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Putnam Variable Trust

Semiannual report

6 | 30 | 17

Putnam VT

George Putnam Balanced Fund

Message from the Trustees

August 10, 2017

Dear Shareholder:

A fair amount of investor optimism has helped to fuel financial markets in 2017, and global stock and bond markets have generally fared well. At the same time, however, a number of macroeconomic and political risks around the world could disrupt the positive momentum.

While calm markets are generally welcome, we believe investors should continue to remember time-tested strategies: maintain a well-diversified portfolio, keep a long-term view, and speak regularly with your financial advisor. In the following pages, you will find a summary of your fund's performance for the reporting period.

We would like to take this opportunity to announce some changes to your fund's Board of Trustees. First, we are pleased to welcome the arrival of Catharine Bond Hill and Manoj P. Singh, who bring extensive professional and directorship experience to their new roles as Putnam Trustees. In addition, we would like to extend our appreciation and best wishes to Robert J. Darretta, John A. Hill, and W. Thomas Stephens, who retired from the Board, effective June 30, 2017. We are grateful for their years of work on behalf of you and your fellow shareholders, and we wish them well in their future endeavors.

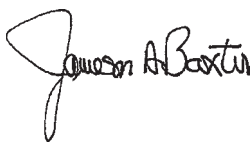
Thank you for investing with Putnam.

Respectfully yours,



Robert L. Reynolds

President and Chief Executive Officer
Putnam Investments



Jameson A. Baxter

Chair, Board of Trustees

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: Stock and bond prices may fall or fail to rise over time for several reasons, including general financial market conditions changing market perceptions (including perceptions about the risk of default and expectations about monetary policy or interest rates), changes in government intervention in the financial markets, and factors related to a specific issuer or industry. These factors may also lead to increased 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. 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. You can lose money by investing in the fund.

Performance summary (as of 6/30/17)

Investment objective

Balanced investment comprising a well-diversified portfolio of stocks and bonds that produce both capital growth and current income

Net asset value June 30, 2017

Class IA: \$11.03

Class IB: \$11.00

Total return at net asset value

(as of 6/30/17)	Class IA shares*	Class IB shares*	S&P 500 Index (primary benchmark)	Bloomberg Barclays U.S. Aggregate Bond Index	George Putnam Blended Index (secondary benchmark)
6 months	7.59%	7.46%	9.34%	2.27%	6.51%
1 year	13.00	12.66	17.90	-0.31	10.36
5 years	60.83	58.97	97.92	11.57	59.11
Annualized	9.97	9.71	14.63	2.21	9.73
10 years	42.11	38.51	100.08	54.97	91.79
Annualized	3.58	3.31	7.18	4.48	6.73
Life	130.94	121.07	212.96	155.99	219.03
Annualized	4.46	4.23	6.13	5.03	6.24

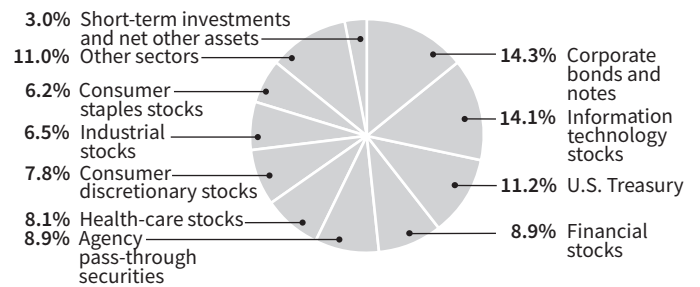
For a portion of the periods, the fund had expense limitations, without which returns would have been lower.

* Class inception date: April 30, 1998.

The George Putnam Blended Index is an unmanaged index administered by Putnam Management, 60% of which is based on the S&P 500 Index and 40% of which is based on the Bloomberg Barclays U.S. Aggregate Bond Index. The Bloomberg Barclays U.S. Aggregate Bond Index is an unmanaged index of U.S. investment-grade fixed-income securities. The S&P 500 Index is an unmanaged index of common stock performance.

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

Portfolio composition



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

Understanding your fund's expenses

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

Review your fund's expenses

The two left-hand columns of the Expenses per \$1,000 table show the expenses you would have paid on a \$1,000 investment in your fund from 1/1/17 to 6/30/17. They also show how much a \$1,000 investment would be worth at the close of the period, *assuming actual returns and expenses*. To estimate the ongoing expenses you paid over the period, divide your account value by \$1,000, then multiply the result by the number in the first line for the class of shares you own.

Compare your fund's expenses with those of other funds

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

Expense ratios

	Class IA	Class IB
Total annual operating expenses for the fiscal year ended 12/31/16	0.74%	0.99%
Annualized expense ratio for the six-month period ended 6/30/17	0.73%	0.98%

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

Expenses are shown as a percentage of average net assets.

Expenses per \$1,000

	Expenses and value for a \$1,000 investment, assuming actual returns for the 6 months ended 6/30/17		Expenses and value for a \$1,000 investment, assuming a hypothetical 5% annualized return for the 6 months ended 6/30/17	
	Class IA	Class IB	Class IA	Class IB
Expenses paid per \$1,000*†	\$3.76	\$5.04	\$3.66	\$4.91
Ending value (after expenses)	\$1,075.90	\$1,074.60	\$1,021.17	\$1,019.93

*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 6/30/17. The expense ratio may differ for each share class.

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

Your fund's managers



Portfolio Manager **Aaron M. Cooper**, CFA, is Chief Investment Officer, Equities, at Putnam. He joined Putnam in 2011 and has been in the investment industry since 1999.



Portfolio Manager **Paul D. Scanlon**, CFA, is Co-Head of Fixed Income at Putnam. Paul joined Putnam in 1999 and has been in the investment industry since 1986.

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

The fund's portfolio 6/30/17 (Unaudited)

COMMON STOCKS (59.8%)*	Shares	Value
Basic materials (2.5%)		
Albemarle Corp.	1,421	\$149,972
Alcoa Corp.	7,336	239,520
CF Industries Holdings, Inc.	6,128	171,339
Dow Chemical Co. (The)	9,557	602,760
Evonik Industries AG (Germany)	3,247	103,784
Fortune Brands Home & Security, Inc.	7,690	501,696
Iluka Resources, Ltd. (Australia)	21,452	143,116
LyondellBasell Industries NV Class A	1,231	91,549
Sealed Air Corp.	5,281	236,378
Sherwin-Williams Co. (The)	1,953	685,425
W.R. Grace & Co.	5,970	429,900
		3,355,439
Capital goods (4.4%)		
Airbus SE (France)	4,046	332,722
Cummins, Inc.	2,905	471,249
Dover Corp.	6,349	509,317
Fortive Corp.	8,893	563,372
Johnson Controls International PLC	11,496	498,467
KION Group AG (Germany)	5,287	404,099
Komatsu, Ltd. (Japan)	16,700	423,829
Northrop Grumman Corp.	2,582	662,825
Raytheon Co.	4,268	689,197
Stericycle, Inc. †	2,461	187,824
United Technologies Corp.	5,651	690,044
Waste Connections, Inc. (Canada)	7,006	451,327
		5,884,272
Communication services (2.8%)		
American Tower Corp. ^R	2,638	349,060
AT&T, Inc.	25,757	971,812
Charter Communications, Inc. Class A †	1,881	633,615
Comcast Corp. Class A	26,474	1,030,368
DISH Network Corp. Class A †	3,682	231,082
T-Mobile US, Inc. †	3,819	231,508
Verizon Communications, Inc.	7,143	319,006
		3,766,451
Communications equipment (0.2%)		
Cisco Systems, Inc.	9,351	292,686
		292,686
Computers (2.6%)		
Apple, Inc.	19,935	2,871,039
HP, Inc.	10,239	178,978
RealPage, Inc. †	10,245	368,308
Western Digital Corp.	1,021	90,461
		3,508,786
Conglomerates (0.8%)		
Danaher Corp.	6,776	571,827
Siemens AG (Germany)	3,823	525,501
		1,097,328
Consumer cyclicals (6.7%)		
Amazon.com, Inc. †	2,010	1,945,680
Expedia, Inc.	2,789	415,422
Hanesbrands, Inc. ^S	14,230	329,567
Hilton Worldwide Holdings, Inc.	7,114	440,001
Home Depot, Inc. (The)	8,924	1,368,942
IHS Markit, Ltd. (United Kingdom) †	6,289	276,968
L Brands, Inc.	3,845	207,207
Live Nation Entertainment, Inc. † ^S	7,576	264,024
MasterCard, Inc. Class A	3,875	470,619

COMMON STOCKS (59.8%)* cont.	Shares	Value
Consumer cyclicals cont.		
NIKE, Inc. Class B	5,249	\$309,691
O'Reilly Automotive, Inc. † ^S	1,284	280,862
Penn National Gaming, Inc. † ^S	14,319	306,427
Priceline Group, Inc. (The) †	372	695,833
TJX Cos., Inc. (The) ^S	6,050	436,629
Twenty-First Century Fox, Inc.	3,205	90,830
Vulcan Materials Co.	1,335	169,118
Wal-Mart Stores, Inc.	3,597	272,221
Walt Disney Co. (The)	3,767	400,244
Wynn Resorts, Ltd.	2,841	381,035
		9,061,320
Consumer staples (6.5%)		
Altria Group, Inc.	11,330	843,745
Campbell Soup Co.	3,126	163,021
Coca-Cola Co. (The)	1,903	85,350
Colgate-Palmolive Co.	5,537	410,458
Constellation Brands, Inc. Class A	2,378	460,690
Costco Wholesale Corp.	3,182	508,897
CVS Health Corp.	4,077	328,035
Delivery Hero Holding GmbH (acquired 6/12/15, cost \$46,212) (Private) (Germany) † ^{ΔΔ} ^F	1,800	51,438
Dr. Pepper Snapple Group, Inc.	6,254	569,802
Edgewell Personal Care Co. †	2,871	218,253
Kraft Heinz Co. (The)	8,079	691,886
Kroger Co. (The)	16,288	379,836
Molson Coors Brewing Co. Class B	2,908	251,077
Mondelez International, Inc. Class A	9,494	410,046
Monster Beverage Corp. †	4,089	203,142
PepsiCo, Inc.	11,797	1,362,436
Pinnacle Foods, Inc.	7,500	445,500
Restaurant Brands International, Inc. (Canada)	5,057	316,265
Walgreens Boots Alliance, Inc.	8,606	673,936
Yum China Holdings, Inc. (China) †	9,019	355,619
		8,729,432
Electronics (2.7%)		
Agilent Technologies, Inc.	4,478	265,590
Broadcom, Ltd.	3,346	779,785
Cavium, Inc. †	4,959	308,103
NXP Semiconductor NV †	1,986	217,368
Qorvo, Inc. †	5,434	344,081
Qualcomm, Inc.	10,270	567,109
Rockwell Automation, Inc.	2,986	483,613
Texas Instruments, Inc.	8,353	642,596
		3,608,245
Energy (3.6%)		
Anadarko Petroleum Corp.	5,624	254,992
Cenovus Energy, Inc. (Canada)	32,657	240,747
Cheniere Energy, Inc. †	6,760	329,280
ConocoPhillips	16,075	706,657
EnCana Corp. (Canada)	11,450	100,744
EOG Resources, Inc.	5,275	477,493
Exxon Mobil Corp.	2,521	203,520
Halliburton Co.	9,733	415,696
Marathon Oil Corp.	8,288	98,213
Noble Energy, Inc.	8,220	232,626
Pioneer Natural Resources Co.	1,687	269,211
Plains All American Pipeline LP	4,442	116,691
QEP Resources, Inc. †	15,582	157,378

