural resources from emerging markets, and high levels of global inventories. In the months that followed, however, oil prices stabilized and rebounded as growth in global energy demand rekindled.

In early summer, the United Kingdom surprised the world when voters approved "Brexit," a referendum to exit the European Union. Stocks fell worldwide following the vote but bounced back quickly as markets digested the news. In the wake of Brexit, central banks around the world reiterated that they would remain accommodative and stimulative in their monetary policies.

The U.S. presidential election campaign dominated the news during the late summer and early fall, and amid the controversial campaign, stock performance pulled back, likely due to investors' discomfort with political uncertainty. The surprise victory of Donald Trump and the resulting realignment of expectations for business-friendly policies from a Republican-controlled government reignited investor optimism, and stocks around the world rallied strongly in the final six weeks of 2016. In mid-December, the Fed raised the federal funds target rate by an additional one-quarter point.

In fixed income, the adoption of a more risk-on attitude in the closing weeks of the year helped credit-sensitive instruments such as high-yield bonds produce stronger results. Interest-rate-sensitive assets behaved differently, however, with the benchmark 10-year Treasury yield trending higher and then spiking following the Trump victory, pushing bond prices lower.

Internationally, the economic picture was less positive, as many developed-market economies continued to battle anemic growth, and their central banks continued monetary easing to try to stimulate economic momentum.

For the 12 months ended December 31, 2016, the Dow Jones Industrial Average and the S&P 500 Index finished strong, returning 13.42% and 11.96%, respectively. The MSCI World Index [ND], a measure of large- and mid-cap stocks across 23 developed-market economies, ended the period with a return of 7.51%. The Bloomberg Barclays U.S. Aggregate Bond Index, a proxy for investment-grade bonds, was up 2.65%, while high-yield bonds, as measured by the JPMorgan Developed High Yield Index, gained 18.22%.

How did Putnam VT Absolute Return 500 Fund perform during this period?

For the 12 months ended December 31, 2016, the fund's class IA shares delivered a positive result, returning 0.93%, compared with a 0.37% return for its benchmark, the BoA Merrill Lynch U.S. Treasury

Bill Index. However, the fund underperformed its target, which seeks the return of its benchmark plus 5.00% on an annualized basis over a reasonable time [generally at least three years or more] regardless of market conditions.

The fund's directional market strategies were a positive contributor to the fund's performance. The fund's allocations across equities, credit-sensitive assets, rate-sensitive assets, and inflation-sensitive assets all delivered positive contributions. Directional equities were the biggest contributor. The fund also got a boost from its directional inflation allocation, where we benefited from a short position in commodities early in the year and a long position later in the year.

Among the fund's non-directional strategies, there were a number of offsetting results, but the combined effect overall was a small positive. As an example, within equity-selection alpha strategies, which take advantage of market-neutral opportunities across stock markets, a quantitatively driven U.S. large-cap strategy experienced weakness. This underperformance was balanced by strong returns from our fundamental forensic accounting trade, which identifies companies that use aggressive accounting practices as candidates for short selling. In fixed income, security selection added value, with a structured credit strategy that primarily focuses on the securitized mortgage market performing particularly well, though strong performance in this area was balanced by weakness in a fixed-income country allocation strategy.

What is your investment outlook as we move into 2017?

We remain bullish on U.S. equities, at least for the short term. While there are several unknowns about the extent of tax and deregulation policy changes ahead, we believe the U.S. economy will continue to see incremental positive growth, which in our view could translate into further gains among domestic stocks. This stance is tempered with the concerns that the market could grow impatient if anticipated policy changes are delayed by the legislative process or by unfavorable action on trade policy or disruptions in geopolitical matters.

In our view, the U.S. economy appears the healthiest compared with much of the rest of the world. In Europe, ongoing negotiations between the United Kingdom and the European Union on Brexit will bear watching and could introduce volatility into the equity markets. We also believe that another concern going into 2017 will be whether the strong U.S. dollar impinges upon the earnings capabilities of large U.S. multinationals or whether it inhibits the ability of emerging-market borrowers to service dollar-denominated debt.

In addition, although energy markets seem to have stabilized for the moment, we will be closely watching how the supply and demand dynamics of the industry may affect prices, which in turn could affect the current strength of many emerging-market economies. We continue to search for new non-directional strategies and believe the events described above have the potential to create attractive non-directional opportunities.

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: Allocation of assets among asset classes may hurt performance. Stock and bond prices may fall or fail to rise over time for several reasons, including general financial market conditions, changing market perceptions of the risk of default, changes in government intervention in the financial markets, and factors related to a specific issuer or industry. These factors may also lead to periods of high volatility and reduced liquidity in the bond markets. Growth stocks may be more susceptible to earnings disappointments, and value stocks may fail to rebound. Bond investments are subject to interest-rate risk (the risk of bond prices falling if interest rates rise) and credit risk (the risk of an issuer defaulting on interest or principal payments). Interest-rate risk is greater for longer-term bonds, and credit risk is greater for below-investment-grade bonds. Unlike bonds, funds that invest in bonds have fees and expenses. Lower-rated bonds may offer higher yields in return for more risk. Funds that invest in government securities are not guaranteed. Mortgage-backed securities are subject to prepayment risk and the risk that they may increase in value less when interest rates decline and decline in value more when interest rates rise. International investing involves currency, economic, and political risks. Emerging-market securities have illiquidity and volatility risks. Our alpha strategy may lose money or not earn a return sufficient to cover associated trading and other costs. Our use of leverage obtained through derivatives increases these risks by increasing investment exposure. Risks associated with derivatives include increased investment exposure (which may be considered leverage) and, in the case of over-the-counter instruments, the potential inability to terminate or sell derivatives positions and the potential failure of the other party to the instrument to meet its obligations. The fund's efforts to produce lower-volatility returns may not be successful and may make it more difficult at times for the fund to achieve its targeted return. Under certain market conditions, the fund may accept greater-than-typical volatility to seek its targeted return. The fund may not achieve its goal, and it is not intended to be a complete investment program. You can lose money by investing in the fund. The fund's prospectus lists additional risks.

ABOUT DERIVATIVES

Derivatives are an increasingly common type of investment instrument, the performance of which is *derived* from an underlying security, index, currency, or other area of the capital markets. Derivatives employed by the fund's managers generally serve one of two main purposes: to implement a strategy that may be difficult or more expensive to invest in through traditional securities, or to hedge unwanted risk associated with a particular position.

For example, the fund's managers might use currency forward contracts to capitalize on an anticipated change in exchange rates between two currencies. This approach would require a significantly smaller outlay of capital than purchasing traditional bonds denominated in the underlying currencies. In another example, the managers may identify a bond that they believe is undervalued relative to its risk of default, but may seek to reduce the interest-rate risk of that bond by using interest-rate swaps, a derivative through which two parties "swap" payments based on the movement of certain rates. In other examples, the managers may use options and futures contracts to hedge against a variety of risks by establishing a combination of long and short exposures to specific equity markets or sectors.

Like any other investment, derivatives may not appreciate in value and may lose money. Derivatives may amplify traditional investment risks through the creation of leverage and may be less liquid than traditional securities. And because derivatives typically represent contractual agreements between two financial institutions, derivatives entail "counterparty risk," which is the risk that the other party is unable or unwilling to pay. Putnam monitors the counterparty risks we assume. For example, Putnam often enters into collateral agreements that require the counterparties to post collateral on a regular basis to cover their obligations to the fund. Counterparty risk for exchange-traded futures and centrally cleared swaps is mitigated by the daily exchange of margin and other safeguards against default through their respective clearinghouses.

Your fund's managers



Portfolio Manager **James A. Fetch** is Co-Head of Global Asset Allocation at Putnam. He has been in the investment industry since he joined Putnam in 1994.

In addition to James, your fund is managed by Putnam's Co-Head of Global Asset Allocation Robert J. Kea, CFA; Chief Investment Officer, Global Asset Allocation, Robert J. Schoen; and Co-Head of Global Asset Allocation Jason R. Vaillancourt, CFA.

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. In the most recent six-month period, your fund's expenses were limited; had expenses not been limited, they would have been higher. 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 7/1/16 to 12/31/16. 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
Net expenses for the fiscal year ended 12/31/15*	0.92%	1.17%
Total annual operating expenses for the fiscal year ended 12/31/15	1.36%	1.61%
Annualized expense ratio for the six-month period ended 12/31/16†	0.90%	1.15%

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 0.02%, which is not included in the financial highlights or annualized expense ratios. Expenses are shown as a percentage of average net assets.

*Reflects Putnam Management's contractual obligation to limit expenses through 4/30/17.

†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 12/31/16		Expenses and value for a \$1,000 investment, assuming a hypothetical 5% annualized return for the 6 months ended 12/31/16	
	Class IA	Class IB	Class IA	Class IB
Expenses paid per \$1,000*†	\$4.55	\$5.81	\$4.57	\$5.84
Ending value (after expenses)	\$1,011.00	\$1,009.10	\$1,020.61	\$1,019.36

*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 12/31/16. 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 Absolute Return 500 Fund:

In our opinion, the accompanying statement of assets and liabilities, including the portfolio, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Putnam VT Absolute Return 500 Fund (the “Fund”) as of December 31, 2016, the results of its operations, the changes in its net assets and the financial highlights for each of the periods indicated, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as “financial statements”) are the responsibility of the Fund’s management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of investments as of December 31, 2016 by correspondence with the custodian, brokers, transfer agent, and the application of alternative auditing procedures where securities purchased had not been received, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
Boston, Massachusetts
February 13, 2017

The fund's portfolio 12/31/16

COMMON STOCKS (25.0%)*	Shares	Value
Basic materials (1.5%)		
Anhui Conch Cement Co., Ltd. (China)	10,000	\$26,987
Ashland Global Holdings, Inc.	76	8,306
Bemis Co., Inc.	214	10,233
Braskem SA Class A (Preference) (Brazil)	5,900	62,087
China Lesso Group Holdings, Ltd. (China)	36,000	23,266
China Railway Construction Corp., Ltd. (China)	33,500	42,918
Hyosung Corp. (South Korea)	402	48,349
IRPC PCL (Thailand)	131,000	17,559
Lee & Man Paper Manufacturing, Ltd. (China)	8,000	6,180
Lotte Chemical Corp. (South Korea)	131	39,795
PTT Global Chemical PCL (Thailand)	28,500	50,139
Reliance Steel & Aluminum Co.	140	11,136
Sherwin-Williams Co. (The)	107	28,755
Siam Cement PCL (The) (Thailand)	3,450	47,873
Sinopec Shanghai Petrochemical Co., Ltd. (China)	78,000	42,222
Sonoco Products Co.	182	9,591
		475,396
Capital goods (1.6%)		
Allison Transmission Holdings, Inc.	635	21,393
Avery Dennison Corp.	417	29,282
Berry Plastics Group, Inc. †	213	10,379
BWX Technologies, Inc.	242	9,607
Carlisle Cos., Inc.	71	7,831
China Railway Group, Ltd. (China)	56,000	45,819
Crown Holdings, Inc. †	229	12,039
General Dynamics Corp.	279	48,172
Honeywell International, Inc.	613	71,016
Northrop Grumman Corp.	365	84,892
Raytheon Co.	586	83,212
Waste Management, Inc.	925	65,592
		489,234
Communication services (2.1%)		
AT&T, Inc.	810	34,449
China Mobile, Ltd. (China)	1,000	10,486
Comcast Corp. Class A	510	35,216
DISH Network Corp. Class A †	4,808	278,524
Juniper Networks, Inc.	2,043	57,735
LG Uplus Corp. (South Korea)	1,412	13,378
Telekomunikasi Indonesia Persero Tbk PT (Indonesia)	209,800	61,720
Telkom SA SOC, Ltd. (South Africa)	7,217	38,859
Verizon Communications, Inc.	2,137	114,073
		644,440
Consumer cyclicals (2.8%)		
Alfa SAB de CV (Mexico)	7,341	9,087
Aramark	162	5,787
Automatic Data Processing, Inc.	851	87,466
AutoZone, Inc. †	78	61,604
Carter's, Inc.	92	7,948
CBS Corp. Class B (non-voting shares)	549	34,927
China Dongxiang Group Co., Ltd. (China)	45,000	8,109
Clorox Co. (The)	46	5,521
Dollar General Corp.	802	59,404
Great Wall Motor Co., Ltd. (China)	34,000	31,531
Hankook Tire Co., Ltd. (South Korea)	115	5,518
Hasbro, Inc.	388	30,183

COMMON STOCKS (25.0%)* cont.	Shares	Value
Consumer cyclicals cont.		
Home Depot, Inc. (The)	86	\$11,531
Hyatt Hotels Corp. Class A †	170	9,394
Imperial Holdings, Ltd. (South Africa)	2,927	38,670
Interpublic Group of Cos., Inc. (The)	989	23,152
Itausa - Investimentos Itau SA (Preference) (Brazil)	12,200	31,037
John Wiley & Sons, Inc. Class A	95	5,178
Kia Motors Corp. (South Korea)	1,208	39,196
Kimberly-Clark Corp.	67	7,646
Kimberly-Clark de Mexico SAB de CV Class A (Mexico)	23,137	41,665
Lowe's Cos., Inc.	907	64,506
Madison Square Garden Co. (The) Class A †	22	3,773
Naspers, Ltd. Class N (South Africa)	34	4,954
News Corp. Class B	260	3,068
Omnicom Group, Inc.	31	2,638
PVH Corp.	77	6,948
Qualicorp SA (Brazil)	4,600	27,207
Scotts Miracle-Gro Co. (The) Class A	92	8,791
ServiceMaster Global Holdings, Inc. †	419	15,784
Smiles SA (Brazil)	3,200	43,978
TJX Cos., Inc. (The)	537	40,345
Twenty-First Century Fox, Inc.	1,668	46,771
Vail Resorts, Inc.	21	3,388
Vantiv, Inc. Class A †	766	45,669
World Fuel Services Corp.	154	7,070
		879,444
Consumer staples (2.2%)		
Altria Group, Inc.	1,494	101,024
Church & Dwight Co., Inc.	247	10,915
Colgate-Palmolive Co.	842	55,100
Constellation Brands, Inc. Class A	41	6,286
Coty, Inc. Class A	184	3,369
CVS Health Corp.	736	58,078
General Mills, Inc.	825	50,960
Gruma SAB de CV Class B (Mexico)	3,204	40,711
Grupo Lala SAB de CV (Mexico)	16,759	24,375
Hershey Co. (The)	551	56,990
JBS SA (Brazil)	5,599	19,611
KT&G Corp. (South Korea)	522	43,631
LG Household & Health Care, Ltd. (South Korea)	29	20,548
McDonald's Corp.	714	86,908
PepsiCo, Inc.	60	6,278
Philip Morris International, Inc.	25	2,287
Pool Corp.	73	7,617
Procter & Gamble Co. (The)	269	22,618
Sao Martinho SA (Brazil)	2,094	12,546
Sysco Corp.	1,019	56,422
US Foods Holding Corp. †	100	2,748
		689,022
Energy (1.3%)		
Bangchak Petroleum PCL (The) (Thailand)	9,800	9,168
Dril-Quip, Inc. †	70	4,204
Exxon Mobil Corp.	1,719	155,157
FMC Technologies, Inc. †	599	21,282
Formosa Petrochemical Corp. (Taiwan)	7,000	24,228
Phillips 66	257	22,207
Schlumberger, Ltd.	1,149	96,459

