

# Stable Value: A strategy for stability, liquidity and income

---

**Kevin M. Calabro**

Investment Director, Fixed Income

**Steven A. Horner, CFA**

Portfolio Manager

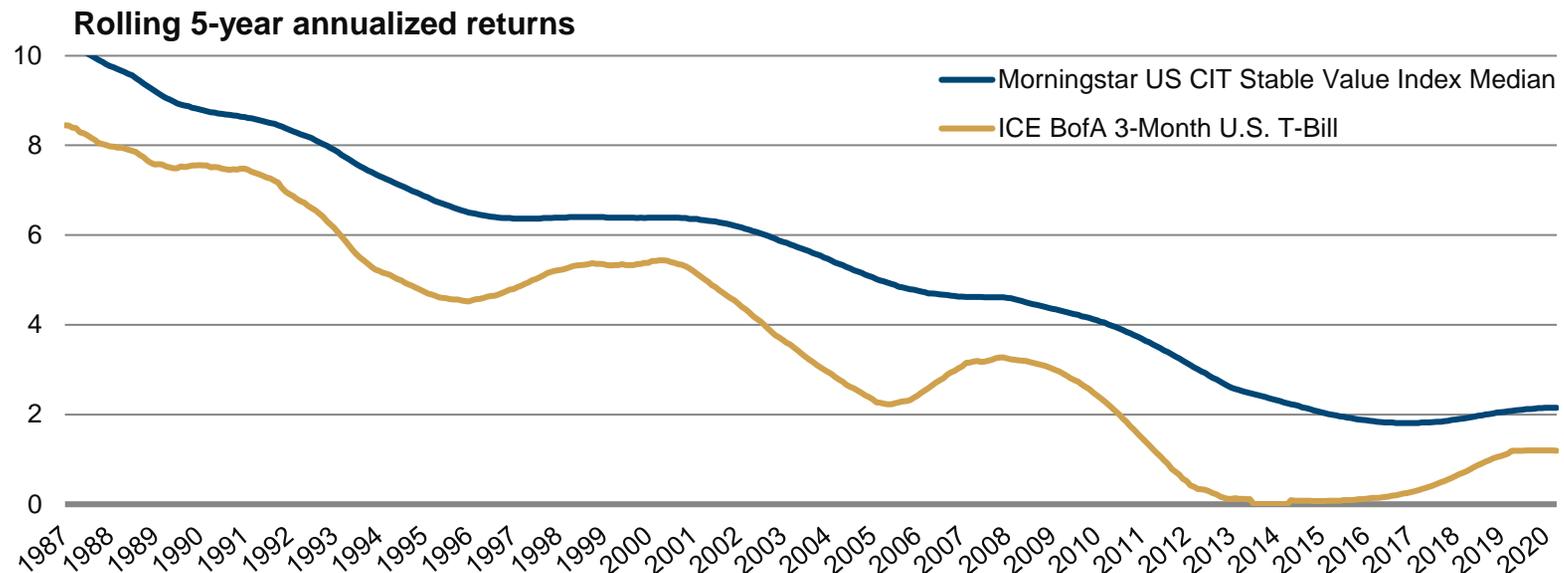
Moderated by:

**Steven P. McKay**

Head of Defined Contribution Investment Only

## Over the past 30 years, Stable Value has consistently outperformed cash markets

- Average annual return premium over the past 30+ years of approximately 175 basis points
- Low correlation with bonds and equities



Correlation (5-year)	ICE BofA 3-Month U.S. T-Bill	BBG Barclays U.S. Aggregate	S&P 500
Morningstar US CIT Stable Value Index Median	0.74	0.37	-0.11

All data as of 3/31/21, most recent available.