COMMON STOCKS (59.8%)* cont.	Shares	Value
Energy cont.		
Royal Dutch Shell PLC Class A (United Kingdom)	13,968	\$370,220
Schlumberger, Ltd.	2,381	156,765
Select Energy Services Class A † ⁵	13,503	164,061
Seven Generations Energy, Ltd. (Canada) †	8,836	151,332
Suncor Energy, Inc. (Canada)	11,418	333,612
		4,779,238
Financials (8.5%)		
American International Group, Inc.	9,792	612,196
Assured Guaranty, Ltd.	15,218	635,199
Bank of America Corp.	45,287	1,098,663
BlackRock, Inc.	790	333,704
Charles Schwab Corp. (The)	5,875	252,390
Chubb, Ltd.	5,840	849,019
E*Trade Financial Corp. †	5,535	210,496
Gaming and Leisure Properties, Inc. ^R	8,855	333,568
Goldman Sachs Group, Inc. (The)	2,650	588,035
Hamilton Lane, Inc. Class A †	10,441	229,598
Hartford Financial Services Group, Inc. (The)	3,406	179,053
Intercontinental Exchange, Inc.	11,125	733,360
Invesco, Ltd.	33,982	1,195,827
Investment Technology Group, Inc.	15,808	335,762
JPMorgan Chase & Co.	17,895	1,635,603
KKR & Co. LP	18,997	353,344
MetLife, Inc.	5,014	275,469
Oportun Financial Corp. (acquired 6/23/15, cost \$42,371) (Private) † Δ Δ ^F	14,867	41,947
Prudential PLC (United Kingdom)	19,164	439,548
Synchrony Financial	5,742	171,226
Visa, Inc. Class A	9,714	910,979
		11,414,986
Health care (7.4%)		
Aetna, Inc.	575	87,302
Amgen, Inc.	4,593	791,052
Becton Dickinson and Co.	3,502	683,275
Biogen, Inc. †	2,223	603,233
Bioerativ, Inc. †	3,324	200,005
Boston Scientific Corp. †	16,901	468,496
Bristol-Myers Squibb Co.	3,483	194,073
C.R. Bard, Inc.	651	205,788
Cardinal Health, Inc.	1,713	133,477
Celgene Corp. †	4,011	520,909
Cigna Corp.	2,462	412,114
DENTSPLY Sirona, Inc.	6,125	397,145
Express Scripts Holding Co. †	1,946	124,233
Gilead Sciences, Inc.	8,496	601,347
Humana, Inc.	1,182	284,413
Intuitive Surgical, Inc. †	348	325,509
Jazz Pharmaceuticals PLC †	3,907	607,539
Johnson & Johnson	11,189	1,480,193
McKesson Corp.	1,081	177,868
Merck & Co., Inc.	12,095	775,169
Pfizer, Inc.	7,772	261,061
Regeneron Pharmaceuticals, Inc. †	568	278,968
UnitedHealth Group, Inc.	2,135	395,872
		10,009,041
Miscellaneous (0.1%)		
Conyers Park Acquisition Corp. (Units) †	5,658	72,140
Gores Holdings II, Inc. (Units) †	5,737	59,894
		132,034

COMMON STOCKS (59.8%)* cont.	Shares	Value
Semiconductor (0.4%)		
Applied Materials, Inc.	12,096	\$499,686
		499,686
Software (3.1%)		
Adobe Systems, Inc. †	3,633	513,852
Everbridge, Inc. †	8,195	199,630
Instructure, Inc. †	5,716	168,622
Microsoft Corp.	34,589	2,384,220
Oracle Corp.	4,379	219,563
Tencent Holdings, Ltd. (China)	9,736	348,166
Ubisoft Entertainment SA (France) †	5,626	319,230
		4,153,283
Technology services (4.7%)		
Alibaba Group Holding, Ltd. ADR (China) † ⁵	3,232	455,389
Alphabet, Inc. Class A †	2,744	2,551,042
DXC Technology Co. †	7,056	541,336
Facebook, Inc. Class A †	10,496	1,584,686
Fidelity National Information Services, Inc.	4,172	356,289
GoDaddy, Inc. Class A †	4,670	198,101
NCSOFT Corp. (South Korea)	1,419	470,664
salesforce.com, Inc. †	2,273	196,842
		6,354,349
Transportation (0.8%)		
American Airlines Group, Inc. ⁵	7,877	396,371
Norfolk Southern Corp.	5,022	611,177
		1,007,548
Utilities and power (2.0%)		
Ameren Corp.	3,760	205,559
American Electric Power Co., Inc.	5,793	402,440
American Water Works Co., Inc.	2,679	208,828
Calpine Corp. †	9,393	127,087
Edison International	2,288	178,899
Exelon Corp.	13,030	469,992
Kinder Morgan, Inc.	3,593	68,842
NextEra Energy, Inc.	1,929	270,311
NRG Energy, Inc.	20,323	349,962
PG&E Corp.	5,930	393,574
		2,675,494
Total common stocks (cost \$70,382,312)		\$80,329,618
U.S. GOVERNMENT AND AGENCY MORTGAGE OBLIGATIONS (11.9%)*		
	Principal amount	Value
U.S. Government Guaranteed Mortgage Obligations (2.4%)		
Government National Mortgage Association		
Pass-Through Certificates		
3.50%, 2/20/45	\$80,843	\$83,855
3.50%, TBA, 7/1/47	2,000,000	2,071,250
3.00%, TBA, 7/1/47	1,000,000	1,010,391
		3,165,496
U.S. Government Agency Mortgage Obligations (9.5%)		
Federal National Mortgage Association		
Pass-Through Certificates		
5.50%, with due dates from 7/1/33 to 11/1/38	224,739	249,416
5.00%, 8/1/33	88,368	96,691
4.50%, TBA, 7/1/47	4,000,000	4,290,000
4.00%, TBA, 7/1/47	2,000,000	2,102,031
3.50%, TBA, 8/1/47	2,000,000	2,050,391
3.50%, TBA, 7/1/47	3,000,000	3,080,625
3.00%, 6/1/46	944,734	947,207
		12,816,361
Total U.S. government and agency mortgage obligations (cost \$16,050,321)		\$15,981,857

U.S. TREASURY OBLIGATIONS (11.2%)*	Principal amount	Value
U.S. Treasury Bonds 2.75%, 8/15/42	\$1,700,000	\$1,681,672
U.S. Treasury Notes		
2.00%, 2/15/22	1,100,000	1,108,121
2.00%, 11/30/20	3,450,000	3,490,511
1.875%, 11/30/21	1,780,000	1,784,631
1.625%, 4/30/19	330,000	331,477
1.375%, 9/30/18	990,000	990,596
1.125%, 3/31/20	2,710,000	2,682,053
1.125%, 12/31/19	950,000	942,207
0.875%, 6/15/19	2,000,000	1,980,656
Total U.S. treasury obligations (cost \$15,067,969)		\$14,991,924

CORPORATE BONDS AND NOTES (14.8%)*	Principal amount	Value
Basic materials (0.8%)		
Celanese US Holdings, LLC company guaranty sr. unsec. unsub. notes 4.625%, 11/15/22 (Germany)	\$71,000	\$76,503
Cytec Industries, Inc. sr. unsec. unsub. notes 3.50%, 4/1/23	30,000	30,219
Eastman Chemical Co. sr. unsec. notes 3.80%, 3/15/25	35,000	35,959
Georgia-Pacific, LLC sr. unsec. unsub. notes 7.75%, 11/15/29	135,000	187,147
Glencore Finance Canada, Ltd. 144A company guaranty sr. unsec. unsub. notes 6.00%, 11/15/41 (Canada)	5,000	5,600
Glencore Funding, LLC 144A company guaranty sr. unsec. unsub. notes 4.625%, 4/29/24	81,000	84,677
Glencore Funding, LLC 144A company guaranty sr. unsec. unsub. notes 4.00%, 4/16/25	54,000	54,021
International Paper Co. sr. unsec. notes 8.70%, 6/15/38	10,000	14,698
INVISTA Finance, LLC 144A company guaranty sr. notes 4.25%, 10/15/19	12,000	12,362
Sherwin-Williams Co. (The) sr. unsec. unsub. bonds 3.45%, 6/1/27	115,000	115,760
Westlake Chemical Corp. company guaranty sr. unsec. unsub. notes 3.60%, 8/15/26	165,000	163,762
WestRock MWV, LLC company guaranty sr. unsec. notes 8.20%, 1/15/30	140,000	197,095
WestRock MWV, LLC company guaranty sr. unsec. unsub. notes 7.95%, 2/15/31	10,000	13,945
Weyerhaeuser Co. sr. unsec. unsub. notes 7.375%, 3/15/32 ^R	82,000	112,905
		1,104,653
Capital goods (0.4%)		
Johnson Controls International PLC sr. unsec. unsub. bonds 4.50%, 2/15/47	115,000	122,233
L3 Technologies, Inc. company guaranty sr. unsec. bonds 3.85%, 12/15/26	10,000	10,309
Legrand France SA sr. unsec. unsub. notes 8.50%, 2/15/25 (France)	104,000	134,655
Medtronic, Inc. company guaranty sr. unsec. sub. notes 4.375%, 3/15/35	15,000	16,384
Northrop Grumman Systems Corp. company guaranty sr. unsec. unsub. notes 7.875%, 3/1/26	30,000	39,812
Parker Hannifin Corp. sr. unsec. unsub. notes Ser. MTN, 6.25%, 5/15/38	48,000	63,246
Rockwell Collins, Inc. sr. unsec. bonds 4.35%, 4/15/47	193,000	201,843
United Technologies Corp. sr. unsec. unsub. notes 5.70%, 4/15/40	15,000	18,837
		607,319

