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Putnam Bond Index Fund

Annual report

12|31|17

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Report of Independent Auditors

To the Trustee of the
Putnam Bond Index Fund

We have audited the accompanying financial statements of Putnam Bond Index Fund (the "Fund"), which comprise the statement of assets and liabilities, including the fund's portfolio, as of December 31, 2017 and the related statements of operations, of changes in net assets and the financial highlights for the year then ended. These financial statements and financial highlights are hereafter collectively referred to as "financial statements".

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Putnam Bond Index Fund as of December 31, 2017, and the results of its operations, changes in its net assets, and the financial highlights for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

April 13, 2018

The fund's portfolio 12/31/17

CORPORATE BONDS AND NOTES (26.2%)*	Principal amount	Value
Capital goods (1.4%)		
Boeing Co. (The) sr. unsec. unsub. notes 6.625%, 2/15/38	\$105,000	\$150,050
United Technologies Corp. sr. unsec. unsub. notes 4.50%, 6/1/42	150,000	166,255
		316,305
Communication services (3.3%)		
AT&T Mobility LLC sr. unsec. unsub. notes 7.125%, 12/15/31	210,000	267,099
NBCUniversal Media, LLC company guaranty sr. unsec. unsub. notes 6.40%, 4/30/40	125,000	168,928
TCI Communications, Inc. sr. unsec. unsub. notes 7.125%, 2/15/28	100,000	130,865
Telecom Italia Capital SA company guaranty sr. unsec. unsub. notes 6.375%, 11/15/33 (Luxembourg)	110,000	127,875
Verizon Communications, Inc. sr. unsec. unsub. notes 5.012%, 4/15/49	35,000	36,708
		731,475
Consumer cyclicals (0.6%)		
Twenty-First Century Fox, Inc. company guaranty sr. unsec. unsub. notes 7.70%, 10/30/25	105,000	135,798
		135,798
Consumer staples (1.1%)		
Kraft Heinz Co. (The) company guaranty sr. unsec. notes 5.375%, 2/10/20	100,000	105,950
Kroger Co. (The) company guaranty sr. unsec. unsub. notes 8.00%, 9/15/29	105,000	139,413
		245,363
Energy (4.7%)		
ConocoPhillips company guaranty sr. unsec. bonds 7.00%, 3/30/29	220,000	283,102
Murphy Oil Corp. sr. unsec. notes 7.05%, 5/1/29	135,000	148,500
Petrobras Global Finance BV company guaranty sr. unsec. unsub. notes 5.75%, 1/20/20 (Netherlands)	150,000	156,324
TransCanada PipeLines, Ltd. sr. unsec. unsub. bonds 5.60%, 3/31/34 (Canada)	105,000	127,330
TransCanada PipeLines, Ltd. sr. unsec. bonds 7.06%, 10/14/25 (Canada)	125,000	155,928
Vale Overseas, Ltd. company guaranty sr. unsec. unsub. notes 4.375%, 1/11/22 (Cayman Islands)	150,000	155,100
		1,026,284
Financials (7.3%)		
AIG Sunamerica Global 144A sr. sec. unsub. notes 6.90%, 3/15/32	100,000	133,371
American International Group, Inc. sr. unsec. sub. notes 4.375%, 1/15/55	200,000	203,706
Bank of Korea ser. unsec. notes 4.00%, 1/29/21 (South Korea)	225,000	231,664
Chubb, Ltd. company guaranty sr. unsec. unsub. notes 2.30%, 11/3/20	250,000	249,602
Citigroup, Inc. unsec. sub. notes 4.45%, 9/29/27	150,000	158,805
Credit Suisse AG/New York, NY unsec. sub. notes 6.00%, 2/15/18 (Switzerland)	150,000	150,680
General Electric Capital Corp. sr. unsec. unsub. notes Ser. MTN, 5.875%, 1/14/38	150,000	193,978
JPMorgan Chase & Co. unsec. sub. notes 4.25%, 10/1/27	150,000	159,428
Lehman Brothers Holdings (RIC) Escrow jr. sub. bonds zero %, 7/19/17***	600,000	—
Wells Fargo & Co. sr. unsec. unsub. notes 5.375%, 2/7/35	100,000	122,238
		1,603,472
Health care (1.9%)		
Bristol-Myers Squibb Co. sr. unsec. unsub. bonds 7.15%, 6/15/23	93,000	113,086
UnitedHealth Group, Inc. sr. unsec. unsub. notes 3.75%, 7/15/25	300,000	316,207
		429,293