COMMON STOCKS (25.0%)* cont.	Shares	Value
Energy cont.		
SK Innovation Co., Ltd. (South Korea)	269	\$32,440
Thai Oil PCL (Thailand)	19,800	39,948
		405,093
Financials (5.3%)		
Aflac, Inc.	346	24,082
AGNC Investment Corp. R	2,343	42,479
Agricultural Bank of China, Ltd. (China)	133,000	54,305
Alleghany Corp. †	9	5,473
Allstate Corp. (The)	127	9,413
Ally Financial, Inc.	714	13,580
American Financial Group, Inc.	80	7,050
Annaly Capital Management, Inc. R	2,144	21,376
Aspen Insurance Holdings, Ltd.	184	10,120
Associated Banc-Corp.	157	3,878
Assured Guaranty, Ltd.	183	6,912
Banco Bradesco SAADR (Brazil)	4,577	39,866
Bank Negara Indonesia Persero Tbk PT (Indonesia)	81,900	33,475
Bank of Communications Co., Ltd. (China)	65,000	46,530
Bank of New York Mellon Corp. (The)	619	29,328
Berkshire Hathaway, Inc. Class B †	296	48,242
Brandywine Realty Trust R	298	4,920
Broadridge Financial Solutions, Inc.	242	16,045
Capital One Financial Corp.	414	36,117
Chimera Investment Corp. R	954	16,237
China Cinda Asset Management Co., Ltd. (China)	107,000	38,602
China Construction Bank Corp. (China)	69,000	52,862
China Life Insurance Co., Ltd. (Taiwan)	5,000	4,956
Chongqing Rural Commercial Bank Co., Ltd. (China)	41,000	24,069
CIFI Holdings Group Co., Ltd. (China)	24,000	6,442
CoreLogic, Inc. †	208	7,661
Corporate Office Properties Trust R	169	5,276
Discover Financial Services	580	41,812
Equity Commonwealth † R	249	7,530
Equity Lifestyle Properties, Inc. R	78	5,624
Equity One, Inc. R	168	5,156
Equity Residential Trust R	379	24,392
Everest Re Group, Ltd.	80	17,312
Guangzhou R&F Properties Co., Ltd. (China)	33,600	40,603
Hanover Insurance Group, Inc. (The)	48	4,368
Highwealth Construction Corp. (Taiwan)	14,000	19,668
Highwoods Properties, Inc. R	153	7,805
Hyundai Marine & Fire Insurance Co., Ltd. (South Korea)	501	13,043
Industrial & Commercial Bank of China, Ltd. (China)	137,000	81,710
Industrial Bank of Korea (South Korea)	2,349	24,658
Intercontinental Exchange, Inc.	501	28,266
KB Financial Group, Inc. (South Korea)	100	3,533
Liberty Holdings, Ltd. (South Africa)	3,867	31,101
Liberty Property Trust R	184	7,268
Macerich Co. (The) R	144	10,201
Macquarie Mexico Real Estate Management SA de CV (Mexico) R	10,529	10,885
Marsh & McLennan Cos., Inc.	537	36,296
MFA Financial, Inc. R	1,245	9,499
Mid-America Apartment Communities, Inc. R	54	5,288
MRV Engenharia e Participacoes SA (Brazil)	12,200	41,008

COMMON STOCKS (25.0%)* cont.	Shares	Value
Financials cont.		
Old Mutual PLC (South Africa)	12,524	\$31,771
People's Insurance Co. Group of China, Ltd. (China)	115,000	45,220
PNC Financial Services Group, Inc. (The)	723	84,562
Popular, Inc. (Puerto Rico)	304	13,321
Public Storage R	21	4,694
Regency Centers Corp. R	150	10,343
Reinsurance Group of America, Inc.	102	12,835
Retail Properties of America, Inc. Class A R	255	3,909
Sberbank of Russia PJSC ADR (Russia)	6,817	78,722
Shinhan Financial Group Co., Ltd. (South Korea)	442	16,572
SunTrust Banks, Inc.	541	29,674
TCF Financial Corp.	506	9,913
Travelers Cos., Inc. (The)	292	35,747
Two Harbors Investment Corp. R	1,241	10,822
U.S. Bancorp	688	35,343
Voya Financial, Inc.	800	31,376
Weingarten Realty Investors R	128	4,581
Wells Fargo & Co.	1,666	91,813
Western Alliance Bancorp †	171	8,329
		1,645,869
Health care (2.2%)		
AmerisourceBergen Corp.	264	20,642
C.R. Bard, Inc.	89	19,995
Charles River Laboratories International, Inc. †	74	5,638
DaVita Inc. †	477	30,623
Intuitive Surgical, Inc. †	65	41,221
Johnson & Johnson	1,191	137,215
McKesson Corp.	385	54,073
Merck & Co., Inc.	714	42,033
Pfizer, Inc.	3,301	107,216
Richter Gedeon Nyrt (Hungary)	2,381	50,250
Thermo Fisher Scientific, Inc.	538	75,912
UnitedHealth Group, Inc.	616	98,585
VWR Corp. †	144	3,604
Waters Corp. †	37	4,972
		691,979
Technology (4.4%)		
Agilent Technologies, Inc.	355	16,174
Alibaba Group Holding, Ltd. ADR (China) †	402	35,300
Alphabet, Inc. Class A †	160	126,792
Amdocs, Ltd.	328	19,106
Apple, Inc.	518	59,995
Applied Materials, Inc.	2,120	68,412
AU Optronics Corp. (Taiwan)	11,000	3,991
Cisco Systems, Inc.	3,445	104,108
CommerceHub, Inc. Ser. C †	300	4,509
eBay, Inc. †	2,514	74,641
Fiserv, Inc. †	438	46,551
Fitbit, Inc. Class A †	1,334	9,765
Foxconn Technology Co., Ltd. (Taiwan)	19,190	50,334
Genpact, Ltd. †	313	7,618
Hon Hai Precision Industry Co., Ltd. (Taiwan)	31,100	80,565
Innolux Corp. (Taiwan)	40,000	14,323
Intuit, Inc.	242	27,736
L-3 Communications Holdings, Inc.	89	13,538
Microsoft Corp.	458	28,460
Motorola Solutions, Inc.	201	16,661

COMMON STOCKS (25.0%)* cont.	Shares	Value
Technology cont.		
MSCI, Inc.	76	\$5,987
NetEase, Inc. ADR (China)	274	59,003
Paychex, Inc.	1,146	69,768
Samsung Electronics Co., Ltd. (South Korea)	127	187,650
Synopsys, Inc. †	326	19,188
Taiwan Semiconductor Manufacturing Co., Ltd. ADR (Taiwan)	2,607	74,951
Tencent Holdings, Ltd. (China)	2,700	65,529
Texas Instruments, Inc.	789	57,573
Tripod Technology Corp. (Taiwan)	6,000	13,495
		1,361,723
Transportation (0.5%)		
AirAsia Bhd (Malaysia)	29,800	15,197
Controladora Vuela Cia de Aviacion SAB de CV Class A (Mexico) †	3,338	4,998
Eva Airways Corp. (Taiwan)	22,000	9,941
MISC Bhd (Malaysia)	14,900	24,425
Southwest Airlines Co.	435	21,680
United Parcel Service, Inc. Class B	805	92,285
		168,526
Utilities and power (1.1%)		
American Electric Power Co., Inc.	488	30,724
American Water Works Co., Inc.	203	14,689
Equatorial Energia SA (Brazil)	3,150	52,650
Eversource Energy	210	11,598
Great Plains Energy, Inc.	358	9,791
Korea Electric Power Corp. (South Korea)	1,223	44,699
NiSource, Inc.	532	11,778
PG&E Corp.	758	46,064
Southern Co. (The)	793	39,008
Tenaga Nasional Bhd (Malaysia)	17,100	52,899
Westar Energy, Inc.	185	10,425
		324,325
Total common stocks (cost \$6,967,615)		\$7,775,051

U.S. GOVERNMENT AND AGENCY MORTGAGE OBLIGATIONS (9.8%)*	Principal amount	Value
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U.S. Government Agency Mortgage Obligations (9.8%)		
Federal National Mortgage Association		
Pass-Through Certificates		
3.50%, TBA, 1/1/47	\$2,000,000	\$2,050,000
3.00%, TBA, 1/1/47	1,000,000	994,219
		3,044,219

Total U.S. government and agency mortgage obligations (cost \$3,050,781)		\$3,044,219
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MORTGAGE-BACKED SECURITIES (7.8%)*	Principal amount	Value
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Agency collateralized mortgage obligations (4.7%)		
Federal Home Loan Mortgage Corporation		
IFB Ser. 4073, Class AS, IO, 5.346%, 8/15/38	\$208,080	\$21,563
Ser. 4322, Class ID, IO, 4.50%, 5/15/43	125,971	21,324
Ser. 4568, Class MI, IO, 4.00%, 4/15/46	120,701	19,765
Ser. 4193, Class PI, IO, 4.00%, 3/15/43	57,604	8,896
Ser. 4604, Class QI, IO, 3.50%, 7/15/46	263,555	43,415
Ser. 4121, Class AI, IO, 3.50%, 10/15/42	197,544	38,022
Ser. 4097, Class PI, IO, 3.50%, 11/15/40	113,291	14,588
Ser. 4134, Class PI, IO, 3.00%, 11/15/42	215,796	26,308
Ser. 4206, Class IP, IO, 3.00%, 12/15/41	95,822	10,680

MORTGAGE-BACKED SECURITIES (7.8%)* cont.	Principal amount	Value
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Agency collateralized mortgage obligations cont.		
Federal National Mortgage Association		
Ser. 16-3, Class NI, IO, 6.00%, 2/25/46	\$82,924	\$19,957
IFB Ser. 12-68, Class BS, IO, 5.244%, 7/25/42	97,528	17,477
IFB Ser. 13-101, Class SE, IO, 5.144%, 10/25/43	89,038	19,924
Ser. 12-118, Class IC, IO, 3.50%, 11/25/42	149,974	28,176
Ser. 12-136, Class PI, IO, 3.50%, 11/25/42	61,149	6,396
Ser. 14-76, IO, 3.50%, 11/25/39	186,623	18,992
Ser. 12-151, Class PI, IO, 3.00%, 1/25/43	63,757	7,708
Ser. 13-1, Class MI, IO, 3.00%, 1/25/43	136,736	12,773
Ser. 13-35, Class PI, IO, 3.00%, 2/25/42	268,597	22,549
Ser. 13-31, Class NI, IO, 3.00%, 6/25/41	79,364	6,522