CORPORATE BONDS AND NOTES (14.8%)* cont.	Principal amount	Value
Communication services (1.0%)		
American Tower Corp. sr. unsec. notes 4.00%, 6/1/25 ^R	\$20,000	\$20,716
American Tower Corp. sr. unsec. unsub. bonds 3.55%, 7/15/27 ^R	65,000	64,453
American Tower Corp. sr. unsec. unsub. bonds 3.375%, 10/15/26 ^R	75,000	73,379
AT&T, Inc. sr. unsec. unsub. notes 4.75%, 5/15/46	12,000	11,767
CC Holdings GSV, LLC/Crown Castle GS III Corp. company guaranty sr. notes 3.849%, 4/15/23	30,000	31,538
Charter Communications Operating, LLC/Charter Communications Operating Capital Corp. company guaranty sr. sub. bonds 6.484%, 10/23/45	117,000	140,425
Charter Communications Operating, LLC/Charter Communications Operating Capital Corp. company guaranty sr. sub. notes 4.908%, 7/23/25	38,000	41,052
Charter Communications Operating, LLC/Charter Communications Operating Capital Corp. 144A company guaranty sr. bonds 5.375%, 5/1/47	92,000	97,331
Comcast Cable Communications Holdings, Inc. company guaranty sr. unsec. notes 9.455%, 11/15/22	25,000	33,481
Comcast Corp. company guaranty sr. unsec. unsub. notes 6.50%, 11/15/35	27,000	35,672
Comcast Corp. company guaranty sr. unsec. unsub. notes 3.15%, 3/1/26	45,000	45,233
Crown Castle International Corp. sr. unsec. notes 4.875%, 4/15/22 ^R	10,000	10,926
Crown Castle International Corp. sr. unsec. notes 4.75%, 5/15/47 ^R	25,000	25,441
Crown Castle Towers, LLC 144A company guaranty sr. notes 4.883%, 8/15/20	105,000	112,048
Koninklijke KPN NV sr. unsec. unsub. bonds 8.375%, 10/1/30 (Netherlands)	10,000	13,731
NBCUniversal Media, LLC company guaranty sr. unsec. unsub. notes 6.40%, 4/30/40	55,000	73,809
Rogers Communications, Inc. company guaranty sr. unsec. bonds 8.75%, 5/1/32 (Canada)	10,000	14,365
Rogers Communications, Inc. company guaranty sr. unsec. unsub. notes 4.50%, 3/15/43 (Canada)	35,000	36,418
Telecom Italia SpA 144A sr. unsec. notes 5.303%, 5/30/24 (Italy)	200,000	214,500
Telefonica Emisiones SAU company guaranty sr. unsec. unsub. notes 7.045%, 6/20/36 (Spain)	10,000	13,147
Verizon Communications, Inc. sr. unsec. unsub. notes 4.522%, 9/15/48	40,000	37,844
Verizon Communications, Inc. sr. unsec. unsub. notes 4.125%, 3/16/27	60,000	61,967
Videotron, Ltd./Videotron Ltee. 144A sr. unsec. notes 5.125%, 4/15/27 (Canada)	80,000	82,200
		1,291,443
Conglomerates (0.2%)		
General Electric Co. jr. unsec. sub. FRB Ser. D, 5.00%, perpetual maturity	241,000	255,460
		255,460
Consumer cyclicals (1.6%)		
21st Century Fox America, Inc. company guaranty sr. unsec. notes 7.85%, 3/1/39	25,000	36,043
21st Century Fox America, Inc. company guaranty sr. unsec. notes 7.75%, 1/20/24	135,000	167,280
Autonation, Inc. company guaranty sr. unsec. notes 4.50%, 10/1/25	30,000	31,303

CORPORATE BONDS AND NOTES (14.8%)* cont.	Principal amount	Value
Consumer cyclicals cont.		
Autonation, Inc. company guaranty sr. unsec. unsub. notes 5.50%, 2/1/20	\$92,000	\$98,699
CBS Corp. company guaranty sr. unsec. unsub. bonds 2.90%, 1/15/27	39,000	36,938
CBS Corp. company guaranty sr. unsec. unsub. notes 4.60%, 1/15/45	125,000	128,231
CBS Corp. company guaranty sr. unsec. unsub. notes 3.50%, 1/15/25	49,000	49,658
Dollar General Corp. sr. unsec. sub. notes 3.25%, 4/15/23	60,000	61,113
Expedia, Inc. company guaranty sr. unsec. unsub. notes 5.00%, 2/15/26	5,000	5,475
Ford Motor Co. sr. unsec. unsub. notes 4.346%, 12/8/26	100,000	102,944
General Motors Financial Co., Inc. company guaranty sr. unsec. notes 4.00%, 10/6/26	35,000	34,797
General Motors Financial Co., Inc. company guaranty sr. unsec. unsub. notes 4.30%, 7/13/25	47,000	47,938
Grupo Televisa SAB sr. unsec. unsub. bonds 6.625%, 1/15/40 (Mexico)	90,000	103,988
Hilton Domestic Operating Co., Inc. 144A sr. unsec. sub. notes 4.25%, 9/1/24	20,000	20,275
Hilton Worldwide Finance, LLC/Hilton Worldwide Finance Corp. 144A sr. unsec. bonds 4.875%, 4/1/27	135,000	141,244
Historic TW, Inc. company guaranty sr. unsec. unsub. bonds 9.15%, 2/1/23	95,000	121,858
Host Hotels & Resorts LP sr. unsec. unsub. notes 6.00%, 10/1/21 R	48,000	53,534
Host Hotels & Resorts LP sr. unsec. unsub. notes 5.25%, 3/15/22 R	22,000	23,924
Hyatt Hotels Corp. sr. unsec. unsub. notes 3.375%, 7/15/23	30,000	30,486
IHS Markit Ltd. 144A company guaranty notes 4.75%, 2/15/25 (United Kingdom)	25,000	26,844
Lear Corp. company guaranty sr. unsec. unsub. notes 5.375%, 3/15/24	40,000	42,488
Moody's Corp. 144A sr. unsec. bonds 3.25%, 1/15/28	60,000	59,078
NVR, Inc. sr. unsec. notes 3.95%, 9/15/22	65,000	67,507
O'Reilly Automotive, Inc. company guaranty sr. unsec. notes 3.85%, 6/15/23	25,000	26,040
O'Reilly Automotive, Inc. company guaranty sr. unsec. sub. notes 3.55%, 3/15/26	45,000	45,309
Omnicom Group, Inc. company guaranty sr. unsec. unsub. notes 3.60%, 4/15/26	55,000	55,338
Owens Corning company guaranty sr. unsec. sub. notes 9.00%, 6/15/19	94,000	105,453
Priceline Group, Inc. (The) sr. unsec. notes 3.65%, 3/15/25	16,000	16,419
QVC, Inc. company guaranty sr. notes 4.85%, 4/1/24	50,000	51,097
S&P Global, Inc. company guaranty sr. unsec. unsub. notes 4.40%, 2/15/26	52,000	55,902
SiriusXM Radio, Inc. 144A sr. unsec. bonds 5.00%, 8/1/27	125,000	125,781
Standard Industries, Inc. 144A sr. unsec. notes 5.00%, 2/15/27	130,000	132,600
Vulcan Materials Co. sr. unsec. unsub. notes 4.50%, 4/1/25	20,000	21,356
Wyndham Worldwide Corp. sr. unsec. unsub. bonds 4.50%, 4/1/27	60,000	61,853
	2,188,793	

CORPORATE BONDS AND NOTES (14.8%)* cont.	Principal amount	Value
Consumer staples (1.2%)		
Anheuser-Busch InBev Finance, Inc. company guaranty sr. unsec. unsub. bonds 4.90%, 2/1/46	\$215,000	\$242,658
Anheuser-Busch InBev Finance, Inc. company guaranty sr. unsec. unsub. bonds 3.65%, 2/1/26	25,000	25,757
Anheuser-Busch InBev Worldwide, Inc. company guaranty sr. unsec. unsub. notes 8.20%, 1/15/39	25,000	38,734
Constellation Brands, Inc. company guaranty sr. unsec. unsub. bonds 3.70%, 12/6/26	25,000	25,443
CVS Pass-Through Trust 144A sr. mtge. notes 7.507%, 1/10/32	143,591	177,401
CVS Pass-Through Trust 144A sr. mtge. notes 4.704%, 1/10/36	13,557	14,518
Diageo Investment Corp. company guaranty sr. unsec. notes 8.00%, 9/15/22	74,000	92,918
ERAC USA Finance, LLC 144A company guaranty sr. unsec. notes 7.00%, 10/15/37	150,000	194,716
ERAC USA Finance, LLC 144A company guaranty sr. unsec. notes 5.625%, 3/15/42	85,000	96,531
Kraft Heinz Co. (The) company guaranty sr. unsec. bonds 4.375%, 6/1/46	120,000	117,520
Kraft Heinz Co. (The) company guaranty sr. unsec. notes Ser. 144A, 6.875%, 1/26/39	55,000	70,740
Kraft Heinz Co. (The) company guaranty sr. unsec. unsub. notes 6.50%, 2/9/40	5,000	6,195
Lamb Weston Holdings, Inc. 144A company guaranty sr. unsec. unsub. notes 4.875%, 11/1/26	120,000	124,350
McDonald's Corp. sr. unsec. unsub. notes 5.70%, 2/1/39	90,000	108,487
McDonald's Corp. sr. unsec. unsub. notes Ser. MTN, 6.30%, 3/1/38	75,000	96,470
Newell Brands, Inc. sr. unsec. unsub. notes 4.20%, 4/1/26	105,000	111,488
Tyson Foods, Inc. company guaranty sr. unsec. bonds 4.875%, 8/15/34	17,000	18,600
Tyson Foods, Inc. company guaranty sr. unsec. unsub. bonds 5.15%, 8/15/44	23,000	25,956
Walgreens Boots Alliance, Inc. sr. unsec. bonds 3.45%, 6/1/26	80,000	79,831
		1,668,313
Energy (1.3%)		
BP Capital Markets PLC company guaranty sr. unsec. bonds 3.119%, 5/4/26 (United Kingdom)	70,000	69,130
Canadian Natural Resources, Ltd. sr. unsec. unsub. bonds 3.85%, 6/1/27 (Canada)	50,000	49,746
Cenovus Energy, Inc. sr. unsec. bonds 6.75%, 11/15/39 (Canada)	76,000	79,895
Cenovus Energy, Inc. 144A sr. unsec. notes 4.25%, 4/15/27 (Canada)	80,000	76,210
Cheniere Corpus Christi Holdings, LLC 144A company guaranty sr. bonds 5.125%, 6/30/27	65,000	66,625
Concho Resources, Inc. company guaranty sr. unsec. notes 4.375%, 1/15/25	45,000	45,900
DCP Midstream Operating LP company guaranty sr. unsec. notes 3.875%, 3/15/23	33,000	31,845
DCP Midstream Operating LP company guaranty sr. unsec. notes 2.70%, 4/1/19	20,000	19,825
Devon Energy Corp. sr. unsec. unsub. notes 3.25%, 5/15/22	28,000	27,828
EOG Resources, Inc. sr. unsec. unsub. notes 5.625%, 6/1/19	30,000	31,994

CORPORATE BONDS**AND NOTES (14.8%)* cont.****Principal amount****Value****Energy cont.**

EQT Midstream Partners LP company guaranty sr. unsec. sub. notes 4.00%, 8/1/24	\$70,000	\$71,033
Hess Corp. sr. unsec. unsub. notes 7.30%, 8/15/31	55,000	63,308
Marathon Petroleum Corp. sr. unsec. unsub. notes 6.50%, 3/1/41	25,000	28,872
MPLX LP sr. unsec. unsub. notes 4.125%, 3/1/27	70,000	70,238
Nabors Industries, Inc. company guaranty sr. unsec. unsub. notes 4.625%, 9/15/21	65,000	61,737
Noble Holding International, Ltd. company guaranty sr. unsec. unsub. notes 6.05%, 3/1/41	60,000	35,325
Petroleos Mexicanos company guaranty sr. unsec. unsub. notes 4.50%, 1/23/26 (Mexico)	39,000	37,909
Pride International, LLC company guaranty sr. unsec. unsub. notes 7.875%, 8/15/40	120,000	101,100
Sabine Pass Liquefaction, LLC sr. notes 5.00%, 3/15/27	135,000	143,704
Sabine Pass Liquefaction, LLC 144A sr. bonds 4.20%, 3/15/28	30,000	30,309
Spectra Energy Capital, LLC company guaranty sr. unsec. unsub. notes 8.00%, 10/1/19	110,000	123,008
Statoil ASA company guaranty sr. unsec. notes 5.10%, 8/17/40 (Norway)	70,000	80,691
Tosco Corp. company guaranty sr. unsec. notes 8.125%, 2/15/30	72,000	100,133
Transcanada Trust company guaranty jr. unsec. sub. FRB 5.30%, 3/15/77 (Canada)	135,000	138,780
Valero Energy Partners LP sr. unsec. unsub. notes 4.375%, 12/15/26	21,000	21,466
Williams Partners LP sr. unsec. sub. notes 4.30%, 3/4/24	107,000	111,384
Williams Partners LP sr. unsec. sub. notes 3.60%, 3/15/22	25,000	25,541
Williams Partners LP/ACMP Finance Corp. sr. unsec. sub. notes 4.875%, 3/15/24	35,000	36,677