CORPORATE BONDS AND NOTES (26.2%)* cont.	Principal amount	Value
Supra-Nation (1.4%)		
European Investment Bank sr. unsec. unsub. bonds 2.125%, 10/15/21 (Supra-Nation)	\$100,000	\$99,445
Inter-American Development Bank unsec. notes Ser. MTN, 6.75%, 7/15/27 (Supra-Nation)	160,000	208,414
		307,859
Technology (1.4%)		
Microsoft Corp. sr. unsec. unsub. notes 3.70%, 8/8/46	300,000	312,753
		312,753
Transportation (0.6%)		
Norfolk Southern Corp. sr. unsec. unsub. notes 2.903%, 2/15/23	125,000	125,602
		125,602
Utilities and power (2.5%)		
Berkshire Hathaway Energy Co. sr. unsec. unsub. bonds 6.125%, 4/1/36	50,000	66,826
Duke Energy Corp. sr. unsec. unsub. notes 5.05%, 9/15/19	100,000	104,498
Duke Energy Florida LLC sr. mtge. bonds 5.90%, 3/1/33	100,000	122,805
Florida Power & Light Co. sr. mtge. bonds 5.65%, 2/1/37	96,000	122,645
Northern States Power Company/MN sr. mtge. bonds 7.125%, 7/1/25	116,000	146,833
		563,607
Total corporate bonds and notes (cost \$5,775,953)		\$5,797,811
U.S. GOVERNMENT AND AGENCY MORTGAGE OBLIGATIONS (31.6%)*	Principal amount	Value
Federal Home Loan Mortgage Corporation Pass-Through Certificates		
6.75%, 3/15/31	\$465,000	\$664,971
4.00%, TBA, 1/1/48	1,000,000	1,045,703
Federal National Mortgage Association Pass-Through Certificates		
4.00%, TBA, 1/1/48	1,325,000	1,385,604
3.50%, TBA, 1/1/48	1,600,000	1,642,750
3.00%, TBA, 1/1/33	750,000	763,916
Government National Mortgage Association Pass-Through Certificates 3.50%, TBA, 1/15/48	1,425,000	1,473,408
Total U.S. government and agency mortgage obligations (cost \$6,877,207)		\$6,976,352
U.S. TREASURY OBLIGATIONS (34.2%)*	Principal amount	Value
U.S. Treasury Bonds 2.875%, 11/15/46	\$375,000	\$384,683
U.S. Treasury Bonds 3.00%, 11/15/44	850,000	892,799
U.S. Treasury Notes 1.125%, 9/30/21	1,500,000	1,447,324
U.S. Treasury Notes 1.375%, 9/30/20	500,000	492,383
U.S. Treasury Notes 1.625%, 11/30/20	1,000,000	989,961
U.S. Treasury Notes 1.625%, 7/31/20	1,100,000	1,091,535
U.S. Treasury Notes 1.875%, 10/31/22	1,300,000	1,281,109
U.S. Treasury Notes 1.875%, 4/30/22	1,000,000	988,047
Total U.S. treasury obligations (cost \$7,636,269)		\$7,567,841
FOREIGN GOVERNMENT AND AGENCY BONDS AND NOTES (5.4%)*	Principal amount	Value
British Columbia (Province of) sr. unsec. unsub. bonds 2.65%, 9/22/21 (Canada)	\$100,000	\$101,020
Israel (Government of) sr. unsec. bonds 7.25%, 12/15/28 (Israel)	100,000	134,000
Mexico (Government of) sr. unsec. unsub. notes 6.05%, 1/11/40 (Mexico)	150,000	176,700
Mexico (Government of) sr. unsec. notes Ser. MTNA, 8.00%, 9/24/22 (Mexico)	200,000	250,750