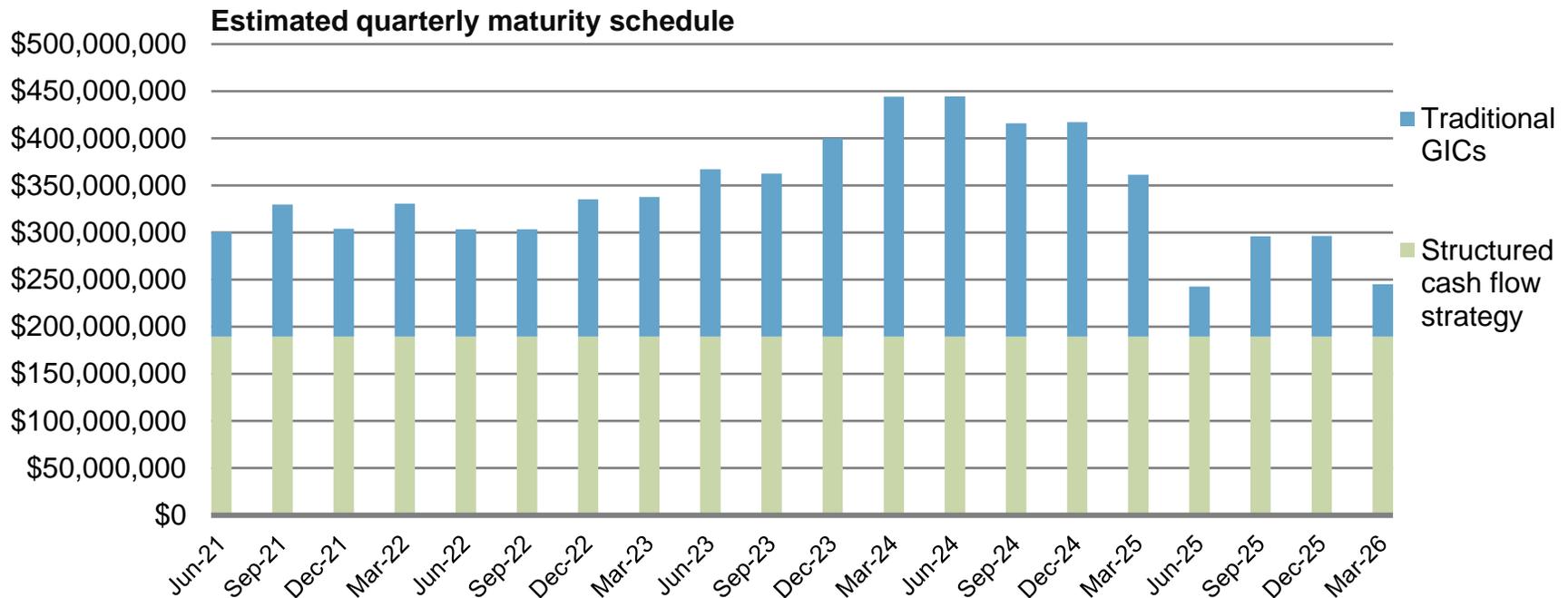
Source: Morningstar US CIT Stable Value Index. All performance numbers are gross of stable value management and distribution fees and net of contract fees. The monthly Morningstar Index returns are calculated by taking a straight average of the monthly returns of all funds in the Morningstar US CIT Stable Value Universe and then monthly index returns linked to derive the Morningstar Index for all other time periods. Morningstar data is copyright and not for reproduction or redistribution. ICE BofA 3-month U.S. Treasury Bill Index is used as a proxy for cash. Past performance is not a guarantee of future results. Indexes are unmanaged and do not incur expenses. You cannot invest directly in an index.

## Stable Value 2020 Year in Review

- 2020 was an extraordinary year for asset markets, which brought unprecedented volatility in March, followed by a significant recovery in the months that followed.
- Despite violent swings in prices of fixed income securities, the stable value asset class performed in-line with expectations — maintaining a \$1 NAV without interruption and providing a smooth and positive overall return experience for investors.
- The stable value industry handled the volatility in March with minimal disruption, as wrap providers were open for business to handle new flows, while market-to-book ratios were relatively stable.
- With the Fed cutting rates to 0% and signaling to the market their intentions to keep rates low, the value proposition for stable value in the capital preservation space remains quite strong.