1,780,213**Financials (5.0%)**

Aflac, Inc. sr. unsec. notes 6.45%, 8/15/40	14,000	18,502
Air Lease Corp. sr. unsec. notes 3.75%, 2/1/22	25,000	26,088
Ally Financial, Inc. sub. unsec. notes 5.75%, 11/20/25	75,000	78,938
American International Group, Inc. jr. unsec. sub. FRB 8.175%, 5/15/58	114,000	153,900
Aon PLC company guaranty sr. unsec. unsub. notes 4.25%, 12/12/42	200,000	196,524
Assurant, Inc. sr. unsec. notes 6.75%, 2/15/34	31,000	37,780
Aviation Capital Group Corp. 144A sr. unsec. unsub. notes 7.125%, 10/15/20	35,000	39,760
AXA SA 144A jr. unsec. sub. FRN 6.463%, perpetual maturity (France)	75,000	77,109
Bank of America Corp. jr. unsec. sub. FRN Ser. AA, 6.10%, perpetual maturity	32,000	34,720
Bank of America Corp. unsec. sub. notes 6.11%, 1/29/37	150,000	182,946
Barclays Bank PLC 144A unsec. sub. notes 10.179%, 6/12/21 (United Kingdom)	80,000	100,247
Berkshire Hathaway Finance Corp. company guaranty sr. unsec. notes 4.30%, 5/15/43	73,000	78,712
BGC Partners, Inc. sr. unsec. notes 5.125%, 5/27/21	10,000	10,539
BPCE SA 144A unsec. sub. notes 5.15%, 7/21/24 (France)	200,000	213,840

CORPORATE BONDS**AND NOTES (14.8%)* cont.****Principal amount****Value****Financials cont.**

Cantor Fitzgerald LP 144A unsec. notes 6.50%, 6/17/22	\$110,000	\$123,135
Capital One Financial Corp. unsec. sub. notes 4.20%, 10/29/25	80,000	80,667
CBRE Services, Inc. company guaranty sr. unsec. notes 5.25%, 3/15/25	27,000	29,402
CBRE Services, Inc. company guaranty sr. unsec. unsub. notes 4.875%, 3/1/26	73,000	77,719
Citigroup, Inc. jr. unsec. sub. FRB Ser. P, 5.95%, perpetual maturity	64,000	68,578
Citigroup, Inc. jr. unsec. sub. FRN 5.875%, perpetual maturity	23,000	24,093
Citigroup, Inc. unsec. sub. bonds 4.75%, 5/18/46	245,000	257,176
Citigroup, Inc. unsec. sub. bonds 4.125%, 7/25/28	40,000	40,605
CNO Financial Group, Inc. sr. unsec. unsub. notes 5.25%, 5/30/25	40,000	42,360
Cooperatieve Rabobank UA 144A jr. unsec. sub. FRN 11.00%, perpetual maturity (Netherlands)	150,000	174,225
Credit Suisse Group AG 144A sr. unsec. bonds 4.282%, 1/9/28 (Switzerland)	280,000	289,431
Duke Realty LP company guaranty sr. unsec. unsub. notes 4.375%, 6/15/22 R	122,000	130,011
Fairfax US, Inc. 144A company guaranty sr. unsec. notes 4.875%, 8/13/24	35,000	36,389
Fifth Third Bancorp jr. unsec. sub. FRB 5.10%, perpetual maturity	29,000	29,508
Goldman Sachs Group, Inc. (The) sr. unsec. unsub. notes 3.85%, 1/26/27	240,000	244,154
Hartford Financial Services Group, Inc. (The) sr. unsec. unsub. notes 6.625%, 3/30/40	238,000	321,508
Healthcare Realty Trust, Inc. sr. unsec. unsub. notes 3.875%, 5/1/25 R	60,000	60,479
Hospitality Properties Trust sr. unsec. unsub. notes 4.50%, 3/15/25 R	30,000	30,790
HSBC Holdings PLC unsec. sub. notes 6.50%, 5/2/36 (United Kingdom)	200,000	255,180
ING Bank NV 144A unsec. sub. notes 5.80%, 9/25/23 (Netherlands)	200,000	225,756
JPMorgan Chase & Co. jr. unsec. sub. FRB Ser. Z, 5.30%, perpetual maturity	35,000	36,444
JPMorgan Chase & Co. jr. unsec. sub. FRN 7.90%, perpetual maturity	110,000	114,345
JPMorgan Chase & Co. sr. unsec. notes Ser. MTN, 2.295%, 8/15/21	35,000	34,796
KKR Group Finance Co., LLC 144A company guaranty sr. unsec. unsub. notes 6.375%, 9/29/20	60,000	67,415
Liberty Mutual Group, Inc. 144A company guaranty jr. unsec. sub. bonds 7.80%, 3/15/37	45,000	56,053
Liberty Mutual Insurance Co. 144A unsec. sub. notes 7.697%, 10/15/97	100,000	140,995
Massachusetts Mutual Life Insurance Co. 144A unsec. sub. notes 8.875%, 6/1/39	155,000	253,972
MetLife Capital Trust IV 144A jr. unsec. sub. notes 7.875%, 12/15/37	400,000	540,040
Mid-America Apartments LP sr. unsec. notes 4.30%, 10/15/23 R	30,000	31,742
Nationwide Mutual Insurance Co. 144A unsec. sub. notes 8.25%, 12/1/31	60,000	85,835
Neuberger Berman Group, LLC/Neuberger Berman Finance Corp. 144A sr. unsec. notes 4.875%, 4/15/45	35,000	33,994

CORPORATE BONDS AND NOTES (14.8%)* cont.	Principal amount	Value
Financials cont.		
OneAmerica Financial Partners, Inc. 144A sr. unsec. notes 7.00%, 10/15/33	\$56,000	\$71,343
Pacific LifeCorp 144A sr. unsec. notes 6.00%, 2/10/20	30,000	32,492
Primerica, Inc. sr. unsec. notes 4.75%, 7/15/22	33,000	35,550
Prudential Financial, Inc. jr. unsec. sub. FRN 5.625%, 6/15/43	35,000	38,456
Prudential Financial, Inc. jr. unsec. sub. FRN 5.20%, 3/15/44	137,000	145,220
Prudential Financial, Inc. sr. unsec. notes 6.625%, 6/21/40	35,000	47,294
Royal Bank of Canada unsec. sub. notes Ser. GMTN, 4.65%, 1/27/26 (Canada)	45,000	48,231
Santander UK PLC 144A unsec. sub. notes 5.00%, 11/7/23 (United Kingdom)	65,000	69,472
Teachers Insurance & Annuity Association of America 144A unsec. sub. notes 6.85%, 12/16/39	40,000	54,772
Toronto-Dominion Bank (The) unsec. sub. FRB 3.625%, 9/15/31 (Canada)	68,000	67,468
Travelers Property Casualty Corp. company guaranty sr. unsec. unsub. bonds 7.75%, 4/15/26	40,000	53,525
UBS AG unsec. sub. notes 5.125%, 5/15/24 (Switzerland)	360,000	379,460
VEREIT Operating Partnership LP company guaranty sr. unsec. notes 4.60%, 2/6/24 R	90,000	94,000
Wells Fargo & Co. jr. unsec. sub. FRB Ser. U, 5.875%, perpetual maturity	65,000	72,069
Willis Towers Watson PLC company guaranty sr. unsec. unsub. notes 5.75%, 3/15/21	110,000	121,354
WP Carey, Inc. sr. unsec. unsub. notes 4.60%, 4/1/24 R	135,000	139,558
		6,656,666
Government (0.5%)		
International Bank for Reconstruction & Development sr. unsec. unsub. bonds 7.625%, 1/19/23 (Supra-Nation)	500,000	640,810
		640,810
Health care (0.6%)		
AbbVie, Inc. sr. unsec. notes 3.60%, 5/14/25	10,000	10,201
Allergan Funding SCS company guaranty sr. unsec. notes 4.75%, 3/15/45 (Luxembourg)	4,000	4,318
Allergan Funding SCS company guaranty sr. unsec. notes 3.45%, 3/15/22 (Luxembourg)	5,000	5,154
Anthem, Inc. sr. unsec. unsub. notes 4.625%, 5/15/42	30,000	32,387
Becton Dickinson and Co. sr. unsec. unsub. bonds 4.669%, 6/6/47	129,000	134,105
Becton Dickinson and Co. sr. unsec. unsub. bonds 3.70%, 6/6/27	111,000	111,351
HCA, Inc. company guaranty sr. bonds 5.25%, 6/15/26	55,000	59,318
HCA, Inc. company guaranty sr. sub. bonds 5.50%, 6/15/47	30,000	31,050
HCA, Inc. company guaranty sr. sub. notes 5.00%, 3/15/24	10,000	10,588
Omega Healthcare Investors, Inc. company guaranty sr. unsec. notes 4.50%, 4/1/27 R	20,000	20,050
Omega Healthcare Investors, Inc. company guaranty sr. unsec. unsub. notes 4.95%, 4/1/24 R	70,000	73,316