FOREIGN GOVERNMENT AND AGENCY BONDS AND NOTES (5.4%)* <i>cont.</i>	Principal amount	Value
Ontario (Province of) sr. unsec. unsub. bonds 2.45%, 6/29/22 (Canada)	\$100,000	\$99,667
Poland (Republic of) sr. unsec. unsub. notes 6.375%, 7/15/19 (Poland)	400,000	424,000
Total foreign government and agency bonds and notes (cost \$1,093,904)		\$1,186,137
SHORT-TERM INVESTMENTS (30.6%)*	Shares	Value
EB Temporary Investment Fund	6,769,746	\$6,769,746
Total short-term investments (cost \$6,769,746)		\$6,769,746
TOTAL INVESTMENTS		
Total investments (cost \$28,153,079)		\$28,297,887

Key to holding's abbreviations

MTN	Medium Term Notes
MTNA	Medium Term Notes Class A
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 December 31, 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*.

* Percentages indicated are based on net assets of \$22,102,677.

*** This security is in default of principal and interest.

Debt obligations are considered secured unless otherwise indicated.

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 2 to the financial statements regarding TBA commitments.

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

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
Corporate bonds and notes	\$—	\$5,797,811	\$—
Foreign government and agency bonds and notes	—	1,186,137	—
U.S. government and agency mortgage obligations	—	6,976,352	—
U.S. treasury obligations	—	7,567,841	—
Short-term investments	—	6,769,746	—
Totals by level	\$—	\$28,297,887	\$—

During the reporting period, transfers within the fair value hierarchy, if any, 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.

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

Statement of assets and liabilities 12/31/17

ASSETS

Investment in securities, at value (Note 2):	
Unaffiliated issuers (identified cost \$28,153,079)	\$28,297,887
Receivable for fund units sold	4,522
Dividends, interest and other receivables	147,547
Total assets	28,449,956

LIABILITIES

Payable for fund units redeemed	576
Payable for purchases of delay delivery securities (Note 2)	6,316,238
Payable for compensation of Trustee (Note 3)	6,265
Payable for audit fees (Note 3)	24,200
Total liabilities	6,347,279
Net assets	\$22,102,677

COMPUTATION OF NET ASSET VALUE

Net assets per class A unit	\$3,999,767
Units outstanding	45,739
Net asset value per unit	\$87.45
Net assets per class M unit	\$3,107,121
Units outstanding	131,426
Net asset value per unit	\$23.64
Net asset per original class units	\$14,995,789
Units outstanding	647,447
Net asset value per unit	\$23.16

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

Statement of operations Year ended 12/31/17

INVESTMENT INCOME	
Interest	\$762,118
Total investment income	762,118
EXPENSES (Note 3)	
Compensation of Trustee	
Class A	28,437
Class M	3,223
Original class	75,405
Audit fees	24,200
Total expenses	131,265
Net investment income	630,853
Net realized gain on securities from unaffiliated issuers (Note 2)	663,793
Net unrealized depreciation of securities in unaffiliated issuers during the year	(261,513)
Net gain on investments	402,280
Net increase in net assets resulting from operations	\$1,033,133