# Liquidity is at the forefront of our investment process

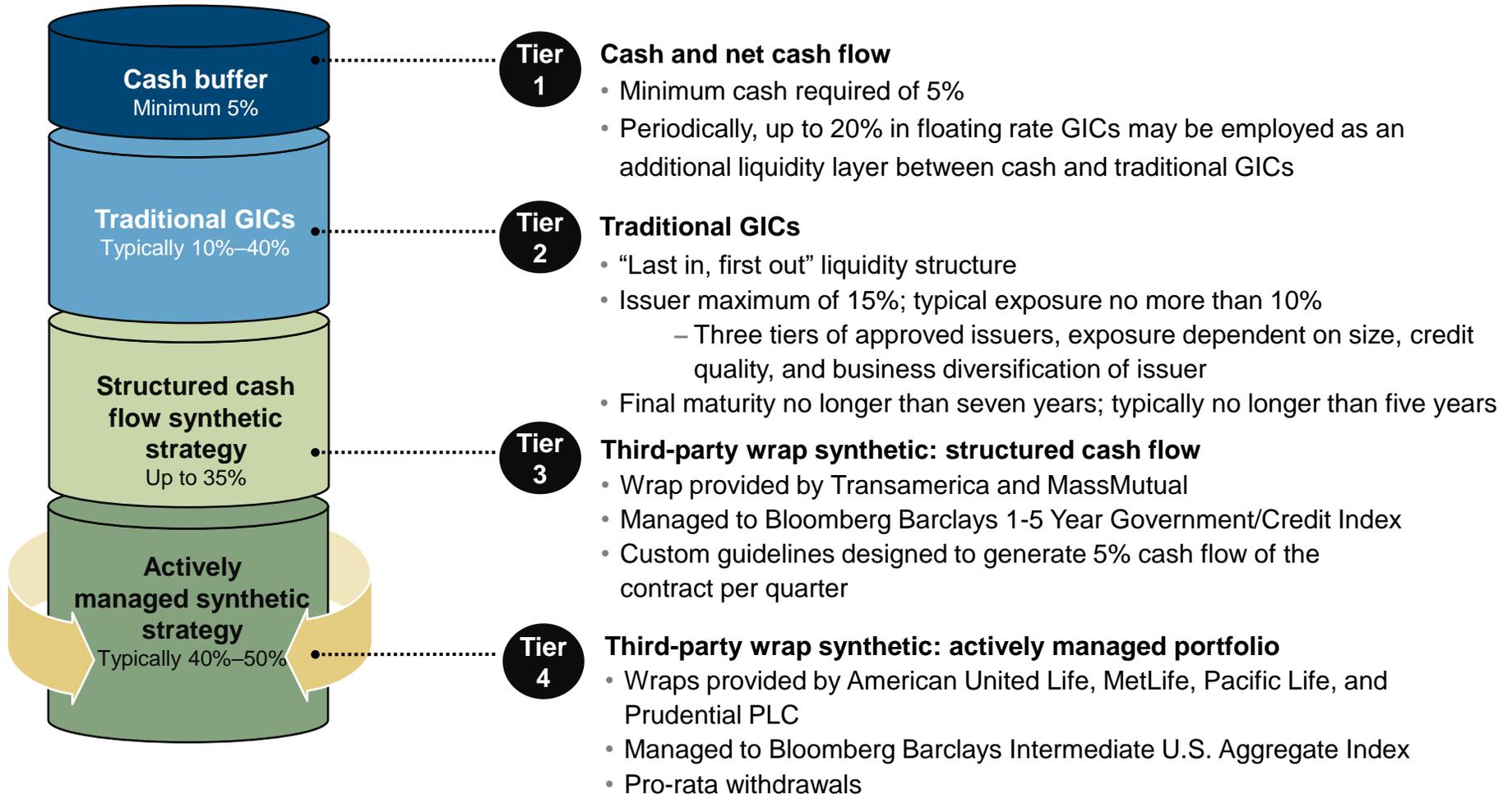
- Conservative investment style focused on liquidity management
  - Review of recent historical participant activity, particularly gross withdrawals
  - Review maturing cash flow stream
  - Seek to generate 1.5%–3.0% of the strategy in cash flow per quarter at the portfolio level



Source: Putnam, as of 3/31/21.

No assurance can be given that the investment objective or target return will be achieved or that an investor will receive a return of all or part of his or her initial investment. As with any investment, there is a potential for profit as well as the possibility of loss.

# Withdrawal hierarchy protects portfolio structure by lowering liquidity risk



For illustrative purposes only.

## Putnam Stable Value Fund

### Portfolio characteristics

Characteristics	Putnam Stable Value Fund
Total book value	\$11,835,967,333
Average quality, contracts (Moody's/S&P)	Aa3/AA-
Average quality, assets (Moody's/S&P)	Aa2/AA
Weighted average maturity (years)	4.26
Effective duration (years)	2.88
Gross crediting rate (%)*	2.60
Market to book ratio (% , fund)	101.52
Market to book ratio (% , synthetics)	102.16
Cash buffer (%)	5.78
Traditional GICs (%)	24.07
Structured cash flow strategy (%)	32.00
Actively managed synthetic strategy (%)	38.15

Source: Putnam, as of 3/31/21, most recent available.