CORPORATE BONDS AND NOTES (14.8%)* cont.	Principal amount	Value
Health care cont.		
Shire Acquisitions Investments Ireland DAC company guaranty sr. unsec. unsub. notes 3.20%, 9/23/26 (Ireland)	\$100,000	\$97,653
Shire Acquisitions Investments Ireland DAC company guaranty sr. unsec. unsub. notes 2.875%, 9/23/23 (Ireland)	70,000	69,382
Teva Pharmaceutical Finance Netherlands III BV company guaranty sr. unsec. unsub. bonds 3.15%, 10/1/26 (Netherlands)	54,000	51,283
UnitedHealth Group, Inc. sr. unsec. unsub. notes 4.625%, 11/15/41	34,000	37,450
		747,606
Technology (0.6%)		
Apple, Inc. sr. unsec. unsub. notes 4.375%, 5/13/45	65,000	70,275
Broadcom Corp./Broadcom Cayman Finance, Ltd. 144A company guaranty sr. unsec. unsub. notes 3.875%, 1/15/27	118,000	121,174
Diamond 1 Finance Corp./Diamond 2 Finance Corp. 144A company guaranty sr. unsec. notes 7.125%, 6/15/24	86,000	94,536
Diamond 1 Finance Corp./Diamond 2 Finance Corp. 144A sr. bonds 8.35%, 7/15/46	28,000	36,136
Diamond 1 Finance Corp./Diamond 2 Finance Corp. 144A sr. notes 5.45%, 6/15/23	129,000	139,987
Jabil Circuit, Inc. sr. unsec. sub. notes 8.25%, 3/15/18	20,000	20,800
Microsoft Corp. sr. unsec. unsub. bonds 2.40%, 8/8/26	95,000	91,426
Oracle Corp. sr. unsec. unsub. notes 2.65%, 7/15/26	205,000	196,711
		771,045
Transportation (0.3%)		
Burlington Northern Santa Fe, LLC sr. unsec. notes 5.40%, 6/1/41	85,000	103,191
Burlington Northern Santa Fe, LLC sr. unsec. unsub. notes 5.75%, 5/1/40	40,000	50,404
Continental Airlines, Inc. Pass-Through Trust pass-through certificates Ser. 97-4, Class A, 6.90%, 1/2/18	667	675
Continental Airlines, Inc. Pass-Through Trust pass-through certificates Ser. 98-1, Class A, 6.648%, 9/15/17	2,848	2,873
Norfolk Southern Corp. sr. unsec. unsub. bonds 6.00%, 5/23/11	60,000	72,243
Penske Truck Leasing Co. Lp/PTL Finance Corp. 144A sr. unsec. bonds 3.40%, 11/15/26	56,000	55,030
Southwest Airlines Co. Pass Through Trust pass-through certificates Ser. 07-1, Class A, 6.15%, 8/1/22	76,412	84,053
United Airlines, Inc. Pass-Through Trust pass-through certificates Ser. 14-2, Class A, 3.75%, 9/3/26	18,276	18,938
		387,407
Utilities and power (1.3%)		
Appalachian Power Co. sr. unsec. unsub. notes Ser. L, 5.80%, 10/1/35	55,000	67,167
Boardwalk Pipelines LP company guaranty sr. unsec. unsub. FRB 4.45%, 7/15/27	30,000	30,715
Commonwealth Edison Co. sr. mtge. bonds 5.875%, 2/1/33	15,000	18,315
Consolidated Edison Co. of New York, Inc. sr. unsec. unsub. notes 4.20%, 3/15/42	35,000	36,802

CORPORATE BONDS**AND NOTES (14.8%)* cont.**

	Principal amount	Value
Utilities and power cont.		
El Paso Natural Gas Co., LLC company guaranty sr. unsec. unsubs. notes 8.375%, 6/15/32	\$75,000	\$96,306
Emera US Finance LP company guaranty sr. unsec. notes 3.55%, 6/15/26	45,000	45,104
Enbridge, Inc. sr. unsec. unsubs. bonds 4.25%, 12/1/26 (Canada)	55,000	57,318
Energy Transfer Partners LP sr. unsec. unsubs. notes 7.60%, 2/1/24	30,000	34,972
Energy Transfer Partners LP sr. unsec. unsubs. notes 6.50%, 2/1/42	117,000	130,272
Energy Transfer Partners LP sr. unsec. unsubs. notes 5.20%, 2/1/22	35,000	37,662
FirstEnergy Corp. sr. unsec. unsubs. bonds Ser. B, 3.90%, 7/15/27	4,000	4,013
FirstEnergy Corp. sr. unsec. unsubs. bonds Ser. C, 4.85%, 7/15/47	6,000	6,087
FirstEnergy Transmission, LLC 144A sr. unsec. unsubs. notes 5.45%, 7/15/44	140,000	159,915
Great Plains Energy, Inc. sr. unsec. unsubs. bonds 4.85%, 4/1/47	90,000	92,609
Iberdrola International BV company guaranty sr. unsec. unsubs. bonds 6.75%, 7/15/36 (Spain)	30,000	39,046
Kinder Morgan Energy Partners LP company guaranty sr. unsec. notes 5.40%, 9/1/44	16,000	16,137
Kinder Morgan Energy Partners LP company guaranty sr. unsec. notes 3.50%, 3/1/21	40,000	40,690
Kinder Morgan, Inc. company guaranty sr. unsec. unsubs. notes 3.05%, 12/1/19	30,000	30,521
MidAmerican Funding, LLC sr. bonds 6.927%, 3/1/29	10,000	13,195
Oncor Electric Delivery Co., LLC sr. notes 7.00%, 9/1/22	55,000	66,209
Oncor Electric Delivery Co., LLC sr. notes 4.10%, 6/1/22	60,000	63,879
Pacific Gas & Electric Co. sr. unsec. notes 6.35%, 2/15/38	55,000	73,203
Pacific Gas & Electric Co. sr. unsec. unsubs. notes 5.80%, 3/1/37	30,000	38,063
Puget Sound Energy, Inc. jr. unsec. sub. FRN Ser. A, 6.974%, 6/1/67	99,000	95,164
Texas Gas Transmission, LLC 144A sr. unsec. notes 4.50%, 2/1/21	65,000	67,771
Texas-New Mexico Power Co. 144A 1st sr. bonds Ser. A, 9.50%, 4/1/19	135,000	151,625
WEC Energy Group jr. unsec. sub. FRN 3.294%, 5/15/67	300,000	290,250

1,803,010**Total corporate bonds and notes (cost \$18,526,986) \$19,902,738****INVESTMENT COMPANIES (1.1%)***

	Shares	Value
SPDR S&P Regional Banking ETF	26,655	\$1,464,692

Total investment companies (cost \$1,469,165) \$1,464,692**MORTGAGE-BACKED****SECURITIES (0.9%)***

	Principal amount	Value
Citigroup Commercial Mortgage Trust Ser. 14-GC21, Class AS, 4.026%, 5/10/47	\$93,000	\$96,606
COMM Mortgage Trust		
FRB Ser. 14-UBS6, Class C, 4.614%, 12/10/47	68,000	66,381
Ser. 13-CR13, Class AM, 4.449%, 12/10/23	100,000	108,010

MORTGAGE-BACKED**SECURITIES (0.9%)* cont.**

	Principal amount	Value
Federal National Mortgage Association Connecticut Avenue Securities FRB Ser. 16-C05, Class 2M1, 2.566%, 1/25/29	\$24,730	\$24,926
FIRSTPLUS Home Loan Owner Trust Ser. 97-3, Class B1, 7.79%, 11/10/23 (In default) †	14,822	1
GS Mortgage Securities Trust FRB Ser. 14-GC22, Class C, 4.801%, 6/10/47	93,000	96,177
GS Mortgage Securities Trust 144A FRB Ser. 11-GC5, Class C, 5.566%, 8/10/44	100,000	107,765
JPMBB Commercial Mortgage Securities Trust FRB Ser. 14-C19, Class C, 4.821%, 4/15/47	108,000	112,384
LB Commercial Mortgage Trust 144A Ser. 99-C1, Class G, 6.41%, 6/15/31	14,192	14,475
Morgan Stanley Bank of America Merrill Lynch Trust		
FRB Ser. 14-C14, Class C, 4.99%, 2/15/47	60,000	61,787
FRB Ser. 13-C11, Class C, 4.515%, 8/15/46	77,000	69,455
Morgan Stanley Capital I Trust 144A FRB Ser. 12-C4, Class D, 5.601%, 3/15/45	217,000	220,624
TIAA Real Estate CDO, Ltd. 144A Ser. 03-1A, Class E, 8.00%, 12/28/38	225,659	16,924
WF-RBS Commercial Mortgage Trust		
Ser. 14-C19, Class C, 4.646%, 3/15/47	24,000	24,842
Ser. 13-UBS1, Class AS, 4.306%, 3/15/46	101,000	107,666
WF-RBS Commercial Mortgage Trust 144A FRB Ser. 11-C3, Class D, 5.813%, 3/15/44	82,000	77,031

Total mortgage-backed securities (cost \$1,301,452) \$1,205,054**CONVERTIBLE PREFERRED STOCKS (0.1%)***

	Shares	Value
Oportun Financial Corp. Ser. A-1, zero % cv. pfd. (acquired 6/23/15, cost \$117) (Private) † ΔΔ F	41	\$116
Oportun Financial Corp. Ser. B-1, zero % cv. pfd. (acquired 6/23/15, cost \$2,211) (Private) † ΔΔ F	702	2,189
Oportun Financial Corp. Ser. C-1, zero % cv. pfd. (acquired 6/23/15, cost \$5,197) (Private) † ΔΔ F	1,021	5,145
Oportun Financial Corp. Ser. D-1, zero % cv. pfd. (acquired 6/23/15, cost \$7,538) (Private) † ΔΔ F	1,481	7,463
Oportun Financial Corp. Ser. E-1, zero % cv. pfd. (acquired 6/23/15, cost \$4,227) (Private) † ΔΔ F	770	4,185
Oportun Financial Corp. Ser. F, zero % cv. pfd. (acquired 6/23/15, cost \$12,764) (Private) † ΔΔ F	1,662	12,637
Oportun Financial Corp. Ser. F-1, zero % cv. pfd. (acquired 6/23/15, cost \$35,793) (Private) † ΔΔ F	12,559	35,435
Oportun Financial Corp. Ser. G, zero % cv. pfd. (acquired 6/23/15, cost \$45,261) (Private) † ΔΔ F	15,881	44,808
Oportun Financial Corp. Ser. H, 8.00% cv. pfd. (acquired 2/6/15, cost \$72,763) (Private) † ΔΔ F	25,555	72,034

Total convertible preferred stocks (cost \$185,871) \$184,012**MUNICIPAL BONDS AND NOTES (0.1%)***

	Principal amount	Value
CA State G.O. Bonds (Build America Bonds), 7.50%, 4/1/34	\$30,000	\$43,698
North TX, Tollway Auth. Rev. Bonds (Build America Bonds), 6.718%, 1/1/49	55,000	80,276
OH State U. Rev. Bonds (Build America Bonds), 4.91%, 6/1/40	40,000	47,865

Total municipal bonds and notes (cost \$125,184) \$171,839**SHORT-TERM INVESTMENTS (12.1%)**

	Shares	Value
Putnam Cash Collateral Pool, LLC 1.24% ^d	1,941,800	1,941,800
Putnam Short Term Investment Fund 1.07% ^L	14,320,096	14,320,096

Total short-term investments (cost \$16,261,896) \$16,261,896**Total investments (cost \$139,371,156) \$150,493,630**

Key to holding's abbreviations

ADR	American Depository Receipts: represents ownership of foreign securities on deposit with a custodian bank
DAC	Designated Activity Company
ETF	Exchange Traded Fund
FRB	Floating Rate Bonds: the rate shown is the current interest rate at the close of the reporting period
FRN	Floating Rate Notes: the rate shown is the current interest rate or yield at the close of the reporting period
GMTN	Global Medium Term Notes
G.O. Bonds	General Obligation Bonds
MTN	Medium Term Notes
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, 2017 through June 30, 2017 (the reporting period). Within the following notes to the portfolio, references to "ASC 820" represent Accounting Standards Codification 820 *Fair Value Measurements and Disclosures*, 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.

* Percentages indicated are based on net assets of \$134,400,168.

† 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 \$277,397, or 0.2% of net assets.

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

♣ 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 (Note 1).

Ⓛ 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.

Ⓜ Real Estate Investment Trust.

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

At the close of the reporting period, the fund maintained liquid assets totaling \$14,699,781 to cover certain derivative contracts, and delayed delivery securities.