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

Statement of changes in net assets

DECREASE IN NET ASSETS	Year ended 12/31/17
Operations:	
Net investment income	\$630,853
Net realized gain on investments	663,793
Net unrealized depreciation of investments	(261,513)
Net increase in net assets resulting from operations	1,033,133
Principal transactions	
Class A	
Proceeds from sale of units	746,327
Value of units redeemed	(8,171,593)
Class M	
Proceeds from sale of units	780,604
Value of units redeemed	(1,415,291)
Original class	
Proceeds from sale of units	13,850,429
Value of units redeemed	(28,958,629)
Total decrease in principal transactions	(23,168,153)
Total decrease in net assets	(22,135,020)
NET ASSETS	
Beginning of year	44,237,697
End of year	\$22,102,677
NUMBER OF UNITS OF THE FUND	
Class A	
Units outstanding at beginning of year	132,143
Sold	8,700
Redeemed	(95,104)
Units outstanding at end of year	45,739
Class M	
Units outstanding at beginning of year	158,998
Sold	33,490
Redeemed	(61,062)
Units outstanding at end of year	131,426
Original class	
Units outstanding at beginning of year	1,310,358
Sold	607,577
Redeemed	(1,270,488)
Units outstanding at end of year	647,447

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

Financial highlights (For a unit outstanding throughout the year)

CLASS A PER-UNIT OPERATING PERFORMANCE	Year ended 12/31/17
Net asset value, beginning of year	\$84.80
<i>Investment operations:</i>	
Net investment income (a)	1.65
Net realized and unrealized gain (loss) on investments	1.00
Total from investment operations	2.65
Net asset value, end of year	\$87.45
Total return at net asset value (%)	3.13

RATIOS AND SUPPLEMENTAL DATA	
Net assets, end of year (in thousands)	\$4,000
Ratio of expenses to average net assets (%)	0.53
Ratio of net investment income to average net assets (%)	1.92

(a) Per unit net investment income has been determined on the basis of the average number of units outstanding during the year.

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

Financial highlights (For a unit outstanding throughout the year)

CLASS M PER-UNIT OPERATING PERFORMANCE	Year ended 12/31/17
Net asset value, beginning of year	\$22.84
<i>Investment operations:</i>	
Net investment income (a)	0.53
Net realized and unrealized gain (loss) on investments	.27
Total from investment operations	.80
Net asset value, end of year	\$23.64
Total return at net asset value (%)	3.50

RATIOS AND SUPPLEMENTAL DATA

Net assets, end of year (in thousands)	\$3,107
Ratio of expenses to average net assets (%)	0.18
Ratio of net investment income to average net assets (%)	2.27

(a) Per unit net investment income has been determined on the basis of the average number of units outstanding during the year.

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

Financial highlights (For a unit outstanding throughout the year)

ORIGINAL CLASS PER-UNIT OPERATING PERFORMANCE	Year ended 12/31/17
Net asset value, beginning of year	\$22.44
<i>Investment operations:</i>	
Net investment income (a)	0.46
Net realized and unrealized gain (loss) on investments	.26
Total from investment operations	.72
Net asset value, end of year	\$23.16
Total return at net asset value (%)	3.21

RATIOS AND SUPPLEMENTAL DATA	
Net assets, end of year (in thousands)	\$14,996
Ratio of expenses to average net assets (%)	0.43
Ratio of net investment income to average net assets (%)	2.02

(a) Per unit net investment income has been determined on the basis of the average number of units outstanding during the year.

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

Notes to financial statements 12/31/17

1. Description of the fund

Within the following Notes to financial statements, references to “State Street”, if any, represent State Street Bank and Trust Company and references to “OTC”, if any, represent over-the-counter. Unless otherwise noted, the “reporting period” represents the period from January 1, 2017 through December 31, 2017.

Putnam Bond Index Fund (the “fund”) is a fund established and maintained by Putnam Fiduciary Trust Company (“PFTC”) as Trustee (the “Trustee” and “Manager”) pursuant to the Declaration of Trust for the Putnam Fiduciary Trust Company Investment Funds for Pension and Profit Sharing Trusts (the “Trust”), as amended and restated March 31, 2008. PFTC has hired its affiliate, PanAgora Asset Management, Inc., to provide certain non-discretionary investment advisory and administrative services to Putnam in connection with the fund. The fund’s investment objective is to achieve a return, before the assessment of fees, that closely approximates the return of the Barclay’s Aggregate Bond Index, a common measure of U.S. investment-grade bond market performance.

