EXPECT **MORE** FROM RETIREMENT℠

Putnam INVESTMENTS

Putnam Stable Value Fund

Annual Report
Year Ended December 31, 2017

Putnam Stable Value Fund

Audited Financial Statements

Year ended December 31, 2017

Contents

Audited Financial Statements

Report of Independent Auditors 1

Schedule of investments 2

Statement of assets and liabilities 4

Statement of operations 5

Statement of changes in net assets 6

Financial highlights 7

Notes to financial statements 8

Report of Independent Auditors

To the Trustee of the
Putnam Stable Value Fund

We have audited the accompanying financial statements of Putnam Stable Value Fund (the “Fund”), which comprise the statement of assets and liabilities, including the schedule of investments, 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 Stable Value 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

Boston, MA
March 22, 2018

PricewaterhouseCoopers LLP, 101 Seaport Boulevard, Suite 500, Boston, MA 02210
T: (617) 530 5000, F:(617) 530 5001, www.pwc.com/us

Schedule of investments 12/31/17

TRADITIONAL GUARANTEED INVESTMENT CONTRACTS (33.7%)(a)						
Issuer	**Interest Rate**	**Maturity Date**	**Major Credit Ratings**	**Investments at Fair Value**	**Adjustment to Contract Value**	**Contract Value (b)**
Jackson National Life Insurance Co.	2.60%	9/28/2021	A1/AA/AA	$51,675,198	$(230,693)	$51,444,505
Jackson National Life Insurance Co.	2.48%	9/28/2020	A1/AA/AA	51,570,880	(265,496)	51,305,384
Jackson National Life Insurance Co.	2.11%	6/29/2018	A1/AA/AA	55,110,175	(157,552)	54,952,623
Jackson National Life Insurance Co.	2.09%	6/28/2021	A1/AA/AA	101,923,567	1,090,477	103,014,044
Jackson National Life Insurance Co.	2.04%	6/26/2019	A1/AA/AA	50,985,775	(13,741)	50,972,034
Jackson National Life Insurance Co.	1.72%	3/31/2018	A1/AA/AA	108,773,221	(90,819)	108,682,402
Metropolitan Life Insurance Co.	2.84%	12/27/2022	Aa3/AA–/AA–	101,116,698	(1,024,587)	100,092,111
Metropolitan Life Insurance Co.	2.41%	6/26/2020	Aa3/AA–/AA–	51,506,132	(234,272)	51,271,860
Metropolitan Life Insurance Co.	2.39%	10/30/2020	Aa3/AA–/AA–	78,733,453	(283,489)	78,449,964
Metropolitan Life Insurance Co.	2.35%	5/29/2020	Aa3/AA–/AA–	79,484,027	(390,865)	79,093,162
Metropolitan Life Insurance Co.	2.34%	8/30/2019	Aa3/AA–/AA–	81,042,106	(372,266)	80,669,840
Metropolitan Life Insurance Co.	2.22%	3/31/2020	Aa3/AA–/AA–	53,127,810	(148,912)	52,978,898
Metropolitan Life Insurance Co.	2.20%	12/29/2020	Aa3/AA–/AA–	103,116,507	63,073	103,179,580
Metropolitan Life Insurance Co.	2.17%	12/27/2019	Aa3/AA–/AA–	51,907,847	(72,239)	51,835,608
New York Life Insurance Co.	1.63%	12/27/2019	Aaa/AA+/AAA	101,245,097	840,619	102,085,716
Principal Life Insurance Co.	2.74%	10/1/2018	A1/A+/AA–	56,641,913	(460,216)	56,181,697
Principal Life Insurance Co.	2.72%	12/29/2021	A1/A+/AA–	51,700,821	(401,206)	51,299,615
Principal Life Insurance Co.	2.64%	6/28/2022	A1/A+/AA–	50,777,366	(163,236)	50,614,130
Principal Life Insurance Co.	2.56%	9/28/2022	A1/A+/AA–	150,857,699	132,428	150,990,127
Principal Life Insurance Co.	2.34%	6/30/2019	A1/A+/AA–	157,932,673	(681,132)	157,251,541
Principal Life Insurance Co.	2.14%	3/28/2020	A1/A+/AA–	51,787,320	22,728	51,810,048
Protective Life Insurance Co.	2.71%	10/1/2018	A2/AA–/A	56,558,224	(447,237)	56,110,987
Protective Life Insurance Co.	2.51%	3/26/2021	A2/AA–/A	51,263,455	(192,624)	51,070,831
Protective Life Insurance Co.	2.46%	12/28/2020	A2/AA–/A	51,467,302	(169,037)	51,298,265
Protective Life Insurance Co.	2.41%	6/28/2021	A2/AA–/A	51,301,374	40,784	51,342,158
Protective Life Insurance Co.	1.90%	6/29/2018	A2/AA–/A	109,205,027	(200,513)	109,004,514
Prudential Life Insurance Co.	2.81%	12/29/2021	A1/AA–/A+	51,779,929	(581,367)	51,198,562
Prudential Life Insurance Co.	2.20%	9/28/2021	A1/AA–/A+	50,758,904	518,105	51,277,009
Total Traditional Guaranteed Investment Contracts				**$2,063,350,500**	**$(3,873,285)**	**$2,059,477,215**