Government National Mortgage Association		
Ser. 09-79, Class IC, IO, 6.00%, 8/20/39	160,040	31,683
IFB Ser. 13-129, Class SN, IO, 5.411%, 9/20/43	41,268	6,666
Ser. 14-182, Class KI, IO, 5.00%, 10/20/44	104,872	21,398
Ser. 14-133, Class IP, IO, 5.00%, 9/16/44	135,379	27,129
Ser. 14-122, Class IC, IO, 5.00%, 8/20/44	56,446	10,336
Ser. 14-163, Class NI, IO, 5.00%, 2/20/44	66,379	12,832
Ser. 11-116, Class IB, IO, 5.00%, 10/20/40	7,591	350
Ser. 10-20, Class UI, IO, 5.00%, 2/20/40	60,523	12,369
Ser. 10-9, Class UI, IO, 5.00%, 1/20/40	87,687	18,379
Ser. 09-121, Class UI, IO, 5.00%, 12/20/39	63,884	13,196
Ser. 16-37, Class IW, IO, 4.50%, 2/20/46	96,461	20,860
Ser. 15-80, Class IA, IO, 4.50%, 6/20/45	124,670	23,783
Ser. 13-20, Class QI, IO, 4.50%, 12/16/42	97,378	16,729
Ser. 10-35, Class QI, IO, 4.50%, 3/20/40	24,723	4,690
Ser. 15-99, Class LI, IO, 4.00%, 7/20/45	83,528	14,024
Ser. 15-79, Class CI, IO, 4.00%, 5/20/45	93,836	18,836
Ser. 15-53, Class MI, IO, 4.00%, 4/16/45	89,327	19,491
Ser. 15-187, Class JI, IO, 4.00%, 3/20/45	147,180	24,882
Ser. 13-24, Class PI, IO, 4.00%, 11/20/42	59,397	10,952
Ser. 12-38, Class MI, IO, 4.00%, 3/20/42	147,975	27,435
Ser. 14-133, Class AI, IO, 4.00%, 10/20/36	149,576	15,477
Ser. 16-111, Class IP, IO, 3.50%, 8/20/46	109,732	14,517
Ser. 15-64, Class PI, IO, 3.50%, 5/20/45	117,858	16,800
Ser. 15-124, Class LI, IO, 3.50%, 3/20/45	439,514	48,347
Ser. 16-136, Class YI, IO, 3.50%, 3/20/45	102,066	13,906
Ser. 15-20, Class PI, IO, 3.50%, 2/20/45	169,269	29,199
Ser. 15-24, Class IA, IO, 3.50%, 2/20/45	91,599	14,106
Ser. 13-102, Class IP, IO, 3.50%, 6/20/43	53,807	5,395
Ser. 13-100, Class MI, IO, 3.50%, 2/20/43	50,586	5,954
Ser. 12-136, Class BI, IO, 3.50%, 11/20/42	123,192	23,764
Ser. 12-141, Class WI, IO, 3.50%, 11/20/41	47,553	4,837
Ser. 12-71, Class JI, IO, 3.50%, 4/16/41	42,579	3,423
Ser. 13-157, Class IA, IO, 3.50%, 4/20/40	124,188	14,947
Ser. 13-90, Class HI, IO, 3.50%, 4/20/40	46,445	2,946
Ser. 13-79, Class XI, IO, 3.50%, 11/20/39	83,070	11,213
Ser. 15-124, Class NI, IO, 3.50%, 6/20/39	239,772	25,967
Ser. 15-96, Class NI, IO, 3.50%, 1/20/39	91,871	11,493
Ser. 15-82, Class GI, IO, 3.50%, 12/20/38	186,157	18,282
Ser. 15-124, Class DI, IO, 3.50%, 1/20/38	156,015	20,547
Ser. 15-H22, Class GI, IO, 2.579%, 9/20/65	136,801	18,345
Ser. 16-H02, Class BI, IO, 2.471%, 11/20/65	359,574	38,787
Ser. 15-H25, Class BI, IO, 2.445%, 10/20/65	304,807	34,138
FRB Ser. 15-H16, Class XI, IO, 2.434%, 7/20/65	113,158	13,454
Ser. 15-H20, Class CI, IO, 2.405%, 8/20/65	182,962	21,904
Ser. 14-H21, Class AI, IO, 2.204%, 10/20/64	210,007	21,085
Ser. 15-H24, Class HI, IO, 2.032%, 9/20/65	509,963	43,245
Ser. 16-H03, Class AI, IO, 2.028%, 1/20/66	167,175	19,301
Ser. 15-H09, Class AI, IO, 2.012%, 4/20/65	240,586	25,670

MORTGAGE-BACKED SECURITIES (7.8%)* cont.

	Principal amount	Value
Agency collateralized mortgage obligations cont.		
Government National Mortgage Association		
Ser. 16-H04, Class KI, IO, 1.934%, 2/20/66	\$119,870	\$11,227
Ser. 15-H15, Class JI, IO, 1.929%, 6/20/65	282,142	30,274
Ser. 15-H19, Class NI, IO, 1.902%, 7/20/65	213,017	22,303
Ser. 15-H18, Class IA, IO, 1.816%, 6/20/65	106,680	8,716
Ser. 15-H10, Class CI, IO, 1.797%, 4/20/65	170,931	16,895
Ser. 15-H26, Class GI, IO, 1.781%, 10/20/65	226,691	22,624
Ser. 15-H09, Class BI, IO, 1.689%, 3/20/65	242,556	20,933
Ser. 15-H10, Class EI, IO, 1.626%, 4/20/65	147,907	9,303
Ser. 15-H25, Class AI, IO, 1.605%, 9/20/65	321,353	27,572
Ser. 15-H24, Class BI, IO, 1.605%, 8/20/65	454,597	27,867
Ser. 16-H08, Class GI, IO, 1.421%, 4/20/66	263,533	17,288
		1,453,106
Commercial mortgage-backed securities (1.4%)		
Bear Stearns Commercial Mortgage Securities Trust FRB Ser. 07-T26, Class AJ, 5.566%, 1/12/45		
	37,000	35,150
Bear Stearns Commercial Mortgage Securities Trust 144A FRB Ser. 06-PW11, Class C, 5.436%, 3/11/39		
	25,000	6,250
Credit Suisse First Boston Mortgage Securities Corp. Ser. 05-C3, Class B, 4.882%, 7/15/37		
	9,076	8,993
GE Capital Commercial Mortgage Corp. FRB Ser. 05-C1, Class D, 4.411%, 6/10/48		
	22,509	22,634
GE Capital Commercial Mortgage Corp. Trust FRB Ser. 06-C1, Class AJ, 5.309%, 3/10/44		
	17,396	17,118
GMAC Commercial Mortgage Securities, Inc. Trust 144A FRB Ser. 04-C3, Class X1, IO, 0.914%, 12/10/41		
	47,361	860
GS Mortgage Securities Trust 144A FRB Ser. 13-GC16, Class D, 5.32%, 11/10/46		
	18,000	16,600
JPMorgan Chase Commercial Mortgage Securities Trust 144A FRB Ser. 13-C14, Class E, 4.562%, 8/15/46		
	16,000	12,587
JPMorgan Chase Commercial Mortgage Securities Trust FRB Ser. 06-LDP7, Class B, 5.925%, 4/17/45		
	20,000	3,644
JPMorgan Chase Commercial Mortgage Securities Trust 144A		
FRB Ser. 07-CB20, Class C, 6.252%, 2/12/51	20,000	17,600
Ser. 13-C13, Class E, 3.986%, 1/15/46	12,000	7,997
LB-UBS Commercial Mortgage Trust		
Ser. 06-C6, Class D, 5.502%, 9/15/39	23,000	4,965
FRB Ser. 06-C6, Class C, 5.482%, 9/15/39	20,000	5,943
Merrill Lynch Mortgage Trust		
FRB Ser. 05-CIP1, Class C, 5.595%, 7/12/38	17,092	16,656
Ser. 04-KEY2, Class D, 5.046%, 8/12/39	17,595	17,446
ML-CFC Commercial Mortgage Trust 144A		
Ser. 06-4, Class AJFX, 5.147%, 12/12/49	6,013	6,004
FRB Ser. 06-4, Class XC, IO, 0.678%, 12/12/49	83,545	17
UBS-Barclays Commercial Mortgage Trust 144A		
Ser. 12-C2, Class F, 4.885%, 5/10/63	17,000	11,878
Ser. 13-C6, Class E, 3.50%, 4/10/46	38,000	25,422
Wachovia Bank Commercial Mortgage Trust FRB Ser. 06-C23, Class F, 5.594%, 1/15/45		
	10,485	10,380
Wells Fargo Commercial Mortgage Trust 144A Ser. 12-LC5, Class E, 4.777%, 10/15/45		
	100,000	74,490

MORTGAGE-BACKED SECURITIES (7.8%)* cont.

	Principal amount	Value
Commercial mortgage-backed securities cont.		
WF-RBS Commercial Mortgage Trust 144A		
Ser. 11-C3, Class E, 5.00%, 3/15/44	\$30,000	\$24,252
Ser. 12-C7, Class F, 4.50%, 6/15/45	100,000	71,110
Ser. 13-C12, Class E, 3.50%, 3/15/48	15,000	11,079
		429,075
Residential mortgage-backed securities (non-agency) (1.7%)		
Bear Stearns Alt-A Trust FRB Ser. 04-3, Class B, 3.681%, 4/25/34		
	24,804	24,636
Countrywide Alternative Loan Trust		
FRB Ser. 05-27, Class 1A6, 1.576%, 8/25/35	22,127	16,927
FRB Ser. 06-OA7, Class 1A2, 1.507%, 6/25/46	12,803	11,139
FRB Ser. 05-59, Class 1A1, 1.069%, 11/20/35	17,326	14,871
Federal National Mortgage Association		
Connecticut Avenue Securities FRB Ser. 16-C03, Class 2B, 13.506%, 10/25/28		
	10,000	12,558
Connecticut Avenue Securities FRB Ser. 16-C02, Class 1B, 13.006%, 9/25/28		
	60,000	73,607
Connecticut Avenue Securities FRB Ser. 16-C03, Class 1B, 12.506%, 10/25/28		
	85,000	100,549
Connecticut Avenue Securities FRB Ser. 15-C04, Class 1M2, 6.456%, 4/25/28		
	38,000	41,856
Connecticut Avenue Securities FRB Ser. 15-C04, Class 2M2, 6.306%, 4/25/28		
	10,000	10,905
Connecticut Avenue Securities FRB Ser. 15-C03, Class 1M2, 5.756%, 7/25/25		
	68,000	73,220
Connecticut Avenue Securities FRB Ser. 15-C02, Class 2M2, 4.756%, 5/25/25		
	6,000	6,262
Nomura Resecuritization Trust 144A FRB Ser. 15-4R, Class 1A14, 0.681%, 3/26/47		
	165,000	102,465
WaMu Mortgage Pass-Through Certificates Trust FRB Ser. 04-AR12, Class A2B, 1.216%, 10/25/44		
	31,883	29,645
Wells Fargo Mortgage Backed Securities Trust FRB Ser. 06-AR6, Class 7A2, 3.025%, 3/25/36		
	14,841	14,531
		533,171
Total mortgage-backed securities (cost \$2,470,041)		\$2,415,352

INVESTMENT COMPANIES (5.7%)*

	Shares	Value
Consumer Discretionary Select Sector SPDR Fund	3,290	\$267,806
Consumer Staples Select Sector SPDR Fund	5,190	268,375
Financial Select Sector SPDR Fund	11,800	274,350
Financial Select Sector SPDR Fund	3,568	268,742
Industrial Select Sector SPDR Fund	4,256	264,808
iShares MSCI India ETF (India)	3,905	104,693
SPDR S&P 500 ETF Trust	295	65,941
Utility Select Sector SPDR Fund	5,267	255,818
Total investment companies (cost \$1,736,125)		\$1,770,533

COMMODITY LINKED NOTES (5.6%)* †††

	Principal amount	Value
Bank of America Corp. 144A sr. unsec. unsub. notes 1-month LIBOR less 0.15%, 2017 (Indexed to the BofA Merrill Lynch Commodity MLCXP2KS Excess Return Strategy multiplied by 3)		
	\$100,000	\$96,657
Citigroup Global Markets Holdings Inc. sr. notes Ser. N, 3-month USD LIBOR less 0.20%, 2017 (Indexed to the Citi Commodity Spread Index—Bloomberg Commodity Index SM 3 Month Forward Sub-Indices versus Bloomberg Commodity Index SM Sub-Indices multiplied by 3)		
	690,000	682,906

COMMODITY LINKED NOTES (5.6%)* ††† cont.	Principal amount	Value
S&P GSCI TOTAL RETURN INDEX zero %, 12/4/17	\$250,000	\$319,651
S&P GSCI TOTAL RETURN INVERS 3X 144A zero %, 12/7/17 (United Kingdom)	228,360	223,777
UBSAG/London 144A sr. notes 1-month LIBOR less 0.10%, 2017 (Indexed to the UBSIF3AT Index multiplied by 3) (United Kingdom)	80,000	80,046
UBSAG/London 144A sr. notes 1-month LIBOR less 0.10%, 2017 (Indexed to the UBSIF3AT Index multiplied by 3) (United Kingdom)	333,000	346,526
Total commodity linked notes (cost \$1,681,360)		\$1,749,563

WARRANTS (1.1%)* †	Expiration date	Strike price	Warrants	Value
Aurobindo Pharma, Ltd. 144A (India)	6/22/17	\$0.00	421	\$4,152
Bharat Petroleum Corp., Ltd. 144A (India)	3/9/18	0.00	5,269	49,336
China State Construction Engineering Corp., Ltd. 144A (China)	1/22/18	0.00	32,104	40,884
HCL Technologies, Ltd. 144A (India)	3/31/17	0.00	2,766	33,743
Hindalco Industries, Ltd. 144A (India)	9/26/17	0.00	3,979	9,090
Hindustan Petroleum Corp., Ltd. 144A (India)	6/4/18	0.00	6,809	44,273
Indian Oil Corp., Ltd. 144A (India)	10/16/17	0.00	10,852	51,974
Infosys, Ltd. 144A (India)	6/27/18	0.00	2,284	34,009
Shanghai Automotive Co. (China)	3/2/17	0.00	13,600	45,950
Tata Motors, Ltd. 144A (India)	3/9/17	0.00	4,386	30,502
Wipro, Ltd. 144A (India)	3/31/17	0.00	415	2,901
Zhengzhou Yutong Bus Co., Ltd. 144A (China)	7/24/17	0.00	3,100	8,739
Total warrants (cost \$292,461)				\$355,553

FOREIGN GOVERNMENT AND AGENCY BONDS AND NOTES (1.1%)*	Principal amount	Value
Brazil (Federal Republic of) sr. unsec. unsub. notes 10.00%, 1/1/17 (Brazil) (units)	BRL 80	\$25,780
Buenos Aires (Province of) 144A sr. unsec. unsub. notes 10.875%, 1/26/21 (Argentina)	100,000	114,520
Russia (Federation of) 144A sr. unsec. unsub. bonds 5.625%, 4/4/42 (Russia)	200,000	215,000
Total foreign government and agency bonds and notes (cost \$340,148)		\$355,300

CORPORATE BONDS AND NOTES (0.9%)*	Principal amount	Value
Enbridge, Inc. sr. unsec. unsub. bonds 4.25%, 12/1/26 (Canada)	\$20,000	\$20,478
Petrobras Global Finance BV company guaranty sr. unsec. unsub. bonds 5.625%, 5/20/43 (Brazil)	14,000	10,349
Petrobras Global Finance BV company guaranty sr. unsec. unsub. notes 8.75%, 5/23/26 (Brazil)	31,000	33,441