\* Current gross annualized blended yield. Yield more closely represents current performance than total return. The current yield is calculated daily by annualizing the income accrued during the day, which is payable on the first of the following month. The current yield is not necessarily representative of the fund's future yield.

Within the book value allocation table, wrapped cash is included in the respective synthetic weightings not as part of net cash.

The above portfolio characteristics are shown for illustrative purposes only. Account characteristics may vary.

For use with Research Analyst Meeting attendees only. Not for public distribution.

326173 5/21

ICE Data Indices, LLC (ICE BofA), used with permission. ICE BofA permits use of the ICE BofA indices and related data on an “as is” basis; makes no warranties regarding same; does not guarantee the suitability, quality, accuracy, timeliness, and/or completeness of the ICE BofA indices or any data included in, related to, or derived therefrom; assumes no liability in connection with the use of the foregoing; and does not sponsor, endorse, or recommend Putnam Investments, or any of its products or services.

**Consider these risks before investing:** The fund seeks capital preservation, but there can be no assurances that it will achieve this goal. The fund’s returns will fluctuate with interest rates and market conditions. The fund is not insured or guaranteed by any governmental agency. Funds that invest in bonds are subject to certain risks including interest-rate risk, credit risk, and inflation risk. As interest rates rise, the prices of bonds fall. Long-term bonds are more exposed to interest-rate risk than short term bonds. Unlike bonds, bond funds have ongoing fees and expenses. Lower-rated bonds may offer higher yields in return for more risk. Funds that invest in government securities are not guaranteed. Mortgage-backed securities are subject to prepayment risk. The use of derivatives involves additional risks, such as the potential inability to terminate or sell derivatives positions and the potential failure of the other party to the instrument to meet its obligations. The fund may be exposed to risks associated with the providers of any wrap contracts (synthetic GICs) covering with the fund’s assets, including credit risk and capacity risk. Our investment techniques, analyses, and judgments may not produce the outcome we intend. The investments we select for the fund may not perform as well as other securities that we do not select for the fund. We, or the fund’s other service providers, may experience disruptions or operating errors that could have a negative effect on the fund. You can lose money by investing in the fund.

The fund is a collective trust managed and distributed by Putnam Fiduciary Trust Company, LLC (“PFTC”), a non-depository New Hampshire trust company. However, it is not FDIC insured; is not a deposit or other obligation of, and is not guaranteed by, PFTC or any of its affiliates. The fund is not a mutual fund registered under the Investment Company Act of 1940, and its units are not registered under the Securities Act of 1933. The fund is only available for investment by eligible, qualified retirement plan trusts, as defined in the declaration of trust and participation agreement.

Although holdings, allocations, and weightings of any funds shown may be described favorably as of the end of the period covered, there is no guarantee that the funds will continue to hold or maintain these securities, allocations, and/or weightings in the future. This is not any offer to sell or a recommendation to buy any individual security. Holdings will vary over time.

The data presented is historical. Past performance is not a guarantee of future results. Performance is shown net of fees and includes the deduction of management fees, contract fees, and other expenses that may be incurred in managing an investment account. Total return assumes reinvestment of dividends and capital gains for the periods indicated. Investment return and principal value will fluctuate so that, when redeemed, the fund’s units may be worth more or less than their original cost. Performance of the fund with regard to an individual retirement plan may vary depending upon the timing of contributions and withdrawals and upon a retirement plan’s fee schedule. More recent returns may be higher or lower than those shown. Plan sponsors whose plans are invested in Putnam Stable Value Fund and would like additional information on the fund’s investments, including certain monthly information, can contact Putnam Investments. Other parties, such as prospective investors, may also obtain this information at Putnam’s discretion.

To request the offering document for the fund, visit [putnam.com](http://putnam.com). The offering document includes investment objective, risks, charges, expenses, and other information that you should read and consider carefully before investing.

---

Putnam Investments  
100 Federal St.  
Boston, Massachusetts 02110  
United States of America  
Tel: +1-617-292-1000  
[putnam.com](http://putnam.com)

For use with Research Analyst Meeting attendees only. Not for public distribution.  
326173 5/21



**Putnam**  
**INVESTMENTS**