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

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 6/30/17 (aggregate face value \$4,990,537) (Unaudited)

Counterparty	Currency	Contract type	Delivery date	Value	Aggregate face value	Unrealized appreciation/ (depreciation)
Bank of America N.A.						
	British Pound	Sell	9/20/17	\$227,422	\$225,563	\$(1,859)
	Canadian Dollar	Sell	7/19/17	314,784	300,694	(14,090)
Barclays Bank PLC						
	Canadian Dollar	Sell	7/19/17	426,011	412,919	(13,092)
Citibank, N.A.						
	Euro	Sell	9/20/17	1,325,756	1,303,744	(22,012)
Credit Suisse International						
	British Pound	Sell	9/20/17	732,918	724,203	(8,715)
Goldman Sachs International						
	Euro	Sell	9/20/17	226,942	223,137	(3,805)
	Japanese Yen	Sell	8/16/17	409,322	405,287	(4,035)
JPMorgan Chase Bank N.A.						
	Canadian Dollar	Sell	7/19/17	516,258	500,418	(15,840)
	Swiss Franc	Buy	9/20/17	21,169	20,953	216
State Street Bank and Trust Co.						
	British Pound	Sell	9/20/17	295,831	292,960	(2,871)
	Canadian Dollar	Sell	7/19/17	232,096	219,831	(12,265)
	Euro	Sell	9/20/17	10,091	9,922	(169)
UBSAG						
	Euro	Sell	9/20/17	341,387	335,725	(5,662)
WestPac Banking Corp.						
	Canadian Dollar	Sell	7/19/17	15,658	15,181	(477)
Total						\$(104,676)

TBA SALE COMMITMENTS

OUTSTANDING

at 6/30/17 (proceeds receivable \$4,067,227) (Unaudited)	Principal amount	Settlement date	Value
Federal National Mortgage Association, 3.50%, 7/1/47	\$2,000,000	7/13/17	\$2,053,750
Federal National Mortgage Association, 3.00%, 7/1/47	2,000,000	7/13/17	1,997,344
Total			\$4,051,094

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	\$3,355,439	\$—	\$—
Capital goods	5,884,272	—	—
Communication services	3,766,451	—	—
Conglomerates	1,097,328	—	—
Consumer cyclicals	9,061,320	—	—
Consumer staples	8,677,994	—	51,438
Energy	4,779,238	—	—
Financials	11,373,039	—	41,947
Health care	10,009,041	—	—
Miscellaneous	132,034	—	—
Technology	18,417,035	—	—
Transportation	1,007,548	—	—
Utilities and power	2,675,494	—	—
Total common stocks	80,236,233	—	93,385
Convertible preferred stocks	—	—	184,012
Corporate bonds and notes	—	19,902,738	—
Investment companies	1,464,692	—	—
Mortgage-backed securities	—	1,205,054	—
Municipal bonds and notes	—	171,839	—
U.S. government and agency mortgage obligations	—	15,981,857	—
U.S. treasury obligations	—	14,991,924	—
Short-term investments	14,320,096	1,941,800	—
Totals by level	\$96,021,021	\$54,195,212	\$277,397

Other financial instruments:	Valuation inputs		
	Level 1	Level 2	Level 3
Forward currency contracts	\$—	\$(104,676)	\$—
TBA sale commitments	—	(4,051,094)	—
Totals by level	\$—	\$(4,155,770)	\$—

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

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

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

Statement of assets and liabilities

6/30/17 (Unaudited)

Assets

Investment in securities, at value, including \$1,911,596 of securities on loan (Note 1):	
Unaffiliated issuers (identified cost \$123,109,260)	\$134,231,734
Affiliated issuers (identified cost \$16,261,896) (Notes 1 and 5)	16,261,896
Foreign currency (cost \$199) (Note 1)	199
Dividends, interest and other receivables	448,676
Receivable for shares of the fund sold	546,666
Receivable for investments sold	683,049
Receivable for sales of delayed delivery securities (Note 1)	4,053,220
Unrealized appreciation on forward currency contracts (Note 1)	216
Total assets	156,225,656

Liabilities

Payable for investments purchased	605,291
Payable for purchases of delayed delivery securities (Note 1)	14,662,570
Payable for shares of the fund repurchased	185,995
Payable for compensation of Manager (Note 2)	58,165
Payable for custodian fees (Note 2)	22,636
Payable for investor servicing fees (Note 2)	14,137
Payable for Trustee compensation and expenses (Note 2)	105,515
Payable for administrative services (Note 2)	517
Payable for distribution fees (Note 2)	14,238
Unrealized depreciation on forward currency contracts (Note 1)	104,892
TBA sale commitments, at value (proceeds receivable \$4,067,227) (Note 1)	4,051,094
Collateral on securities loaned, at value (Note 1)	1,941,800
Other accrued expenses	58,638
Total liabilities	21,825,488

Net assets

\$134,400,168

Represented by

Paid-in capital (Unlimited shares authorized) (Notes 1 and 4)	\$150,821,211
Undistributed net investment income (Note 1)	517,115
Accumulated net realized loss on investments and foreign currency transactions (Note 1)	(27,972,505)
Net unrealized appreciation of investments and assets and liabilities in foreign currencies	11,034,347
Total — Representing net assets applicable to capital shares outstanding	\$134,400,168

Computation of net asset value Class IA

Net assets	\$64,661,132
Number of shares outstanding	5,860,656
Net asset value, offering price and redemption price per share (net assets divided by number of shares outstanding)	\$11.03

Computation of net asset value Class IB

Net assets	\$69,739,036
Number of shares outstanding	6,338,322
Net asset value, offering price and redemption price per share (net assets divided by number of shares outstanding)	\$11.00

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

Statement of operations

Six months ended 6/30/17 (Unaudited)

Investment income

Interest (including interest income of \$53,182 from investments in affiliated issuers) (Note 5)	\$715,045
Dividends (net of foreign tax of \$3,676)	695,888
Securities lending (net of expenses) (Note 1)	6,341
Total investment income	1,417,274

Expenses

Compensation of Manager (Note 2)	341,171
Investor servicing fees (Note 2)	45,853
Custodian fees (Note 2)	18,811
Trustee compensation and expenses (Note 2)	4,672
Distribution fees (Note 2)	81,787
Administrative services (Note 2)	1,537
Auditing and tax fees	45,453
Other	19,721
Total expenses	559,005

Expense reduction (Note 2)	(1,669)
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Net expenses	557,336
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Net investment income	859,938
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Net realized gain on securities from unaffiliated issuers (Notes 1 and 3)	6,341,882
Net realized loss on forward currency contracts (Note 1)	(64,147)
Net realized gain on foreign currency transactions (Note 1)	181
Net realized gain on futures contracts (Note 1)	26,691
Net unrealized appreciation of securities in unaffiliated issuers and TBA sale commitments during the period	2,499,060
Net unrealized depreciation of forward currency contracts during the period	(202,953)
Net unrealized appreciation of assets and liabilities in foreign currencies during the period	451

Net gain on investments	8,601,165
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Net increase in net assets resulting from operations	\$9,461,103
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Statement of changes in net assets

	Six months ended 6/30/17*	Year ended 12/31/16
Increase (decrease) in net assets		
Operations:		
Net investment income	\$859,938	\$1,922,146
Net realized gain on investments and foreign currency transactions	6,304,607	3,699,936
Net unrealized appreciation of investments and assets and liabilities in foreign currencies	2,296,558	4,138,927
Net increase (decrease) in net assets resulting from operations	9,461,103	9,761,009
Distributions to shareholders (Note 1):		
From ordinary income		
Net investment income		
Class IA	(1,178,815)	(1,324,359)
Class IB	(1,021,685)	(1,070,801)
Increase (decrease) from capital share transactions (Note 4)	2,381,284	(12,838,049)
Total increase (decrease) in net assets	9,641,887	(5,472,200)
Net assets:		
Beginning of period	124,758,281	130,230,481
End of period (including undistributed net investment income of \$517,115 and \$1,857,677, respectively)	\$134,400,168	\$124,758,281

* Unaudited.

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	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}	Ratio of net investment income (loss) to average net assets (%)	Portfolio turnover (%)
Class IA												
6/30/17†	\$10.44	.08	.71	.79	(.20)	(.20)	\$11.03	7.59*	\$64,661	.36*	.72*	148*
12/31/16	9.83	.16	.65	.81	(.20)	(.20)	10.44	8.40	64,354	.73 g	1.65 g	216 e
12/31/15	10.12	.15	(.24)	(.09)	(.20)	(.20)	9.83	(.96)	67,397	.72	1.45	223 e
12/31/14	9.29	.15	.85	1.00	(.17)	(.17)	10.12	10.93	78,207	.73	1.56	215 e
12/31/13	8.00	.15	1.31	1.46	(.17)	(.17)	9.29	18.46	83,435	.73	1.74	79 f
12/31/12	7.25	.15	.77	.92	(.17)	(.17)	8.00	12.77	82,153	.74	1.99	87 f
Class IB												
6/30/17†	\$10.40	.06	.71	.77	(.17)	(.17)	\$11.00	7.46*	\$69,739	.49*	.59*	148*
12/31/16	9.79	.14	.64	.78	(.17)	(.17)	10.40	8.12	60,405	.98 g	1.40 g	216 e
12/31/15	10.08	.12	(.24)	(.12)	(.17)	(.17)	9.79	(1.23)	62,833	.97	1.20	223 e
12/31/14	9.25	.13	.85	.98	(.15)	(.15)	10.08	10.68	76,100	.98	1.31	215 e
12/31/13	7.97	.13	1.30	1.43	(.15)	(.15)	9.25	18.09	83,799	.98	1.49	79 f
12/31/12	7.22	.13	.77	.90	(.15)	(.15)	7.97	12.54	91,133	.99	1.74	87 f

* Not annualized.

† Unaudited.

^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 arrangements and/or brokerage/service arrangements, if any (Note 2). Also excludes acquired fund fees and expenses, if any.

^e Portfolio turnover includes TBA purchase and sale commitments.

^f 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	187%
December 31, 2012	209

^g Reflects a voluntary waiver of certain fund expenses in effect during the period. As a result of such waivers, the expenses of each class reflect a reduction of less than .01% as a percentage of average net assets per share for each class (Note 2).

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

Notes to financial statements 6/30/17 (Unaudited)

Within the following Notes to financial statements, references to “State Street” represent State Street Bank and Trust Company, references to “the SEC” represent the Securities and Exchange Commission, references to “Putnam Management” represent Putnam Investment Management, LLC, the fund’s manager, an indirect wholly-owned subsidiary of Putnam Investments, LLC and references to “OTC”, if any, represent over-the-counter. Unless otherwise noted, the “reporting period” represents the period from January 1, 2017 through June 30, 2017.

Putnam VT George Putnam Balanced 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 provide a balanced investment composed of a well-diversified portfolio of stocks and bonds which produce both capital growth and current income. The fund invests mainly in a combination of bonds and common stocks (growth or value stocks or both) of large U.S. companies, with a greater focus on common stocks. For example, the fund may purchase stocks of companies with stock prices that reflect a value lower than that which Putnam Management places on the company. Putnam Management may also consider other factors that it believes will cause the stock price to rise. The fund buys bonds of governments and private companies that are mostly investment-grade in quality with intermediate- to long-term maturities (three years or longer). 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, as well as general market conditions, when deciding whether to buy or sell fixed-income investments. Putnam Management may also use derivatives, such as futures, options, warrants and swap contracts, for both hedging and non-hedging purposes.