CORPORATE BONDS AND NOTES (0.9%)*	Principal amount	Value
Petrobras Global Finance BV company guaranty sr. unsec. unsub. notes 6.25%, 3/17/24 (Brazil)	\$136,000	\$130,560
Petrobras Global Finance BV company guaranty sr. unsec. unsub. notes 4.875%, 3/17/20 (Brazil)	44,000	43,503
Petroleos Mexicanos company guaranty sr. unsec. unsub. notes 6.375%, 1/23/45 (Mexico)	20,000	18,200
Petroleos Mexicanos company guaranty sr. unsec. unsub. notes 4.50%, 1/23/26 (Mexico)	39,000	35,529
Total corporate bonds and notes (cost \$291,031)		\$292,060

ASSET-BACKED SECURITIES (0.2%)*	Principal amount	Value
Station Place Securitization Trust FRB Ser. 16-1, Class A, 1.756%, 2/25/17 acquired 2/4/16, cost \$51,000) ΔΔ	\$51,000	\$51,000
Total asset-backed securities (cost \$51,000)		\$51,000

PURCHASED SWAP OPTIONS OUTSTANDING (0.0%)*			
Counterparty	Fixed right % to receive or (pay)/ Floating rate index/Maturity date	Expiration date/strike	Contract amount

Bank of America N.A.			
1.4019/3 month USD-LIBOR-BBA/ Jan-19		Jan-17/1.4019	\$57,400

Citibank, N.A.			
2.226/3 month USD-LIBOR-BBA/ Jan-27		Jan-17/2.226	28,700
2.11875/3 month USD-LIBOR-BBA/ Jan-27		Jan-17/2.11875	28,700

Credit Suisse International			
1.95275/3 month USD-LIBOR-BBA/ Jan-27		Jan-17/1.95275	28,700

Goldman Sachs International			
2.462/3 month USD-LIBOR-BBA/ Jan-27		Jan-17/2.462	43,100
2.4775/3 month USD-LIBOR-BBA/ Jan-27		Jan-17/2.4775	28,700
2.2125/3 month USD-LIBOR-BBA/ Jan-27		Jan-17/2.2125	28,700
1.1735/3 month USD-LIBOR-BBA/ Jan-18		Jan-17/1.1735	114,800

JPMorgan Chase Bank N.A.			
2.2095/3 month USD-LIBOR-BBA/ Jan-27		Jan-17/2.2095	28,700
Total purchased swap options outstanding (cost \$1,240)			\$1,347

PURCHASED OPTIONS OUTSTANDING (0.3%)*	Expiration date/strike price	Contract amount	Value
SPDR S&P 500 ETF Trust (Put)	Dec-17/\$195.00	\$3,251	\$21,164
SPDR S&P 500 ETF Trust (Put)	Nov-17/186.00	3,707	16,323
SPDR S&P 500 ETF Trust (Put)	Oct-17/183.00	3,598	13,643
SPDR S&P 500 ETF Trust (Put)	Sep-17/180.00	3,674	10,794
SPDR S&P 500 ETF Trust (Put)	Aug-17/183.00	3,611	9,899
SPDR S&P 500 ETF Trust (Put)	Jul-17/180.00	3,684	7,347
USD/JPY (Call)	May-17/JPY 118.00	187,700	4,704
Total purchased options outstanding (cost \$134,840)			\$83,874

SHORT-TERM INVESTMENTS (53.0%)*	Principal amount/ shares	Value
Federal Home Loan Banks unsec. discount notes 0.455%, 2/3/17	\$1,500,000	\$1,499,353
Federal National Mortgage Association unsec. discount notes 0.501%, 2/1/17	500,000	499,799
Federal National Mortgage Association unsec. discount notes 0.345%, 1/11/17	525,000	524,956
Interest in \$218,293,000 joint tri-party repurchase agreement dated 12/30/16 with Merrill Lynch, Pierce, Fenner and Smith Inc. due 1/3/17 — maturity value of \$6,346,353 for an effective yield of 0.500% (collateralized by various mortgage backed securities with coupon rates ranging from 3.000% to 3.500% and a due date of 12/1/46, valued at \$222,658,861)	6,346,000	6,346,000
Putnam Short Term Investment Fund 0.69% ^L	Shares 6,256,480	6,256,480
U.S. Treasury Bills 0.329%, 1/19/17 # Δ \$	\$1,300,000	1,299,761
State Street Institutional U.S. Government Money Market Fund, Premier Class 0.42% ^P	Shares 20,000	20,000
Total short-term investments (cost \$16,446,378)		\$16,446,349
Total investments (cost \$33,463,020)		\$34,340,201

Key to holding's currency abbreviations

BRL	Brazilian Real
CAD	Canadian Dollar
CHF	Swiss Franc
EUR	Euro
GBP	British Pound
NOK	Norwegian Krone
NZD	New Zealand Dollar
SEK	Swedish Krona

Key to holding's abbreviations

ADR	American Depository Receipts: represents ownership of foreign securities on deposit with a custodian bank
ETF	Exchange Traded Fund
FRB	Floating Rate Bonds: the rate shown is the current interest rate at the close of the reporting period
IFB	Inverse Floating Rate Bonds, which are securities that pay interest rates that vary inversely to changes in the market interest rates. As interest rates rise, inverse floaters produce less current income. The rate shown is the current interest rate at the close of the reporting period.
IO	Interest Only
PJSC	Public Joint Stock Company
SPDR	S&P Depository Receipts
TBA	To Be Announced Commitments

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, 2016 through December 31, 2016 (the reporting period). Within the following notes to the portfolio, references to "ASC 820" represent Accounting Standards Codification 820 *Fair Value Measurements and Disclosures* and references to "OTC", if any, represent over-the-counter.

* Percentages indicated are based on net assets of \$31,044,941.

††† The value of the commodity linked notes, which are marked to market daily, may be based on a multiple of the performance of the index. The multiple (or leverage) will increase the volatility of the note's value relative to the change in the underlying index.

† 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 \$51,000, or 0.2% of net assets.

This security, in part or in entirety, was pledged and segregated with the broker to cover margin requirements for futures contracts at the close of the reporting period.

Δ This security, in part or in entirety, was pledged and segregated with the custodian for collateral on certain derivative contracts at the close of the reporting period.

§ This security, in part or in entirety, was pledged and segregated with the custodian for collateral on the initial margin on certain centrally cleared derivative contracts 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 may be classified as Level 2 or 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).

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.

At the close of the reporting period, the fund maintained liquid assets totaling \$7,607,394 to cover certain derivative contracts and delayed delivery securities.

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

Debt obligations are considered secured unless otherwise indicated.

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

See Note 1 to the financial statements regarding TBA commitments.

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

FORWARD CURRENCY CONTRACTS at 12/31/16 (aggregate face value \$4,196,724)

Counterparty	Currency	Contract type	Delivery date	Value	Aggregate face value	Unrealized appreciation/ (depreciation)
Bank of America N.A.						
	Australian Dollar	Buy	1/18/17	\$34,696	\$36,773	\$(2,077)
	British Pound	Sell	3/16/17	136,914	138,711	1,797
	Canadian Dollar	Buy	1/18/17	62,649	62,232	417
	Chinese Yuan (Offshore)	Sell	2/16/17	123,115	125,149	2,034
	Euro	Sell	3/16/17	65,707	64,241	(1,466)
	Hong Kong Dollar	Sell	2/16/17	50,872	50,905	33
	Japanese Yen	Sell	2/16/17	172,068	179,530	7,462
	New Zealand Dollar	Sell	1/18/17	46,454	46,832	378
	Norwegian Krone	Sell	3/16/17	45,138	46,298	1,160
Barclays Bank PLC						
	Australian Dollar	Sell	1/18/17	19,333	18,632	(701)
	British Pound	Sell	3/16/17	39,259	40,339	1,080
	Canadian Dollar	Buy	1/18/17	22,870	24,007	(1,137)
	Euro	Sell	3/16/17	93,807	92,493	(1,314)
	New Zealand Dollar	Sell	1/18/17	46,454	46,368	(86)
Citibank, N.A.						
	Australian Dollar	Buy	1/18/17	48,982	52,204	(3,222)
	Brazilian Real	Buy	1/3/17	24,764	23,846	918
	Brazilian Real	Sell	4/3/17	48,931	47,354	(1,577)
	Chinese Yuan (Offshore)	Sell	2/16/17	45,811	47,001	1,190
	Euro	Sell	3/16/17	40,565	39,376	(1,189)
	Japanese Yen	Sell	2/16/17	45,373	46,754	1,381
	New Zealand Dollar	Buy	1/18/17	91,659	94,488	(2,829)
	New Zealand Dollar	Sell	1/18/17	92,909	94,023	1,114
Credit Suisse International						
	Canadian Dollar	Buy	1/18/17	93,266	93,991	(725)
	Canadian Dollar	Sell	1/18/17	94,011	93,977	(34)
	Euro	Buy	3/16/17	42,361	42,919	(558)
	Hong Kong Dollar	Sell	2/16/17	36,838	36,857	19
	Swedish Krona	Buy	3/16/17	47,726	47,367	359
Goldman Sachs International						
	Australian Dollar	Buy	1/18/17	13,563	13,901	(338)
	British Pound	Sell	3/16/17	37,531	37,231	(300)
	Canadian Dollar	Buy	1/18/17	48,868	50,350	(1,482)
	Euro	Buy	3/16/17	66,552	68,999	(2,447)
	Japanese Yen	Sell	2/16/17	61,076	69,369	8,293
	New Taiwan Dollar	Sell	2/16/17	61,711	62,220	509
	New Zealand Dollar	Sell	1/18/17	162,555	165,490	2,935
	Norwegian Krone	Sell	3/16/17	40,631	41,907	1,276
	Russian Ruble	Buy	3/16/17	49,350	46,994	2,356
	South Korean Won	Sell	2/16/17	61,074	62,708	1,634
HSBC Bank USA, National Association						
	Australian Dollar	Buy	1/18/17	1,226	1,300	(74)
	Canadian Dollar	Buy	1/18/17	46,335	46,791	(456)
	Euro	Sell	3/16/17	23,135	22,911	(224)
	Hong Kong Dollar	Sell	2/16/17	50,820	50,846	26

FORWARD CURRENCY CONTRACTS at 12/31/16 (aggregate face value \$4,196,724) cont.

Counterparty	Currency	Contract type	Delivery date	Value	Aggregate face value	Unrealized appreciation/ (depreciation)
JPMorgan Chase Bank N.A.						
	Australian Dollar	Buy	1/18/17	\$41,912	\$47,817	\$(5,905)
	British Pound	Sell	3/16/17	64,815	66,603	1,788
	Canadian Dollar	Buy	1/18/17	60,861	60,752	109
	Chinese Yuan (Offshore)	Sell	2/16/17	77,304	78,154	850
	Euro	Sell	3/16/17	149,372	149,734	362
	Hong Kong Dollar	Sell	2/16/17	110,501	110,423	(78)
	Japanese Yen	Buy	2/16/17	12,935	10,174	2,761
	New Taiwan Dollar	Sell	2/16/17	61,711	61,942	231
	New Zealand Dollar	Sell	1/18/17	93,048	92,042	(1,006)
	Norwegian Krone	Sell	3/16/17	38,893	40,125	1,232
	South Korean Won	Sell	2/16/17	61,074	62,917	1,843
	Swedish Krona	Buy	3/16/17	47,461	47,237	224
	Swiss Franc	Sell	3/16/17	28,310	28,156	(154)
Royal Bank of Scotland PLC (The)						
	Australian Dollar	Buy	1/18/17	63,265	67,094	(3,829)
	British Pound	Sell	3/16/17	6,173	6,342	169
	Canadian Dollar	Buy	1/18/17	46,931	47,288	(357)
	Euro	Buy	3/16/17	21,445	22,631	(1,186)
	New Zealand Dollar	Sell	1/18/17	92,075	94,483	2,408
	Swedish Krona	Buy	3/16/17	63,146	62,379	767
State Street Bank and Trust Co.						
	Australian Dollar	Sell	1/18/17	73,148	71,963	(1,185)
	Canadian Dollar	Buy	1/18/17	90,436	92,256	(1,820)
	Euro	Sell	3/16/17	109,547	109,652	105
	Japanese Yen	Buy	2/16/17	42,569	45,796	(3,227)
	New Zealand Dollar	Sell	1/18/17	117,906	118,537	631
	Swedish Krona	Buy	3/16/17	62,044	59,730	2,314
WestPac Banking Corp.						
	Australian Dollar	Sell	1/18/17	22,147	21,348	(799)
	Euro	Sell	3/16/17	46,903	47,465	562
Total						\$10,945

FUTURES CONTRACTS OUTSTANDING at 12/31/16	Number of contracts	Value	Expiration date	Unrealized appreciation/ (depreciation)
Euro-CAC 40 Index (Short)	2	\$102,381	Jan-17	\$(2,026)
FTSE 100 Index (Short)	1	86,884	Mar-17	(1,931)
S&P 500 Index E-Mini (Long)	18	2,012,580	Mar-17	(14,780)
S&P Mid Cap 400 Index E-Mini (Long)	9	1,493,190	Mar-17	(22,694)
Tokyo Price Index (Short)	1	129,882	Mar-17	(3,409)
U.S. Treasury Note 10yr (Short)	6	745,688	Mar-17	1,582
Total				\$(43,258)

WRITTEN SWAP OPTIONS OUTSTANDING at 12/31/16 (premiums \$42,020)				
Counterparty	Fixed Obligation % to receive or (pay)/Floating rate index/ Maturity date	Expiration date/strike	Contract amount	Value
Bank of America N.A.				
	(2.0514)/3 month USD-LIBOR-BBA/Jan-19	Jan-17/2.0514	\$57,400	\$3
Citibank, N.A.				
	(1.95275)/3 month USD-LIBOR-BBA/Jan-27	Jan-17/1.95275	28,700	1
	2.776/3 month USD-LIBOR-BBA/Jan-27	Jan-17/2.776	28,700	3
	2.28475/3 month USD-LIBOR-BBA/Jan-27	Jan-17/2.28475	28,700	225

WRITTEN SWAP OPTIONS OUTSTANDING at 12/31/16 (premiums \$42,020) cont.