The fund currently offers three classes of units, class A, class M and original class of units.

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.

2. Summary of 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, April 13, 2018, have been evaluated in the preparation of the financial statements. The fund is an investment company and follows accounting and reporting guidance under Financial Accounting Standards Board (“FASB”) Accounting Standards Codification Topic 946, *Financial Services – Investment Companies*.

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, if any). 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 Trustee. If the fund were liquidated, units of each class would receive their pro-rata unit of the net assets of the fund. In addition, the Trustee declares separate dividends on each class of units.

Security Valuation

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 Trustee or dealers selected by the Trustee. 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. 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 the Trustee does not believe accurately reflects the security’s fair value, the security will be valued at fair value by the Trustee in accordance with policies and procedures approved by the Trustee. Certain investments, including certain restricted and illiquid securities and derivatives, are also valued at fair value following procedures approved by the Trustee. 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.

Such valuations and procedures are reviewed periodically by the Trustee. 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.

The fund’s investment in the EB Temporary Investment Fund is valued at its most recent net asset value; the value of the investments held by the EB Temporary Investment Fund is determined using amortized cost method, which approximates market value. The EB Temporary Investment Fund invests primarily in a diversified portfolio of investment grade money market instruments including, but not limited to, commercial paper, notes, repurchase agreements or other short term securities which have a maturity date not exceeding thirteen (13) months from the date of purchase. These securities are classified as Level 1 or as Level 2 depending on the priority of the significant inputs. The fund may request redemption of its units in accordance with the governing documents of the fund from time to time at the discretion of the Trustee.

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.

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

Distributions received from other investment funds, if any, are recorded on the ex-dividend date and retain the character of income as earned by the other investment funds.

All income and capital gains earned by the fund will be reinvested by the fund and included in the calculation of net asset value. There are no distributions made by the fund to participating unitholders.

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.

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.

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, the Trustee 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.

Sales and Redemptions of Units of Participation

Subscriptions to the fund will be accepted on a daily basis. Units will be credited based upon the net asset value per unit as of the close of the business on the date the subscription is received by the Trustee. All net income and capital gains of the fund will be reinvested. Withdrawals generally will be permitted daily at a redemption price equal to the net asset value per unit redeemed as determined by the Trustee. Withdrawal requests must be received by the Trustee prior to the closing of the New York Stock Exchange on the date on which the withdrawal is desired in order to receive the net asset value per unit for such date. One unitholder held 98.84% and 49.69% of the fund’s total Class A and original class units outstanding at the end of the reporting period, respectively. One unitholder held 45.82% of the original class units outstanding at the end of the reporting period. An affiliate of the Trustee held 100.00% of Class M units outstanding at the end of the reporting period.

Federal Income Taxes

It is the fund’s policy to comply with the requirements of Section 501(a) of the Internal Revenue Code relating to collective investment of employee benefit funds. Accordingly, the fund is exempt from federal income taxes and no federal income tax provision is required.

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, if any. The fund’s prior fiscal years remain subject to examination by the Internal Revenue Service.

3. Expenses Incurred by the fund

The annual Trustee fee on average net assets attributable to a class is 0.45% for class A units, 0.10% (comprised of a 0.07% Trustee fee and a 0.03% administrative expense fee) for class M units and 0.35% for the original class units. A portion of class fees may be applied to payments to financial advisors, other marketing and servicing expenses and plan administrative costs. The Trustee fee will be accrued daily based on the value of

the fund's net assets at the close of business and are paid monthly in arrears. According to the Declaration of Trust, the Trustee may charge the fund for certain services received during the year, such as audit fees. In the current reporting period only Trustee and audit expenses have been charged to the fund by the Trustee, however, the Trustee could charge other expenses to the fund at any time.

4. Advisory and Administration Services

The Trustee has contracted with PanAgora Asset Management, Inc. to provide certain non-discretionary investment advisory and administrative services to the Trustee in connection with the fund. The fees for these services are borne by the Trustee.

5. 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.



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