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 taking into account multiple factors including movements in the U.S. securities markets, currency valuations and comparisons to the valuation of American Depository Receipts, exchange-traded funds and futures contracts. The foreign equity securities, which would generally be classified as Level 1 securities, will be transferred to Level 2 of the fair value hierarchy when they are valued at fair value. The number of days on which fair value prices will be used will depend on market activity and it is possible that fair value prices will be used by the fund to a significant extent. Securities quoted in foreign currencies, if any, are translated into U.S. dollars at the current exchange rate.

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.

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

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

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

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

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 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 \$104,676 on open derivative contracts subject to the Master Agreements. There was no collateral posted by the fund at period end for these agreements.

Securities lending The fund may lend securities, through its agent, to qualified borrowers in order to earn additional income. The loans are collateralized by cash in an amount at least equal to the fair value of the securities loaned. The fair value of securities loaned is determined daily and any additional required collateral is allocated to the fund on the next business day. The remaining maturities of the securities lending transactions are considered overnight and continuous. The risk of borrower default will be borne by the fund's agent; the fund will bear the risk of loss with respect to the investment of the cash collateral. Income from securities lending, net of expenses, is included in investment income on the Statement of operations. Cash collateral is invested in Putnam Cash Collateral Pool, LLC, a limited liability company managed by an affiliate of Putnam Management. Investments in Putnam Cash Collateral Pool, LLC are valued at its closing net asset value each business day. There are no management fees charged to Putnam Cash Collateral Pool, LLC. At the close of the reporting period, the fund received cash collateral of \$1,941,800 and the value of securities loaned amounted to \$1,911,596.

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 \$33,773,413 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
\$33,773,413	N/A	\$33,773,413	12/31/17

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.

The aggregate identified cost on a tax basis is \$139,873,352, resulting in gross unrealized appreciation and depreciation of \$13,807,790 and \$3,187,512, respectively, or net unrealized appreciation of \$10,620,278.

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. Dividend sources are estimated at the time of declaration. Actual results may vary. Any non-taxable return of capital cannot be determined until final tax calculations are completed after the end of the fund's fiscal year. 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.

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 35.1% of the fund is owned by accounts of one insurance company.

Note 2 — Management fee, administrative services and other transactions

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

0.680%	of the first \$5 billion,
0.630%	of the next \$5 billion,
0.580%	of the next \$10 billion,
0.530%	of the next \$10 billion,
0.480%	of the next \$50 billion,
0.460%	of the next \$50 billion,
0.450%	of the next \$100 billion and
0.445%	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 0.260% of the fund's average net assets.

Putnam Management has contractually agreed, through April 30, 2019, to waive fees or reimburse the fund's expenses to the extent necessary to limit the cumulative expenses of the fund, exclusive of brokerage, interest, taxes, investment-related expenses, extraordinary expenses, acquired fund fees and expenses and payments under the fund's investor servicing contract, investment management contract and distribution plans, on a fiscal year-to-date basis to an annual rate of 0.20% of the fund's average net assets over such fiscal year-to-date period. During the reporting period, the fund's expenses were not reduced as a result of this limit.

Putnam Investments Limited (PIL), an affiliate of Putnam Management, is authorized by the Trustees to manage a separate portion of the assets of the fund as determined by Putnam Management from time to time. PIL did not manage any portion of the assets of the fund during the reporting period. If Putnam Management were to engage the services of PIL, Putnam Management would pay a quarterly sub-management fee to PIL for its services at an annual rate of 0.40% of the average net assets of the portion of the fund managed by PIL.

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

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

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

Class IA	\$22,884
Class IB	22,969
Total	\$45,853

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 \$18 under the expense offset arrangements and by \$1,651 under the brokerage/service arrangements.

Each Independent Trustee of the fund receives an annual Trustee fee, of which \$99, 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)	\$188,318,566	\$187,617,927
U.S. government securities (Long-term)	—	—
Total	\$188,318,566	\$187,617,927

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

Note 4 — Capital shares

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

	Class IA shares				Class IB shares			
	Six months ended 6/30/17		Year ended 12/31/16		Six months ended 6/30/17		Year ended 12/31/16	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount
Shares sold	83,529	\$910,413	229,754	\$2,288,244	882,685	\$9,544,279	314,036	\$3,110,668
Shares issued in connection with reinvestment of distributions	109,657	1,178,815	136,673	1,324,359	95,218	1,021,685	110,734	1,070,801
	193,186	2,089,228	366,427	3,612,603	977,903	10,565,964	424,770	4,181,469
Shares repurchased	(498,372)	(5,409,453)	(1,053,544)	(10,456,594)	(448,888)	(4,864,455)	(1,030,344)	(10,175,527)
Net increase (decrease)	(305,186)	\$(3,320,225)	(687,117)	\$(6,843,991)	529,015	\$5,701,509	(605,574)	\$(5,994,058)

Note 5 — Affiliated transactions

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

Affiliate	Fair value as of 12/31/16	Purchase cost	Sale proceeds	Investment income	Shares outstanding and Fair value as of 6/30/17
Short-term investments					
Putnam Cash Collateral Pool, LLC*	\$1,689,250	\$16,718,842	\$16,466,292	\$11,066	\$1,941,800
Putnam Short Term Investment Fund**	11,832,962	16,494,906	14,007,772	53,182	14,320,096
Total Short-term investments	\$13,522,212	\$33,213,748	\$30,474,064	\$64,248	\$16,261,896

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

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

Note 6 — Market, credit and other risks

In the normal course of business, the fund trades financial instruments and enters into financial transactions where risk of potential loss exists due to changes in the market (market risk) or failure of the contracting party to the transaction to perform (credit risk). The fund may be exposed to additional credit risk that an institution or other entity with which the fund has unsettled or open transactions will default. Investments in foreign securities involve certain risks, including those

related to economic instability, unfavorable political developments, and currency fluctuations. 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:

Futures contracts (number of contracts)	3
Forward currency contracts (contract amount)	\$5,700,000

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
Foreign exchange contracts	Receivables	\$ 216	Payables	\$104,892
Total		\$216		\$104,892

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

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

Derivatives not accounted for as hedging instruments under ASC 815	Futures	Forward currency contracts	Total
Foreign exchange contracts	\$—	\$(64,147)	\$(64,147)
Equity contracts	26,691	—	26,691
Total	\$26,691	\$(64,147)	\$(37,456)

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

Derivatives not accounted for as hedging instruments under ASC 815	Forward currency contracts	Total
Foreign exchange contracts	\$(202,953)	\$(202,953)
Total	\$(202,953)	\$(202,953)

Note 8 — Offsetting of financial and derivative assets and liabilities

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

	Bank of America N.A.	Barclays Bank PLC	Citibank, N.A.	Credit Suisse International	Goldman Sachs International	JPMorgan Chase Bank N.A.	State Street Bank and Trust Co.	UBS AG	WestPac Banking Corp.	Total
Assets:										
Forward currency contracts [#]	\$—	\$—	\$—	\$—	\$—	\$216	\$—	\$—	\$—	\$216
Total Assets	\$—	\$—	\$—	\$—	\$—	\$216	\$—	\$—	\$—	\$216
Liabilities:										
Forward currency contracts [#]	15,949	13,092	22,012	8,715	7,840	15,840	15,305	5,662	477	104,892
Total Liabilities	\$15,949	\$13,092	\$22,012	\$8,715	\$7,840	\$15,840	\$15,305	\$5,662	\$477	\$104,892
Total Financial and Derivative Net Assets	\$(15,949)	\$(13,092)	\$(22,012)	\$(8,715)	\$(7,840)	\$(15,624)	\$(15,305)	\$(5,662)	\$(477)	\$(104,676)
Total collateral received (pledged) ^{†##}	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$—	
Net amount	\$(15,949)	\$(13,092)	\$(22,012)	\$(8,715)	\$(7,840)	\$(15,624)	\$(15,305)	\$(5,662)	\$(477)	

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

[#] Covered by master netting agreement (Note 1).

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

Note 9 — 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 has evaluated the amendments and its adoption will have no effect on the fund’s net assets or results of operations.

Trustee approval of management contract

General conclusions

The Board of Trustees of The Putnam Funds oversees the management of each fund and, as required by law, determines annually whether to approve the continuance of your fund's management contract with Putnam Investment Management, LLC ("Putnam Management") and the sub-management contract with respect to your fund between Putnam Management and its affiliate, Putnam Investments Limited ("PIL"). The Board, with the assistance of its Contract Committee, requests and evaluates all information it deems reasonably necessary under the circumstances in connection with its annual contract review. The Contract Committee consists solely of Trustees who are not "interested persons" (as this term is defined in the Investment Company Act of 1940, as amended (the "1940 Act")) of The Putnam Funds ("Independent Trustees").

At the outset of the review process, members of the Board's independent staff and independent legal counsel discussed with representatives of Putnam Management the annual contract review materials furnished to the Contract Committee during the course of the previous year's review, identifying possible changes in these materials that might be necessary or desirable for the coming year. Following these discussions and in consultation with the Contract Committee, the Independent Trustees' independent legal counsel requested that Putnam Management and its affiliates furnish specified information, together with any additional information that Putnam Management considered relevant, to the Contract Committee. Over the course of several months ending in June 2017, the Contract Committee met on a number of occasions with representatives of Putnam Management, and separately in executive session, to consider the information that Putnam Management provided. Throughout this process, the Contract Committee was assisted by the members of the Board's independent staff and by independent legal counsel for The Putnam Funds and the Independent Trustees.

In May 2017, the Contract Committee met in executive session to discuss and consider its recommendations with respect to the continuance of the contracts. At the Trustees' June 2017 meeting, the Contract Committee met in executive session with the other Independent Trustees to review a summary of the key financial, performance and other data that the Contract Committee considered in the course of its review. The Contract Committee then presented its written report, which summarized the key factors that the Committee had considered and set forth its recommendations. The Contract Committee recommended, and the Independent Trustees approved, the continuance of your fund's management and sub-management contracts, effective July 1, 2017. (Because PIL is an affiliate of Putnam Management and Putnam Management remains fully responsible for all services provided by PIL, the Trustees have not attempted to evaluate PIL as a separate entity, and all subsequent references to Putnam Management below should be deemed to include reference to PIL as necessary or appropriate in the context.)

The Independent Trustees' approval was based on the following conclusions:

- That the fee schedule in effect for your fund represented reasonable compensation in light of the nature and quality of the services being provided to the fund, the fees paid by competitive funds, the costs incurred by Putnam Management in providing services to the fund, and the continued application of certain reductions and waivers noted below; and

- That the fee schedule in effect for your fund represented an appropriate sharing between fund shareholders and Putnam Management of such economies of scale as may exist in the management of the fund at current asset levels.