Counterparty Fixed Obligation % to receive or (pay)/Floating rate index/ Maturity date	Expiration date/strike	Contract amount	Value
Credit Suisse International			
2.73/3 month USD-LIBOR-BBA/ Jan-27	Jan-17/2.73	\$28,700	\$2
Goldman Sachs International			
(1.52275)/3 month USD-LIBOR-BBA/Jan-18	Jan-17/1.52275	114,800	1
2.7625/3 month USD-LIBOR-BBA/ Jan-27	Jan-17/2.7625	28,700	2
2.6875/3 month USD-LIBOR-BBA/ Jan-27	Jan-17/2.6875	28,700	18
2.657/3 month USD-LIBOR-BBA/ Jan-27	Jan-17/2.657	43,100	19
(2.2675)/3 month USD-LIBOR-BBA/Jan-27	Jan-17/2.2675	28,700	144
(2.242)/3 month USD-LIBOR-BBA/ Jan-27	Jan-17/2.242	43,100	144

WRITTEN SWAP OPTIONS OUTSTANDING at 12/31/16 (premiums \$42,020) cont.

Counterparty Fixed Obligation % to receive or (pay)/Floating rate index/ Maturity date	Expiration date/strike	Contract amount	Value
Goldman Sachs International cont.			
(2.3725)/3 month USD-LIBOR-BBA/Jan-27	Jan-17/2.3725	\$28,700	\$280
(2.352)/3 month USD-LIBOR-BBA/ Jan-27	Jan-17/2.352	43,100	337
JPMorgan Chase Bank N.A.			
2.762/3 month USD-LIBOR-BBA/ Jan-27	Jan-17/2.762	28,700	4
(6.00 Floor)/3 month USD-LIBOR-BBA/Mar-18	Mar-18/6.00	229,000	13,825
Total			\$15,008
WRITTEN OPTIONS OUTSTANDING at 12/31/16 (premiums \$3,234)			
	Expiration date/ strike price	Contract amount	Value
SPDR S&P 500 ETF Trust (Call)	Jan-17/\$230.50	\$3,261	\$1,214
USD/JPY (Call)	May-17/125.00	187,700	1,590
Total			\$2,804

CENTRALLY CLEARED INTEREST RATE SWAP CONTRACTS OUTSTANDING at 12/31/16

Notional amount	Upfront premium received (paid)	Termination date	Payments made by fund per annum	Payments received by fund per annum	Unrealized appreciation/ (depreciation)
\$622 ^E	\$—	4/24/47	3 month USD-LIBOR-BBA	1.92%	\$(94)
450,000 ^E	1,183	3/15/27	3 month USD-LIBOR-BBA	2.50%	6,371
1,914,000 ^E	2,890	3/15/22	3 month USD-LIBOR-BBA	2.15%	13,798
276,700 ^E	1,249	3/15/47	3 month USD-LIBOR-BBA	2.704%	7,476
6,815,000 ^E	11,005	3/15/27	3 month USD-LIBOR-BBA	2.4885%	82,433
1,104,500 ^E	(1,846)	3/15/27	2.4885%	3 month USD-LIBOR-BBA	(13,423)
1,434,300 ^E	(1,594)	3/15/22	2.132%	3 month USD-LIBOR-BBA	(8,528)
2,492,300 ^E	(735)	3/15/19	1.6065%	3 month USD-LIBOR-BBA	(3,093)
AUD 315,000 ^E	(61)	3/22/22	2.70%	6 month AUD-BBR- BBSW	(243)
AUD 150,000 ^E	24	3/22/27	3.10%	6 month AUD-BBR- BBSW	(631)
CAD 5,000 ^E	(9)	3/15/22	3 month CAD-BA-CDOR	1.60%	8
CAD 491,000 ^E	(208)	3/15/27	2.07%	3 month CAD-BA- CDOR	(3,891)
CHF 86,000 ^E	119	3/15/27	0.25%	6 month CHF-LIBOR-BBA	(485)
EUR 4,165,000 ^E	6,253	3/15/22	0.20%	6 month EUR-EURIBOR- REUTERS	(12,959)
EUR 102,000 ^E	(3,881)	3/15/27	0.40%	6 month EUR-EURIBOR- REUTERS	(647)
EUR 548,000 ^E	(3,940)	3/15/27	0.82%	6 month EUR-EURIBOR- REUTERS	(10,623)
GBP 1,090,000 ^E	(473)	3/15/22	1.06%	6 month GBP-LIBOR-BBA	(11,037)
GBP 429,000 ^E	2,671	3/15/27	1.50%	6 month GBP-LIBOR-BBA	(9,694)
NOK 1,408,000 ^E	106	3/15/22	1.65%	6 month NOK-NIBOR-NIBR	(464)

CENTRALLY CLEARED INTEREST RATE SWAP CONTRACTS OUTSTANDING at 12/31/16 cont.

Notional amount	Upfront premium received (paid)	Termination date	Payments made by fund per annum	Payments received by fund per annum	Unrealized appreciation/ (depreciation)
NZD 204,000 ^E	\$(207)	3/15/27	3 month NZD-BBR-FRA	3.70%	\$1,588
NZD 1,071,000 ^E	(94)	3/15/22	3 month NZD-BBR-FRA	3.18%	1,311
SEK 4,379,000 ^E	8	3/15/22	0.35%	3 month SEK-STIBOR-SIDE	(416)
SEK 18,000 ^E	—	3/15/27	1.25%	3 month SEK-STIBOR-SIDE	(18)
Total	\$12,460				\$36,739

^E Extended effective date.

OTC TOTAL RETURN SWAP CONTRACTS OUTSTANDING at 12/31/16

Swap counterparty/ Notional amount	Upfront premium received (paid)	Termination date	Payments received (paid) by fund per annum	Total return received by or paid by fund	Unrealized appreciation/ (depreciation)
Bank of America N.A.					
\$10,431	\$—	1/12/41	4.00% (1 month USD-LIBOR)	Synthetic TRS Index 4.00% 30 year Fannie Mae pools	\$(3)
10,431	—	1/12/41	4.00% (1 month USD-LIBOR)	Synthetic TRS Index 4.00% 30 year Fannie Mae pools	(3)
baskets 43,166	—	11/17/17	(3 month USD-LIBOR-BBA plus 0.10%)	A basket (MLFCF10) of common stocks	226,390
units 1,048	—	8/2/17	3 month USD-LIBOR-BBA minus 0.07%	Russell 1000 Total Return Index	(481,494)
Barclays Bank PLC					
\$4,814	—	1/12/41	4.00% (1 month USD-LIBOR)	Synthetic TRS Index 4.00% 30 year Fannie Mae pools	(2)
10,287	—	1/12/38	6.50% (1 month USD-LIBOR)	Synthetic TRS Index 6.50% 30 year Fannie Mae pools	(65)
23,899	—	1/12/43	(3.50%) 1 month USD-LIBOR	Synthetic TRS Index 3.50% 30 year Fannie Mae pools	3
Citibank, N.A.					
6,687	—	1/12/41	4.00% (1 month USD-LIBOR)	Synthetic TRS Index 4.00% 30 year Fannie Mae pools	(2)
baskets 13,793	—	11/10/17	3 month USD-LIBOR-BBA minus 0.75%	A basket (CGPUTS51) of common stocks	1,470
baskets 20	—	12/1/17	(3 month USD-LIBOR-BBA plus 0.37%)	A basket (CGPUTQL2) of common stocks	73,315
units 1,562	—	3/17/17	3 month USD-LIBOR-BBA minus 0.14%	MSCI Emerging Markets TRNet USD	(6,339)
units 716	—	10/17/17	3 month USD-LIBOR-BBA plus 0.28%	MSCI Emerging Markets TRNet USD	11,073
units 445	—	11/27/17	3 month USD-LIBOR-BBA plus 0.09%	Russell 1000 Total Return Index	(45,860)

OTC TOTAL RETURN SWAP CONTRACTS OUTSTANDING at 12/31/16 cont.

Swap counterparty/ Notional amount	Upfront premium received (paid)	Termination date	Payments received (paid) by fund per annum	Total return received by or paid by fund	Unrealized appreciation/ (depreciation)
Credit Suisse International					
\$284,250	\$—	1/12/41	4.50% (1 month USD-LIBOR)	Synthetic MBX Index 4.50% 30 year Ginnie Mae II pools	\$(551)
57,576	—	1/12/43	3.50% (1 month USD-LIBOR)	Synthetic TRS Index 3.50% 30 year Fannie Mae pools	(6)
4,889	—	1/12/43	3.50% (1 month USD-LIBOR)	Synthetic TRS Index 3.50% 30 year Fannie Mae pools	(1)
74,539	—	1/12/45	4.00% (1 month USD-LIBOR)	Synthetic TRS Index 4.00% 30 year Fannie Mae pools	(70)
34,586	—	1/12/45	4.00% (1 month USD-LIBOR)	Synthetic TRS Index 4.00% 30 year Fannie Mae pools	(33)
34,082	—	1/12/45	3.50% (1 month USD-LIBOR)	Synthetic TRS Index 3.50% 30 year Fannie Mae pools	(20)
40,923	—	1/12/41	(4.00%) 1 month USD-LIBOR	Synthetic TRS Index 4.00% 30 year Fannie Mae pools	13
Deutsche Bank AG					
baskets 9,819	—	10/24/17	3 month USD-LIBOR-BBA minus 0.45%	A basket (DBCT14SP) of common stocks	(22,471)
baskets 9,814	—	10/24/17	(3 month USD-LIBOR-BBA plus 0.31%)	A basket (DBCTPL8P) of common stocks	39,514
Goldman Sachs International					
\$34,586	—	1/12/45	4.00% (1 month USD-LIBOR)	Synthetic TRS Index 4.00% 30 year Fannie Mae pools	(33)
38,565	—	1/12/43	(3.50%) 1 month USD-LIBOR	Synthetic TRS Index 3.50% 30 year Fannie Mae pools	4
33,296	—	1/12/44	(3.00%) 1 month USD-LIBOR	Synthetic TRS Index 3.00% 30 year Fannie Mae pools	80
baskets 33,190	—	12/15/20	(1 month USD-LIBOR-BBA plus 0.44%)	A basket (GSCBPUR1) of common stocks	(27,564)
baskets 38,157	—	12/15/20	1 month USD-LIBOR-BBA minus 0.15%	A basket (GSGLPWDS) of common stocks	554
baskets 45,956	—	12/15/20	(1 month USD-LIBOR-BBA plus 0.50%)	A basket (GSGLPWDL) of common stocks	(8,124)
units 8,792	—	12/15/20	(0.45%)	Goldman Sachs Volatility Carry US Scaled 3x Excess Return Strategy	5,948
units 7,835	—	12/15/20	(0.45%)	Goldman Sachs Volatility Carry US Series 30 Excess Return Strategy	5,683
units 301	—	12/12/17	3 month USD-LIBOR-BBA plus 0.10%	MSCI Emerging Markets TR Net USD	1,589

OTC TOTAL RETURN SWAP CONTRACTS OUTSTANDING at 12/31/16 cont.

Swap counterparty/ Notional amount	Upfront premium received (paid)	Termination date	Payments received (paid) by fund per annum	Total return received by or paid by fund	Unrealized appreciation/ (depreciation)
JPMorgan Chase Bank N.A.					
\$8,559	\$—	1/12/41	4.00% (1 month USD-LIBOR)	Synthetic TRS Index 4.00% 30 year Fannie Mae pools	\$(3)
baskets 32,406	—	12/15/17	1 month USD-LIBOR-BBA minus 0.40%	A basket (JPCMP TSH) of common stocks	41,978
JPMorgan Securities LLC					
\$43,114	—	1/12/45	(4.00%) 1 month USD-LIBOR	Synthetic TRS Index 4.00% 30 year Fannie Mae pools	41
UBSAG					
units 5,659	—	8/21/17	1 month USD-LIBOR-BBA plus 0.35%	MSCI Emerging Markets TR Net USD	(22,822)
Total	\$—				\$(207,811)

OTC CREDIT DEFAULT CONTRACTS OUTSTANDING at 12/31/16

Swap counterparty/ Referenced debt*	Rating***	Upfront premium received (paid)**	Notional amount	Termination date	Payments received (paid) by fund per annum	Unrealized appreciation/ (depreciation)
Bank of America N.A.						
CMBX NA BBB- Index	BBB-/P	\$68	\$1,000	5/11/63	300 bp	\$12
CMBX NA BBB- Index	BBB-/P	121	2,000	5/11/63	300 bp	8
CMBX NA BBB- Index	BBB-/P	228	4,000	5/11/63	300 bp	3
CMBX NA BBB- Index	BBB-/P	247	4,000	5/11/63	300 bp	22
Barclays Bank PLC						
CMBX NA BBB- Index	BBB-/P	887	8,000	5/11/63	300 bp	436
CMBX NA BBB- Index	BBB-/P	141	25,000	1/17/47	300 bp	(1,267)
Credit Suisse International						
CMBX NA BB Index	—	(2,105)	15,000	1/17/47	(500 bp)	(122)
CMBX NAA Index	A/P	541	13,000	1/17/47	200 bp	246
CMBX NA BB Index	—	(1,889)	107,000	5/11/63	(500 bp)	12,173
CMBX NA BB Index	—	(491)	3,000	1/17/47	(500 bp)	(94)
CMBX NA BBB- Index	BBB-/P	4,585	58,000	1/17/47	300 bp	1,318
CMBX NA BBB- Index	BBB-/P	91,950	1,244,000	1/17/47	300 bp	21,892
Goldman Sachs International						
CMBX NA BB Index	—	(6,445)	63,000	5/11/63	(500 bp)	1,835
CMBX NA BB Index	—	(757)	5,000	1/17/47	(500 bp)	(96)
CMBX NAA Index	A/P	2,571	51,000	1/17/47	200 bp	1,413
CMBX NA BB Index	—	(2,776)	19,000	5/11/63	(500 bp)	(279)
CMBX NA BB Index	—	(10,483)	62,000	1/17/47	(500 bp)	(2,284)
CMBX NA BBB- Index	BBB-/P	365	7,000	5/11/63	300 bp	(29)
CMBX NA BBB- Index	BBB-/P	435	9,000	5/11/63	300 bp	(71)
CMBX NA BBB- Index	BBB-/P	878	18,000	5/11/63	300 bp	(136)
CMBX NA BBB- Index	BBB-/P	3,376	36,000	5/11/63	300 bp	1,349
CMBX NA BBB- Index	BBB-/P	4,360	58,000	5/11/63	300 bp	1,094
CMBX NA BBB- Index	BBB-/P	1,448	17,000	1/17/47	300 bp	491
CMBX NA BBB- Index	BBB-/P	2,607	30,000	1/17/47	300 bp	917
CMBX NA BBB- Index	BBB-/P	10,595	152,000	1/17/47	300 bp	2,034
CMBX NA BBB- Index	BBB-/P	12,344	167,000	1/17/47	300 bp	2,939

OTC CREDIT DEFAULT CONTRACTS OUTSTANDING at 12/31/16 cont.

Swap counterparty/ Referenced debt*	Rating***	Upfront premium received (paid)**	Notional amount	Termination date	Payments received (paid) by fund per annum	Unrealized appreciation/ (depreciation)
JPMorgan Securities LLC						
CMBX NA BB Index	\$—	\$(3,656)	\$26,000	5/11/63	(500 bp)	\$(239)
CMBX NA BB Index	—	(1,160)	8,000	5/11/63	(500 bp)	(108)
Total		\$107,985				\$43,457

*Payments related to the referenced debt are made upon a credit default event.

**Upfront premium is based on the difference between the original spread on issue and the market spread on day of execution.

***Ratings are presented for credit default contracts in which the fund has sold protection on the underlying referenced debt. Ratings for an underlying index represent the average of the ratings of all the securities included in that index. The Moody's, Standard & Poor's or Fitch ratings are believed to be the most recent ratings available at December 31, 2016. Securities rated by Fitch are indicated by "/F." Securities rated by Putnam are indicated by "/P." The Putnam rating categories are comparable to the Standard & Poor's classifications.

CENTRALLY CLEARED CREDIT DEFAULT CONTRACTS OUTSTANDING at 12/31/16

Referenced debt*	Rating***	Upfront premium received (paid)**	Notional amount	Termination Date	Payments received (paid) by fund per annum	Unrealized appreciation/ (depreciation)
NA HY Series 27 Index	B+/P	\$(81,998)	\$1,903,000	12/20/21	500 bp	\$38,985
Total		\$(81,998)				\$38,985

*Payments related to the referenced debt are made upon a credit default event.

**Upfront premium is based on the difference between the original spread on issue and the market spread on day of execution.

***Ratings are presented for credit default contracts in which the fund has sold protection on the underlying referenced debt. Ratings for an underlying index represent the average of the ratings of all the securities included in that index. The Moody's, Standard & Poor's or Fitch ratings are believed to be the most recent ratings available at December 31, 2016. Securities rated by Fitch are indicated by "/F." Securities rated by Putnam are indicated by "/P." The Putnam rating categories are comparable to the Standard & Poor's classifications.

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*:			
Basic materials	\$197,806	\$277,590	\$—
Capital goods	443,415	45,819	—
Communication services	519,997	124,443	—
Consumer cyclicals	751,466	127,978	—
Consumer staples	624,843	64,179	—
Energy	348,425	56,668	—
Financials	998,027	647,842	—
Health care	641,729	50,250	—
Technology	945,836	415,887	—
Transportation	118,963	49,563	—
Utilities and power	226,727	97,598	—
Total common stocks	5,817,234	1,957,817	—
Asset-backed securities	—	51,000	—
Commodity linked notes	—	1,749,563	—
Corporate bonds and notes	—	292,060	—
Foreign government and agency bonds and notes	—	355,300	—
Investment companies	1,770,533	—	—
Mortgage-backed securities	—	2,415,352	—
Purchased options outstanding	—	83,874	—
Purchased swap options outstanding	—	1,347	—
U.S. government and agency mortgage obligations	—	3,044,219	—
Warrants	—	355,553	—
Short-term investments	6,276,480	10,169,869	—
Totals by level	\$13,864,247	\$20,475,954	\$—

Other financial instruments:	Valuation inputs		
	Level 1	Level 2	Level 3
Forward currency contracts	\$—	\$10,945	\$—
Futures contracts	(43,258)	—	—
Written options outstanding	—	(2,804)	—
Written swap options outstanding	—	(15,008)	—
Interest rate swap contracts	—	24,279	—
Total return swap contracts	—	(207,811)	—
Credit default contracts	—	56,455	—
Totals by level	\$(43,258)	\$(133,944)	\$—

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

The following is a reconciliation of Level 3 assets as of the close of the reporting period:

Investments in securities:	Balance as of 12/31/15	Accrued discounts/premiums	Realized gain/(loss)	Change in net unrealized appreciation/(depreciation)#	Cost of purchases	Proceeds from sales	Total transfers into Level 3†	Total transfers out of Level 3†	Balance as of 12/31/16
Asset-backed securities	\$133,000	—	—	—	—	(133,000)	—	—	\$—
Mortgage-backed securities	\$489,513	(49,396)	(623)	(219)	—	(11,912)	—	(427,363)	\$—
Totals	\$622,513	\$(49,396)	\$(623)	\$(219)	\$—	\$(144,912)	\$—	\$(427,363)	\$—

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.

† Transfers during the reporting period are accounted for using the end of period market value. Transfers out include valuations where a secondary pricing source was obtained for certain securities.

Includes \$0 related to Level 3 securities still held at period end. Total change in unrealized appreciation/(depreciation) for securities (including Level 1 and Level 2) can be found in the Statement of operations.

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

Statement of assets and liabilities

12/31/16

Assets

Investment in securities, at value (Note 1):	
Unaffiliated issuers (identified cost \$20,860,540)	\$21,737,721
Affiliated issuers (identified cost \$6,256,480) (Notes 1 and 5)	6,256,480
Repurchase agreements (identified cost \$6,346,000)	6,346,000
Cash	1,222
Foreign currency (cost \$30,074) (Note 1)	29,590
Dividends, interest and other receivables	87,045
Receivable for shares of the fund sold	124,551
Receivable for investments sold	21,724
Receivable from Manager (Note 2)	6,490
Receivable for variation margin (Note 1)	173,471
Unrealized appreciation on forward currency contracts (Note 1)	52,727
Unrealized appreciation on OTC swap contracts (Note 1)	455,837
Premium paid on OTC swap contracts (Note 1)	29,762
Total assets	35,322,620

Liabilities

Payable for investments purchased	15,494
Payable for purchases of delayed delivery securities (Note 1)	3,055,503
Payable for shares of the fund repurchased	53,340
Payable for custodian fees (Note 2)	44,460
Payable for investor servicing fees (Note 2)	5,511
Payable for Trustee compensation and expenses (Note 2)	2,623
Payable for administrative services (Note 2)	321
Payable for distribution fees (Note 2)	6,605
Payable for variation margin (Note 1)	169,622
Unrealized depreciation on OTC swap contracts (Note 1)	620,191
Premium received on OTC swap contracts (Note 1)	137,747
Unrealized depreciation on forward currency contracts (Note 1)	41,782
Written options outstanding, at value (premiums \$45,254) (Notes 1 and 3)	17,812
Collateral on certain derivative contracts, at value (Note 1)	20,000
Other accrued expenses	86,668
Total liabilities	4,277,679

Net assets

\$31,044,941

Represented by

Paid-in capital (Unlimited shares authorized) (Notes 1 and 4)	\$31,239,072
Undistributed net investment income (Note 1)	85,992
Accumulated net realized loss on investments and foreign currency transactions (Note 1)	(1,063,369)
Net unrealized appreciation of investments and assets and liabilities in foreign currencies	783,246
Total — Representing net assets applicable to capital shares outstanding	\$31,044,941

Computation of net asset value Class IA

Net assets	\$10,997
Number of shares outstanding	1,084
Net asset value, offering price and redemption price per share (net assets divided by number of shares outstanding)	\$10.15*

Computation of net asset value Class IB

Net assets	\$31,033,944
Number of shares outstanding	3,093,264
Net asset value, offering price and redemption price per share (net assets divided by number of shares outstanding)	\$10.03

*Net asset value may not recalculate due to rounding of fractional shares.

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

Statement of operations

Year ended 12/31/16

Investment income

Interest (including interest income of \$42,227 from investments in affiliated issuers) (Note 5)	\$287,598
Dividends (net of foreign tax of \$12,083)	277,233
Total investment income	564,831

Expenses

Compensation of Manager (Note 2)	233,082
Investor servicing fees (Note 2)	22,475
Custodian fees (Note 2)	80,304
Trustee compensation and expenses (Note 2)	1,936
Distribution fees (Note 2)	80,226
Administrative services (Note 2)	935
Auditing and tax fees	94,744
Other	19,157
Fees waived and reimbursed by Manager (Note 2)	(163,418)

Total expenses **369,441**

Expense reduction (Note 2) (373)

Net expenses **369,068**

Net investment income **195,763**

Net realized loss on investments (Notes 1 and 3) (412,636)

Net realized loss on swap contracts (Note 1) (714,509)

Net realized gain on futures contracts (Note 1) 285,566

Net realized loss on foreign currency transactions (Note 1) (42,071)

Net realized loss on written options (Notes 1 and 3) (40,973)

Net unrealized appreciation of assets and liabilities in foreign currencies during the year 19,813

Net unrealized appreciation of investments, futures contracts, swap contracts, written options, and TBA sale commitments during the year 891,830

Net loss on investments **(12,980)**

Net increase in net assets resulting from operations **\$182,783**

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

Statement of changes in net assets

	Year ended 12/31/16	Year ended 12/31/15
Increase (decrease) in net assets		
Operations		
Net investment income	\$195,763	\$97,518
Net realized gain (loss) on investments and foreign currency transactions	(924,623)	1,156,430
Net unrealized appreciation (depreciation) of investments and assets and liabilities in foreign currencies	911,643	(1,490,844)
Net increase (decrease) in net assets resulting from operations	182,783	(236,896)
Distributions to shareholders (Note 1):		
From ordinary income		
Net investment income		
Class IA	(739)	(43)
Class IB	(1,158,654)	(49,703)
Net realized short-term gain on investments		
Class IA	—	(51)
Class IB	—	(128,181)
From net realized long-term gain on investments		
Class IA	—	(211)
Class IB	—	(534,024)
From return of capital		
Class IA	(42)	—
Class IB	(66,319)	—
Increase (decrease) from capital share transactions (Note 4)	(1,750,376)	9,556,506
Total increase (decrease) in net assets	(2,793,347)	8,607,397
Net assets		
Beginning of year	33,838,288	25,230,891
End of year (including undistributed net investment income of \$85,992 and \$1,200,541, respectively)	\$31,044,941	\$33,838,288

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) ^a	Net realized and unrealized gain (loss) on investments	Total from investment operations	From Net investment income	From net realized gain on investments	From return of capital	Total distributions	Net asset value, end of period	Total return at net asset value (%) ^{b,c}	Net assets, end of period (in thousands)	Ratio of expenses to average net assets (%) ^{b,d,e}	Ratio of net investment income (loss) to average net assets (%) ^e	Portfolio turnover (%)
Class IA														
12/31/16	\$10.46	.09	—	.09	(.38)	—	(.02)	(.40)	\$10.15	.93	\$11	.90	.86	503 ^f
12/31/15	10.78	.06	(.08)	(.02)	(.04)	(.26)	—	(.30)	10.46	(.22)	21	.90	.58	520 ^f
12/31/14	10.49	.05	.38	.43	(.14)	—	—	(.14)	10.78	4.12	11	.90	.46	317 ^f
12/31/13	10.07	.01	.44	.45	(.03)	—	—	(.03)	10.49	4.46	10	.90	.12	208 ^g
12/31/12	9.63	— ^h	.44	.44	—	—	—	—	10.07	4.57	9,971	.90	.02	262 ^g
Class IB														
12/31/16	\$10.35	.06	(.01)	.05	(.35)	—	(.02)	(.37)	\$10.03	.60	\$31,034	1.15	.61	503 ^f
12/31/15	10.67	.03	(.07)	(.04)	(.02)	(.26)	—	(.28)	10.35	(.44)	33,818	1.15	.33	520 ^f
12/31/14	10.41	.02	.38	.40	(.14)	—	—	(.14)	10.67	3.86	25,220	1.15	.22	317 ^f
12/31/13	10.03	— ^h	.41	.41	(.03)	—	—	(.03)	10.41	4.08	21,681	1.15	(.04)	208 ^g
12/31/12	9.61	(.02)	.44	.42	—	—	—	—	10.03	4.37	7,886	1.15	(.23)	262 ^g

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

^b The charges and expenses at the insurance company separate account level are not reflected.

^c Total return assumes dividend reinvestment.

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

^e Reflects an involuntary contractual expense limitation in effect during the period. As a result of such limitation and/or waivers, the expenses of each class reflect a reduction of the following amounts (Note 2):

	Percentage of average net assets
12/31/16	0.51%
12/31/15	0.44
12/31/14	0.50
12/31/13	0.45
12/31/12	1.24

^f Portfolio turnover includes TBA purchase and sale commitments.

^g Portfolio turnover excludes TBA purchase and sale commitments. Including TBA purchase and sale commitments to conform with current year presentation, the portfolio turnover would have been the following:

	Portfolio turnover %
December 31, 2013	280%
December 31, 2012	475

^h Amount represents less than \$0.01 per share.

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

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

Notes to financial statements 12/31/16

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, 2016 through December 31, 2016.