These conclusions were based on a comprehensive consideration of all information provided to the Trustees and were not the result of any single factor. Some of the factors that figured particularly in the Trustees' deliberations and how the Trustees considered these factors are described below, although individual Trustees may have evaluated the information presented differently, giving different weights to various factors. It is also important to recognize that the management arrangements for your fund and the other Putnam funds are the result of many years of review and discussion between the Independent Trustees and Putnam Management, that some aspects of the arrangements may receive greater scrutiny in some years than others, and that the Trustees' conclusions may be based, in part, on their consideration of fee arrangements in previous years. For example, with some minor exceptions, the funds' current fee arrangements under the management contracts were first implemented at the beginning of 2010 following extensive review by the Contract Committee and discussions with representatives of Putnam Management, as well as approval by shareholders.

Management fee schedules and total expenses

The Trustees reviewed the management fee schedules in effect for all Putnam funds, including fee levels and breakpoints. The Trustees also reviewed the total expenses of each Putnam fund, recognizing that in most cases management fees represented the major, but not the sole, determinant of total costs to fund shareholders. (In a few instances, funds have implemented so-called "all-in" management fees covering substantially all routine fund operating costs.)

In reviewing fees and expenses, the Trustees generally focus their attention on material changes in circumstances — for example, changes in assets under management, changes in a fund's investment strategy, changes in Putnam Management's operating costs or profitability, or changes in competitive practices in the mutual fund industry — that suggest that consideration of fee changes might be warranted. The Trustees concluded that the circumstances did not indicate that changes to the management fee structure for your fund would be appropriate at this time.

Under its management contract, your fund has the benefit of breakpoints in its management fee schedule that provide shareholders with economies of scale in the form of reduced fee rates as assets under management in the Putnam family of funds increase. The Trustees concluded that the fee schedule in effect for your fund represented an appropriate sharing of economies of scale between fund shareholders and Putnam Management.

As in the past, the Trustees also focused on the competitiveness of each fund's total expense ratio. In order to support the effort to have fund expenses meet competitive standards, the Trustees and Putnam Management have implemented a contractual expense limitation applicable to specified open-end funds, including your fund, of 20 basis points on so-called "other expenses" (i.e., all expenses exclusive of management fees, distribution fees, investor servicing fees, investment-related expenses, interest, taxes, brokerage commissions, acquired fund fees and expenses and extraordinary expenses). This expense limitation attempts to maintain competitive expense levels for the funds. Most funds, including your fund, had sufficiently low expenses that this

expense limitation was not operative during their fiscal years ending in 2016. Putnam Management has agreed to maintain this expense limitation until at least April 30, 2019 and has agreed to implement a contractual expense limitation applicable to specified retail open-end funds, including your fund, of 25 basis points on investor servicing fees and expenses until at least August 31, 2018. Putnam Management's support for these expense limitation arrangements was an important factor in the Trustees' decision to approve the continuance of your fund's management and sub-management contracts.

The Trustees reviewed comparative fee and expense information for a custom group of competitive funds selected by Broadridge Financial Solutions, Inc. ("Broadridge"). This comparative information included your fund's percentile ranking for effective management fees and total expenses (excluding any applicable 12b-1 fee), which provides a general indication of your fund's relative standing. In the custom peer group, your fund ranked in the first quintile in effective management fees (determined for your fund and the other funds in the custom peer group based on fund asset size and the applicable contractual management fee schedule) and in the third quintile in total expenses (excluding any applicable 12b-1 fees) as of December 31, 2016. The first quintile represents the least expensive funds and the fifth quintile the most expensive funds. The fee and expense data reported by Broadridge as of December 31, 2016 reflected the most recent fiscal year-end data available in Broadridge's database at that time.

In connection with their review of fund management fees and total expenses, the Trustees also reviewed the costs of the services provided and the profits realized by Putnam Management and its affiliates from their contractual relationships with the funds. This information included trends in revenues, expenses and profitability of Putnam Management and its affiliates relating to the investment management, investor servicing and distribution services provided to the funds. In this regard, the Trustees also reviewed an analysis of Putnam Management's revenues, expenses and profitability, allocated on a fund-by-fund basis, with respect to the funds' management, distribution, and investor servicing contracts. For each fund, the analysis presented information about revenues, expenses and profitability for each of the agreements separately and for the agreements taken together on a combined basis. The Trustees concluded that, at current asset levels, the fee schedules in place represented reasonable compensation for the services being provided and represented an appropriate sharing between fund shareholders and Putnam Management of such economies of scale as may exist in the management of the Putnam funds at that time.

The information examined by the Trustees in connection with their annual contract review for the Putnam funds included information regarding fees charged by Putnam Management and its affiliates to institutional clients, including defined benefit pension and profit-sharing plans, charities, college endowments, foundations, sub-advised third-party mutual funds, state, local and non-U.S. government entities, and corporations. This information included, in cases where an institutional product's investment strategy corresponds with a fund's strategy, comparisons of those fees with fees charged to the Putnam funds, as well as an assessment of the differences in the services provided to these different types of clients as compared to the services provided to the Putnam Funds. The Trustees observed that the differences in fee rates between these clients and the Putnam funds are by no means uniform when examined by individual asset sectors, suggesting that differences in the pricing of investment management services to these types of clients may reflect, among other things, historical competitive forces operating in separate

markets. The Trustees considered the fact that in many cases fee rates across different asset classes are higher on average for mutual funds than for institutional clients, as well as the differences between the services that Putnam Management provides to the Putnam funds and those that it provides to its other clients. The Trustees did not rely on these comparisons to any significant extent in concluding that the management fees paid by your fund are reasonable.

Investment performance

The quality of the investment process provided by Putnam Management represented a major factor in the Trustees' evaluation of the quality of services provided by Putnam Management under your fund's management contract. The Trustees were assisted in their review of the Putnam funds' investment process and performance by the work of the investment oversight committees of the Trustees, which meet on a regular basis with the funds' portfolio teams and with the Chief Investment Officers and other senior members of Putnam Management's Investment Division throughout the year. In addition, in response to a request from the Independent Trustees, Putnam Management provided the Trustees with in-depth presentations regarding each of the equity and fixed income investment teams, including the operation of the teams and their investment approaches. The Trustees concluded that Putnam Management generally provides a high-quality investment process — based on the experience and skills of the individuals assigned to the management of fund portfolios, the resources made available to them, and in general Putnam Management's ability to attract and retain high-quality personnel — but also recognized that this does not guarantee favorable investment results for every fund in every time period.

The Trustees considered that 2016 was a challenging year for the performance of the Putnam funds, with generally disappointing results for the international and global equity funds and taxable fixed income funds, mixed results for small-cap equity, Spectrum, global asset allocation, equity research and tax exempt fixed income funds, but generally strong results for U.S. equity funds. The Trustees noted, however, that they were encouraged by the positive performance trend since mid-year 2016 across most Putnam Funds. In particular, from May 1, 2016 through April 30, 2017, 51% of Putnam Fund assets were in the top quartile and 87% were above the median of the Putnam Funds' competitive industry rankings. They noted that the longer-term performance of the Putnam funds generally continued to be strong, exemplified by the fact that the Putnam funds were ranked by the Barron's/Lipper Fund Families survey as the 5th-best performing mutual fund complex out of 54 complexes for the five-year period ended December 31, 2016. In addition, while the survey ranked the Putnam Funds 52nd out of 61 mutual fund complexes for the one-year period ended 2016, the Putnam Funds have ranked 1st or 2nd in the survey for the one-year period three times since 2009 (most recently in 2013). They also noted, however, the disappointing investment performance of some funds for periods ended December 31, 2016 and considered information provided by Putnam Management regarding the factors contributing to the underperformance and actions being taken to improve the performance of these particular funds. The Trustees indicated their intention to continue to monitor closely the performance of those funds, including the effectiveness of any efforts Putnam Management has undertaken to address underperformance and whether additional actions to address areas of underperformance are warranted.

For purposes of the Trustees' evaluation of the Putnam Funds' investment performance, the Trustees generally focus on a competitive industry ranking of each fund's total net return over a one-year, three-year and five-year period. For a number of Putnam funds with relatively

unique investment mandates for which Putnam Management informed the Trustees that meaningful competitive performance rankings are not considered to be available, the Trustees evaluated performance based on their total gross and net returns and, in most cases, comparisons of those returns with the returns of selected investment benchmarks. In the case of your fund, the Trustees considered that its class IA share cumulative total return performance at net asset value was in the following quartiles of its Lipper Inc. (“Lipper”) peer group (Lipper VP (Underlying Funds) – Balanced Funds) for the one-year, three-year and five-year periods ended December 31, 2016 (the first quartile representing the best-performing funds and the fourth quartile the worst-performing funds):

One-year period	Three-year period	Five-year period
1st	1st	1st

For the three-year period ended December 31, 2016, your fund’s performance was in the top decile of its Lipper peer group. Over the one-year, three-year and five-year periods ended December 31, 2016, there were 144, 142 and 133 funds, respectively, in your fund’s Lipper peer group. (When considering performance information, shareholders should be mindful that past performance is not a guarantee of future results.)

The Trustees also considered Putnam Management’s continued efforts to support fund performance through initiatives including structuring compensation for portfolio managers and research analysts to enhance accountability for fund performance, emphasizing accountability in the portfolio management process, and affirming its commitment to a fundamental-driven approach to investing. The Trustees noted further that Putnam Management continued to strengthen its fundamental research capabilities by adding new investment personnel.

Brokerage and soft-dollar allocations; investor servicing

The Trustees considered various potential benefits that Putnam Management may receive in connection with the services it provides under the management contract with your fund. These include benefits related to brokerage allocation and the use of soft dollars, whereby a portion of

the commissions paid by a fund for brokerage may be used to acquire research services that are expected to be useful to Putnam Management in managing the assets of the fund and of other clients. Subject to policies established by the Trustees, soft dollars generated by these means are used predominantly to acquire brokerage and research services (including third-party research and market data) that enhance Putnam Management’s investment capabilities and supplement Putnam Management’s internal research efforts. However, the Trustees noted that a portion of available soft dollars continues to be used to pay fund expenses. The Trustees indicated their continued intent to monitor regulatory and industry developments in this area with the assistance of their Brokerage Committee, including any developments with respect to the European Union’s updated Markets in Financial Instruments Directive and its potential impact on PIL’s use of client commissions to obtain investment research. The Trustees also indicated their continued intent to monitor the allocation of the Putnam funds’ brokerage in order to ensure that the principle of seeking best price and execution remains paramount in the portfolio trading process.

Putnam Management may also receive benefits from payments that the funds make to Putnam Management’s affiliates for investor or distribution services. In conjunction with the annual review of your fund’s management and sub-management contracts, the Trustees reviewed your fund’s investor servicing agreement with Putnam Investor Services, Inc. (“PSERV”) and its distributor’s contracts and distribution plans with Putnam Retail Management Limited Partnership (“PRM”), both of which are affiliates of Putnam Management. The Trustees concluded that the fees payable by the funds to PSERV and PRM, as applicable, for such services are fair and reasonable in relation to the nature and quality of such services, the fees paid by competitive funds, and the costs incurred by PSERV and PRM, as applicable, in providing such services. Furthermore, the Trustees believed that the services provided were required for the operation of the funds, and that they were of a quality at least equal to those provided by other providers.

Other important information

Proxy voting

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

Fund portfolio holdings

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

Fund information

Investment Manager

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Investment Sub-Advisor

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Marketing Services

Putnam Retail Management
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Investor Servicing Agent

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Custodian

State Street Bank and Trust Company

Legal Counsel

Ropes & Gray LLP

Trustees

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

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