Putnam VT Absolute Return 500 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 to earn a positive total return that exceeds the return on U.S. Treasury bills by 500 basis points (or 5.00%) on an annualized basis over a reasonable period of time (generally at least three years or more) regardless of market conditions. The fund is designed to pursue a consistent absolute return by combining two independent investment strategies — a beta strategy, which provides broad exposure to investment markets, and an alpha strategy, which seeks returns from active trading. The beta strategy seeks to balance risk and to provide positive total return by investing, without limit, in many different asset classes, including U.S., international, and emerging markets equity securities (growth or value stocks or both) and fixed-income securities; mortgage- and asset backed securities; below-investment-grade securities (sometimes referred to as “junk bonds”); inflation-protected securities; commodities; and real estate investment trusts (REITs). The alpha strategy involves the potential use of active trading strategies designed to provide additional total return through active security selection, tactical asset allocation, currency transactions and options transactions. In pursuing a consistent absolute return, the fund’s strategies are also generally intended to produce lower volatility over a reasonable period of time than has been historically associated with traditional asset classes that have earned similar levels of return over long historical periods. These traditional asset classes might include, for example, balanced portfolios with significant exposure to both stocks and bonds. 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 equity investments, and, among other factors, credit, interest rate and prepayment risks when deciding whether to buy or sell fixed-income investments. Putnam Management may also take into account general market conditions when making investment decisions. The fund typically uses derivatives, such as futures, options, certain foreign currency transactions, warrants and swap contracts, to a significant extent for hedging purposes and to increase the fund’s exposure to the asset classes and strategies mentioned above, which may create investment leverage.

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 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 and total return swaps 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 and total return swaps 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. Certain securities may be valued on the basis of a price provided by a single source. 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.

Securities purchased or sold on a delayed delivery 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.

Repurchase agreements The fund, or any joint trading account, through its custodian, receives delivery of the underlying securities, the fair value of which at the time of purchase is required to be in an amount at least equal to the resale price, including accrued interest. Collateral for certain tri-party repurchase agreements is held at the counterparty's custodian in a segregated account for the benefit of the fund and the counterparty. Putnam Management is responsible for determining that the value of these underlying securities is at all times at least equal to the resale price, including accrued interest. In the event of default or bankruptcy by the other party to the agreement, retention of the collateral may be subject to legal proceedings.

Stripped securities The fund may invest in stripped securities which represent a participation in securities that may be structured in classes with rights to receive different portions of the interest and principal. Interest-only securities receive all of the interest and principal-only securities receive all of the principal. If the interest-only securities experience greater than anticipated prepayments of principal, the fund may fail to recoup fully its initial investment in these securities. Conversely, principal-only securities increase in value if prepayments are greater than anticipated and decline if prepayments are slower than anticipated. The fair value of these securities is highly sensitive to changes in interest rates.

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 closed forward currency contracts, 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 open forward currency contracts and 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 hedge duration and convexity, to isolate prepayment risk, to gain exposure to interest rates, to hedge against changes in values of securities it owns, owned or expects to own, to hedge prepayment risk, to generate additional income for the portfolio, to enhance returns on securities owned, to enhance the return on a security owned, to gain exposure to securities and to manage downside risks.

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.

Futures contracts The fund uses futures contracts to manage exposure to market risk, to hedge prepayment risk, to hedge interest rate risk, to gain exposure to interest rates, for hedging treasury term structure risk, for yield curve positioning and 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, and to gain exposure to currencies.

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.

Interest rate swap contracts The fund entered into OTC and/or centrally cleared interest rate swap contracts, which are arrangements between two parties to exchange cash flows based on a notional principal amount, to hedge interest rate risk, to gain exposure on interest rates, for hedging term structure risk, for yield curve positioning, for gaining exposure to rates in various countries and to hedge prepayment risk.

An OTC and centrally cleared interest rate swap can be purchased or sold with an upfront premium. For OTC interest rate swap contracts, an upfront payment received by the fund is recorded as a liability on the fund's books. An upfront payment made by the fund is recorded as an asset on the fund's books. OTC and centrally cleared interest rate swap contracts are marked to market daily based upon quotations from an independent pricing service or market makers. Any change is recorded as an unrealized gain or loss on OTC interest rate swaps. Daily fluctuations in the value of centrally cleared interest rate swaps are settled through a central clearing agent and are recorded in variation margin on the Statement of assets and liabilities and recorded as unrealized gain or loss. Payments, including upfront premiums, received or made are recorded as realized gains or losses at the reset date or the closing of the contract. Certain OTC and centrally cleared interest rate swap contracts may include extended effective dates. Payments related to these swap contracts are accrued based on the terms of the contract.

The fund could be exposed to credit or market risk due to unfavorable changes in the fluctuation of interest rates or if the counterparty defaults, in the case of OTC interest rate contracts, or the central clearing agency or a clearing member defaults, in the case of centrally cleared interest rate swap contracts, on its respective obligation to perform under the contract. The fund's maximum risk of loss from counterparty risk or central clearing risk is the fair value of the contract. This risk may be mitigated for OTC interest rate swap contracts by having a master netting arrangement between the fund and the counterparty and for centrally cleared interest rate swap contracts through the daily exchange of variation margin. There is minimal counterparty risk with respect to centrally cleared interest rate swap contracts due to the clearinghouse guarantee fund and other resources that are available in the event of a clearing member default. Risk of loss may exceed amounts recognized on the Statement of assets and liabilities.

OTC and centrally cleared interest rate swap contracts outstanding, including their respective notional amounts at period end, if any, are listed after the fund's portfolio.

Total return swap contracts The fund entered into OTC total return swap contracts, which are arrangements to exchange a market-linked return for a periodic payment, both based on a notional principal amount, to hedge sector exposure, for gaining exposure to specific sectors, for hedging inflation, for gaining exposure to inflation, to manage exposure to specific sectors or industries, to manage exposure to specific securities, to gain exposure to a basket of securities, to manage exposure to credit risk, to gain exposure to specific markets or countries, to gain exposure to specific sectors or industries, to gain exposure to rates of inflation in specific regions or countries and to hedge inflation in specific regions or countries.

To the extent that the total return of the security, index or other financial measure underlying the transaction exceeds or falls short of the offsetting interest rate obligation, the fund will receive a payment from or make a payment to the counterparty. OTC total return swap contracts are marked to market daily based upon quotations from an independent pricing service or market makers and the change, if any, is recorded as an unrealized gain or loss. Payments received or made are recorded as realized gains or losses. Certain OTC total return swap contracts may include extended effective dates. Payments related to these swap contracts are accrued based on the terms of the contract. The fund could be exposed to credit or market risk due to unfavorable changes in the fluctuation of interest rates or in the price of the underlying security or index, the possibility that there is no liquid market for these agreements or that the counterparty may default on its obligation to perform. The fund's maximum risk of loss from counterparty risk is the fair value of the contract. This risk may be mitigated by having a master netting arrangement between the fund and the counterparty. Risk of loss may exceed amounts recognized on the Statement of assets and liabilities.

OTC total return swap contracts outstanding, including their respective notional amounts at period end, if any, are listed after the fund's portfolio.

Credit default contracts The fund entered into OTC and/or centrally cleared credit default contracts to hedge credit risk, for gaining liquid exposure to individual names, to hedge market risk, for gaining exposure to specific sectors and to gain exposure on individual names and/or baskets of securities.

In OTC and centrally cleared credit default contracts, the protection buyer typically makes a periodic stream of payments to a counterparty, the protection

seller, in exchange for the right to receive a contingent payment upon the occurrence of a credit event on the reference obligation or all other equally ranked obligations of the reference entity. Credit events are contract specific but may include bankruptcy, failure to pay, restructuring and obligation acceleration. For OTC credit default contracts, an upfront payment received by the fund is recorded as a liability on the fund's books. An upfront payment made by the fund is recorded as an asset on the fund's books. Centrally cleared credit default contracts provide the same rights to the protection buyer and seller except the payments between parties, including upfront premiums, are settled through a central clearing agent through variation margin payments. Upfront and periodic payments received or paid by the fund for OTC and centrally cleared credit default contracts are recorded as realized gains or losses at the reset date or close of the contract. The OTC and centrally cleared credit default contracts are marked to market daily based upon quotations from an independent pricing service or market makers. Any change in value of OTC credit default contracts is recorded as an unrealized gain or loss. Daily fluctuations in the value of centrally cleared credit default contracts are recorded in variation margin on the Statement of assets and liabilities and recorded as unrealized gain or loss. Upon the occurrence of a credit event, the difference between the par value and fair value of the reference obligation, net of any proportional amount of the upfront payment, is recorded as a realized gain or loss.

In addition to bearing the risk that the credit event will occur, the fund could be exposed to market risk due to unfavorable changes in interest rates or in the price of the underlying security or index or the possibility that the fund may be unable to close out its position at the same time or at the same price as if it had purchased the underlying reference obligations. In certain circumstances, the fund may enter into offsetting OTC and centrally cleared credit default contracts which would mitigate its risk of loss. Risks of loss may exceed amounts recognized on the Statement of assets and liabilities. The fund's maximum risk of loss from counterparty risk, either as the protection seller or as the protection buyer, is the fair value of the contract. This risk may be mitigated for OTC credit default contracts by having a master netting arrangement between the fund and the counterparty and for centrally cleared credit default contracts through the daily exchange of variation margin. Counterparty risk is further mitigated with respect to centrally cleared credit default swap contracts due to the clearinghouse guarantee fund and other resources that are available in the event of a clearing member default. Where the fund is a seller of protection, the maximum potential amount of future payments the fund may be required to make is equal to the notional amount.

OTC and centrally cleared credit default contracts outstanding, including their respective notional amounts at period end, if any, are listed after the fund's portfolio.

TBA commitments The fund may enter into TBA (to be announced) commitments to purchase securities for a fixed unit price at a future date beyond customary settlement time. Although the unit price and par amount have been established, the actual securities have not been specified. However, it is anticipated that the amount of the commitments will not significantly differ from the principal amount. The fund holds, and maintains until settlement date, cash or high-grade debt obligations in an amount sufficient to meet the purchase price, or the fund may enter into offsetting contracts for the forward sale of other securities it owns. Income on the securities will not be earned until settlement date.

The fund may also enter into TBA sale commitments to hedge its portfolio positions, to sell mortgage-backed securities it owns under delayed delivery arrangements or to take a short position in mortgage-backed securities. Proceeds of TBA sale commitments are not received until the contractual settlement date. During the time a TBA sale commitment is outstanding, either equivalent deliverable securities or an offsetting TBA purchase commitment deliverable on or before the sale commitment date are held as "cover" for the transaction, or other liquid assets in an amount equal to the notional value of the TBA sale commitment are segregated. If the TBA sale commitment is closed through the acquisition of an offsetting TBA purchase commitment, the fund realizes a gain or loss. If the fund delivers securities under the commitment, the fund realizes a gain or a loss from the sale of the securities based upon the unit price established at the date the commitment was entered into.

TBA commitments, which are accounted for as purchase and sale transactions, may be considered securities themselves, and involve a risk of loss due to changes in the value of the security prior to the settlement date as well as the risk that the counterparty to the transaction will not perform its obligations. Counterparty risk is mitigated by having a master agreement between the fund and the counterparty.

Unsettled TBA commitments are valued at their fair value according to the procedures described under "Security valuation" above. The contract is marked to market daily and the change in fair value is recorded by the fund as an unrealized

gain or loss. Based on market circumstances, Putnam Management will determine whether to take delivery of the underlying securities or to dispose of the TBA commitments prior to settlement.

TBA purchase commitments outstanding at period end, if any, are listed within the fund's portfolio and TBA sale commitments 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 that govern OTC derivative and foreign exchange contracts and Master Securities Forward Transaction Agreements that govern transactions involving mortgage-backed and other asset-backed securities that may result in delayed delivery (Master Agreements) with certain counterparties 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, are presented in the fund's portfolio. Collateral posted to the fund which cannot be sold or repledged totaled \$6,791 at the close of the reporting period.

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.

With respect to ISDA Master Agreements, 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 or 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 \$346,495 on open derivative contracts subject to the Master Agreements. Collateral posted by the fund at period end for these agreements totaled \$331,934 and may include amounts related to unsettled agreements.

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 the higher of (1) the Federal Funds rate and (2) the overnight LIBOR plus 1.25% 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.

At December 31, 2016, the fund had a capital loss carryover of \$1,010,951 available to the extent allowed by the Code to offset future net capital gain, if any. For any carryover, the amount of the carryover and that carryover's expiration date is:

Loss carryover			
Short-term	Long-term	Total	Expiration
\$1,010,951	\$—	\$1,010,951	*

*Under the Regulated Investment Company Modernization Act of 2010, the fund will be permitted to carry forward capital losses incurred in taxable years beginning after December 22, 2010 for an unlimited period. However, any losses incurred will be required to be utilized prior to the losses incurred in pre-enactment tax years. As a result of this ordering rule, pre-enactment capital loss carryforwards may be more likely to expire unused. Additionally, post-enactment capital losses that are carried forward will retain their character as either short-term or long-term capital losses rather than being considered all short-term as under previous law.

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 foreign currency gains and losses, from defaulted bond interest, from net operating loss, from income on swap contracts, and from interest-only securities. 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 \$150,919 to decrease undistributed net investment income, \$81,749 to decrease paid-in capital and \$232,668 to decrease accumulated net realized loss.

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	\$1,391,725
Unrealized depreciation	(604,773)
Net unrealized appreciation	786,952
Capital loss carryforward	(1,010,951)
Cost for federal income tax purposes	\$33,553,230

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 67.5% 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:

0.880%	of the first \$5 billion,
0.830%	of the next \$5 billion,
0.780%	of the next \$10 billion,
0.730%	of the next \$10 billion,
0.680%	of the next \$50 billion,
0.660%	of the next \$50 billion,
0.650%	of the next \$100 billion and
0.645%	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 0.726% of the fund’s average net assets.

Putnam Management has contractually agreed to waive fees (and, to the extent necessary, bear other expenses) of the fund through April 30, 2018, to the extent that total expenses of the fund (excluding brokerage, interest, taxes, investment-related expenses, payments under distribution plans, extraordinary expenses and acquired fund fees and expenses) would exceed an annual rate of 0.90% of the fund’s average net assets. During the reporting period, the fund’s expenses were reduced by \$30,923 as a result of this limit.

Putnam Management has also contractually agreed, through April 30, 2018, 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 reduced by \$132,495 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 Putnam Advisory Company, LLC (PAC), an affiliate of Putnam Management, is authorized by the Trustees to manage a separate portion of the assets of the fund, as designated from time to time by Putnam Management or PIL. PAC did not manage any portion of the assets of the fund during the reporting period. If Putnam Management or PIL were to engage the services of PAC, Putnam Management or PIL, as applicable, would pay a quarterly sub-advisory fee to PAC for its services at the annual rate of 0.35% of the average net assets of the portion of the fund’s assets for which PAC is engaged as sub-adviser.

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	\$10
Class IB	22,465
Total	\$22,475

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 \$23 under the expense offset arrangements and by \$350 under the brokerage/service arrangements.

Each Independent Trustee of the fund receives an annual Trustee fee, of which \$25, as a quarterly retainer, has been allocated to the fund, and an additional fee for each Trustees 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, including TBA commitments (Long-term)	\$91,924,579	\$94,310,135
U.S. government securities (Long-term)	—	—
Total	\$91,924,579	\$94,310,135

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.

Written option transactions during the reporting period are summarized as follows:

	Written swap option contract amounts	Written swap option premiums	Written option contract amounts	Written option premiums
Written options outstanding at the beginning of the reporting period	\$1,647,450	\$48,121	\$24,419	\$10,186
Options opened	7,336,000	40,735	552,184	72,766
Options exercised	(267,600)	(2,327)	—	—
Options expired	(3,173,550)	(4,696)	(142,557)	(49,742)
Options closed	(4,753,500)	(39,813)	(243,085)	(29,976)
Written options outstanding at the end of the reporting period	\$788,800	\$42,020	\$190,961	\$3,234

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 12/31/16		Year ended 12/31/15		Year ended 12/31/16		Year ended 12/31/15	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount
Shares sold	2,529	\$26,026	922	\$9,653	828,710	\$8,326,302	1,509,701	\$15,871,516
Shares issued in connection with reinvestment of distributions	79	781	29	305	124,489	1,224,973	67,479	711,908
	2,608	26,807	951	9,958	953,199	9,551,275	1,577,180	16,583,424
Shares repurchased	(3,488)	(35,574)	—	—	(1,128,927)	(11,292,884)	(671,211)	(7,036,876)
Net increase (decrease)	(880)	\$(8,767)	951	\$9,958	(175,728)	\$(1,741,609)	905,969	\$9,546,548

At the close of the reporting period, Putnam Investments, LLC owned the following shares of the fund:

	Shares owned	Percentage of ownership	Value
Class IA	1,084	100.00%	\$10,997

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 at the beginning of the reporting period	Purchase cost	Sale proceeds	Investment income	Fair value at the end of the reporting period
Putnam Money Market Liquidity Fund**	\$8,587,075	\$3,732,943	\$12,320,018	\$11,758	\$—
Putnam Short Term Investment Fund*	6,090,869	12,333,016	12,167,405	30,469	6,256,480
Totals	\$14,677,944	\$16,065,959	\$24,487,423	\$42,227	\$6,256,480

* Management fees charged to Putnam Short Term Investment Fund have been waived by Putnam Management.

** Management fees charged to Putnam Money Market Liquidity Fund have been waived by Putnam Management.

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. The fund may invest a significant portion of its assets in securitized debt instruments, including mortgage-backed and asset-backed investments. The yields and values of these investments are sensitive to changes in interest rates, the rate of principal payments on the underlying assets and the market's perception of the issuers. The market for these investments may be volatile and limited, which may make them difficult to buy or sell.

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:

Purchased equity option contracts (contract amount)	\$24,000
Purchased currency options (contract amount)	\$170,000
Purchased swap option contracts (contract amount)	\$1,100,000
Written equity option contracts (contract amount) (Note 3)	\$13,000
Written currency options (contract amount)	\$43,000
Written swap option contracts (contract amount) (Note 3)	\$1,700,000
Futures contracts (number of contracts)	60
Forward currency contracts (contract amount)	\$8,700,000
Centrally cleared interest rate swap contracts (notional)	\$29,200,000
OTC total return swap contracts (notional)	\$40,700,000
OTC credit default contracts (notional)	\$2,300,000
Centrally cleared credit default contracts (notional)	\$2,000,000
Warrants (number of warrants)	98,000

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
Credit contracts	Receivables, Net assets — Unrealized appreciation	\$161,531*	Payables, Net assets — Unrealized depreciation	\$105,076
Foreign exchange contracts	Investments, Receivables	57,431	Payables	43,372
Equity contracts	Investments, Receivables, Net assets — Unrealized appreciation	842,237	Payables, Net assets — Unrealized depreciation	660,728*
Interest rate contracts	Investments, Receivables, Net assets — Unrealized appreciation	103,272*	Payables, Net assets — Unrealized depreciation	91,723*
Total		\$1,164,471		\$900,899

* Includes cumulative appreciation/depreciation of futures contracts and/or centrally cleared swaps as reported in the fund's portfolio. Only current day's variation margin is reported within the Statement of assets and liabilities.

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 (see 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	Warrants	Options	Futures	Forward currency contracts	Swaps	Total
Credit contracts	\$—	\$—	\$—	\$—	\$(279,091)	\$(279,091)
Foreign exchange contracts	—	(852)	—	(41,268)	—	(42,120)
Equity contracts	(30,313)	(227,040)	270,754	—	(243,905)	(230,504)
Interest rate contracts	—	(17,974)	14,812	—	(191,513)	(194,675)
Total	\$(30,313)	\$(245,866)	\$285,566	\$(41,268)	\$(714,509)	\$(746,390)

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	Options	Futures	Forward currency contracts	Swaps	Total
Credit contracts	\$—	\$—	\$—	\$—	\$106,684	\$106,684
Foreign exchange contracts	—	(509)	—	20,207	—	19,698
Equity contracts	90,956	32,628	(68,697)	—	(157,136)	(102,249)
Interest rate contracts	—	12,595	2,671	—	54,097	69,363
Total	\$90,956	\$44,714	\$(66,026)	\$20,207	\$3,645	\$93,496

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	Barclays Capital Inc. (clearing broker)	Citibank, N.A.	Credit Suisse International	Deutsche Bank AG	Goldman Sachs International	HSBC Bank USA, National Association	JPMorgan Chase Bank N.A.	JPMorgan Securities LLC	Merrill Lynch, Pierce, Fenner & Smith, Inc.	Royal Bank of Scotland PLC (The)	State Street Bank and Trust Co.	UBS AG	WestPac Banking Corp.	Total
Assets:																
Centrally cleared interest rate swap contracts [§]	\$—	\$—	\$171,834	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$171,834
OTC Total return swap contracts* [#]	226,390	3	—	85,858	13	39,514	13,858	—	41,978	41	—	—	—	—	—	407,655
OTC Credit default contracts* [#]	—	—	—	—	16,442	—	19,637	—	—	4,469	—	—	—	—	—	40,548
Centrally cleared credit default contracts [§]	—	—	1,615	—	—	—	—	—	—	—	—	—	—	—	—	1,615
Futures contracts [§]	—	—	—	—	—	—	—	—	—	—	22	—	—	—	—	22
Forward currency contracts [#]	13,281	1,080	—	4,603	378	—	17,003	26	9,400	—	—	3,344	3,050	—	562	52,727
Purchased swap options* ^{##}	7	—	—	99	1	—	1,170	—	70	—	—	—	—	—	—	1,347
Purchased options* ^{##}	9,899	—	—	20,990	—	—	—	—	52,985	—	—	—	—	—	—	83,874
Repurchase agreements* ^{**}	—	—	—	—	—	—	—	—	—	—	6,346,000	—	—	—	—	6,346,000
Total Assets	\$249,577	\$1,083	\$173,449	\$111,550	\$16,834	\$39,514	\$51,668	\$26	\$104,433	\$4,510	\$6,346,022	\$3,344	\$3,050	\$—	\$562	\$7,105,622
Liabilities:																
Centrally cleared interest rate swap contracts [§]	—	—	152,600	—	—	—	—	—	—	—	—	—	—	—	—	152,600
OTC Total return swap contracts* [#]	481,500	67	—	52,201	681	22,471	35,721	—	3	—	—	—	—	22,822	—	615,466
OTC Credit default contracts* [#]	619	1,859	—	—	73,620	—	28,978	—	—	—	—	—	—	—	—	105,076
Centrally cleared credit default contracts [§]	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Futures contracts [§]	—	—	—	—	—	—	—	—	—	—	17,022	—	—	—	—	17,022
Forward currency contracts [#]	3,543	3,238	—	8,817	1,317	—	4,567	754	7,143	—	—	5,372	6,232	—	799	41,782
Written swap options [#]	3	—	—	229	2	—	945	—	13,829	—	—	—	—	—	—	15,008
Written options [#]	—	—	—	—	—	—	—	—	2,804	—	—	—	—	—	—	2,804
Total Liabilities	\$485,665	\$5,164	\$152,600	\$61,247	\$75,620	\$22,471	\$70,211	\$754	\$23,779	\$—	\$17,022	\$5,372	\$6,232	\$22,822	\$799	\$949,758
Total Financial and Derivative Net Assets	\$(236,088)	\$(4,081)	\$20,849	\$50,303	\$(58,786)	\$17,043	\$(18,543)	\$(728)	\$80,654	\$4,510	\$6,329,000	\$(2,028)	\$(3,182)	\$(22,822)	\$(237)	\$6,155,864
Total collateral received (pledged) ^{†##}	\$(236,088)	\$—	\$—	\$20,000	\$(58,786)	\$—	\$6,791	\$—	\$—	\$—	\$6,329,000	\$—	\$—	\$—	\$—	
Net amount	\$—	\$(4,081)	\$20,849	\$30,303	\$—	\$17,043	\$(25,334)	\$(728)	\$80,654	\$4,510	\$—	\$(2,028)	\$(3,182)	\$(22,822)	\$(237)	

* Excludes premiums, if any. Included in unrealized appreciation and depreciation on OTC swap contracts on the Statement of assets and liabilities.

** 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.

§ Includes current day's variation margin only as reported on the Statement of assets and liabilities, which is not collateralized. Cumulative appreciation/(depreciation) for futures contracts and centrally cleared swap contracts is represented in the tables listed after the fund's portfolio.

Note 9 — New pronouncements

In October 2016, the SEC adopted amendments to rules under the Investment Company Act of 1940 ("final rules") intended to modernize the reporting and disclosure of information by registered investment companies. The final rules amend Regulation S-X and require funds to provide standardized, enhanced derivative disclosure in fund financial statements in a format designed for








individual investors. The amendments to Regulation S-X also update the disclosures for other investments and investments in and advances to affiliates and amend the rules regarding the general form and content of fund financial statements. The compliance date for the amendments to Regulation S-X is August 1, 2017. Putnam Management is currently evaluating the amendments and their impact, if any, on the fund's financial statements.




Federal tax information (Unaudited)

For the reporting period, a portion of the fund's distribution represents a return of capital and is therefore not taxable to shareholders.


The fund designated 9.28% 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	
Independent Trustees			
LiaquatAhamed Born 1952 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	
Ravi Akhoury Born 1947 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	
Barbara M. Baumann Born 1955 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	
Jameson A. Baxter Born 1943 Trustee since 1994, 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	
Robert J. Darretta Born 1946 Trustee since 2007	From 2009 until 2012, served as Health Care Industry Advisor to Permira, a global private equity firm. Until April 2007, was Vice Chairman of the Board of Directors of Johnson & Johnson. Served as Johnson & Johnson's Chief Financial Officer for a decade.	UnitedHealth Group, a diversified health-care company	
Katinka Domotorffy Born 1975 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	
John A. Hill Born 1942 Trustee since 1985 and Chairman from 2000 to 2011	Founder and Vice-Chairman of First Reserve Corporation, the leading private equity buyout firm focused on the worldwide energy industry. Trustee and Chairman of the Board of Trustees of Sarah Lawrence College. Member of the Advisory Board of the Millstein Center for Global Markets and Corporate Ownership at The Columbia University Law School.	None	
Paul L. Joskow Born 1947 Trustee since 1997	Economist and 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. Elizabeth and James Killian Professor of Economics, Emeritus at the Massachusetts Institute of Technology (MIT). Prior to 2007, served as the Director of the Center for Energy and Environmental Policy Research 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	
Kenneth R. Leibler Born 1949 Trustee since 2006 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	

Name Year of birth Position held	Principal occupations during past five years	Other directorships	
Robert E. Patterson Born 1945 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	
George Putnam, III Born 1951 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	
W. Thomas Stephens Born 1942 Trustee from 1997 to 2008 and since 2009	Retired as Chairman and Chief Executive Officer of Boise Cascade, LLC, a paper, forest products, and timberland assets company, in December 2008. Prior to 2010, Director of Boise Inc., a manufacturer of paper and packaging products.	Prior to April 2014, served as Director of TransCanada Pipelines Ltd., an energy infrastructure company	

Interested Trustee

Robert L. Reynolds* Born 1952 Trustee since 2008 and President of the 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	
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*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, 2016, there were 114 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
Director of Fund Administration Services, Putnam Investments and Putnam Management

Susan G. Malloy (Born 1957)
Vice President and Assistant Treasurer
Since 2007
Director of Accounting & 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 Associate Treasurer
Since 2000

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, 2016, 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-Advisors

Putnam Investments Limited
57-59 St James's Street
London, England SW1A 1LD

The Putnam Advisory Company, LLC
One Post Office Square
Boston, MA 02109

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
Robert J. Darretta
Katinka Domotorffy
John A. Hill
Paul L. Joskow
Robert E. Patterson
George Putnam, III
Robert L. Reynolds
W. Thomas Stephens

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.