SECURITY-BACKED INVESTMENT CONTRACTS (45.0%)(a)						
Issuer	**Interest Rate**	**Major Credit Ratings**	**Investments at Fair Value**	**Wrap Contracts at Fair Value**	**Adjustment to Contract Value**	**Contract Value (b)**
JPMorgan Chase Bank						
Putnam Intermediate Domestic Investment-Grade Trust	1.99% †	A3/A–/A+	$77,191,365	$—	$534,454	$77,725,819
Pacific Life Insurance Co.						
Putnam Intermediate Domestic Investment-Grade Trust	2.56% †	A1/A+/A+	1,338,724,926	—	(14,426,305)	1,324,298,621
Prudential Life Insurance Co.						
Putnam Intermediate Domestic Investment-Grade Trust	2.51% †	A1/AA–/A+	1,365,342,630	—	(15,549,203)	1,349,793,427
Total Security-Backed Investment Contracts			**$2,781,258,921**	**$—**	**$(29,441,054)**	**$2,751,817,867**

SEPARATE ACCOUNT GUARANTEED INVESTMENT CONTRACT (16.5%)(a)						
Issuer	**Interest Rate**	**Major Credit Ratings**	**Investments at Fair Value**	**Wrap Contracts at Fair Value**	**Adjustment to Contract Value**	**Contract Value (b)**
MassMutual Life Insurance Co.						
A Custom Fixed Income Strategy for Putnam, Managed by Babson Capital	2.06% †	Aa2/AA+/AA+	$1,001,899,643	$—	$6,196,152	$1,008,095,795
Total Separate Account Guaranteed Investment Contract			**$1,001,899,643**	**$—**	**$6,196,152**	**$1,008,095,795**

SHORT-TERM INVESTMENTS (4.9%)(a)					
Issuer	**Interest Rate**	**Shares**	**Investments at Fair Value**	**Adjustment to Contract Value**	**Contract Value (b)**
Putnam Money Market Portfolio (c)	1.48%	248,116,056	$248,116,056	$—	$248,116,056
Australia & New Zealand Bank time deposit	1.33%	50,000,000	50,000,000	—	50,000,000
Total Short-Term Investments			**$298,116,056**	**$—**	**$298,116,056**

TOTAL INVESTMENTS					
	2.32%	**$6,144,625,120**	**$—**	**$(27,118,187)**	**$6,117,506,933**

(a) Percentages indicated are based on net assets of $6,117,305,818.

(b) Contract value approximates cost plus accrued interest as of December 31, 2017.

(c) See Note 2 to the financial statements regarding investments in Putnam Money Market Portfolio. The rate quoted in the security description is the annualized 1-day yield of the Fund at the close of the reporting period.

† This rate resets on a quarterly basis. See Note 2 "Calculating the Interest Crediting Rate of Wrap Contract"

For the year ended December 31, 2017, the ratio of fair value to contract value is 1.00443 (The fair value of participating plans can be calculated by applying this ratio to their 12/31/17 balance.)

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

Statement of assets and liabilities 12/31/17

ASSETS	
Investments, at fair value	$6,144,625,120
Wrap contracts, at fair value	—
Total Assets	**6,144,625,120**

LIABILITIES	
Total Liabilities	**201,115**
Net Assets, at fair value	**6,144,424,005**
Adjustment from fair value to contract value	(27,118,187)
Net Assets, at contract value	**$6,117,305,818**

COMPUTATION OF UNIT VALUE	
Unit Value	$1.00
($6,117,305,818 divided by 6,117,305,818 units outstanding)	

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

Statement of operations Year ended 12/31/17

INVESTMENT INCOME	
Interest (*)	$134,569,266

EXPENSES (Note 2)	
Audit fees	59,327
Legal fees	41,723
Operating expenses	394,769
Total expenses	**495,819**
Net investment income	**$134,073,447**

(*) See Note 2 to the financial statements regarding investments in Putnam Money Market Portfolio.

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

Statement of changes in net assets

INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	Year ended 12/31/17
Net investment income	$134,073,447
Distributions (Note 2)	
From net investment income	(134,073,447)
Principal Transactions (Note 2):	
Proceeds from sale of units	2,484,970,285
Issuance of units from reinvestment of distributions	134,073,447
Cost of units redeemed	(2,797,894,412)
Net increase (decrease) in net assets	**(178,850,680)**
Net assets at beginning of year	6,296,156,498
Net assets at end of year	**$6,117,305,818**

NUMBER OF UNITS OF THE FUND	
Units outstanding beginning of year	6,296,156,498
Sold	2,484,970,285
Reinvested	134,073,447
Redeemed	(2,797,894,412)
Units outstanding end of year	**6,117,305,818**

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

Financial highlights (For a unit outstanding throughout the year)

PER-UNIT OPERATING PERFORMANCE	Year ended 12/31/17
Net asset value, beginning of year	$ 1.00
Investment operations:	
Net investment income (a)	.02
Less distributions: (b)	
From net investment income	(.02)
Total from investment operations	**.00**
Net asset value, end of year	**$ 1.00**
Total return at net asset value (%)	**2.18**

RATIOS AND SUPPLEMENTAL DATA	
Net assets, end of year (in thousands)	$6,117,306
Ratio of expenses to average net assets (%)	0.01
Ratio of net investment income to average net assets (%)	2.18

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

(b) All units in the Fund receive a pro rata share of all income earned by the Fund's investments, net of any Fund expenses. Income is credited to each participating plan in the form of additional units.

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

Notes to financial statements 12/31/17

1. Description of the Fund

Putnam Stable Value Fund (the "Fund"), a Fund established and maintained by Putnam Fiduciary Trust Company ("PFTC") as Trustee ("Trustee") 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, The Putnam Advisory Company, LLC ("PAC"), to provide certain non-discretionary investment advisory and administrative services to Putnam in connection with the Fund. The Fund invests in high-quality guaranteed investment contracts ("GICs") and similar contracts issued by insurance companies, banks and other financial institutions. The Fund also invests up to 75% of its assets in security-backed investment contracts ("SBICs"), including separate account products of insurance companies. The foregoing instruments are collectively referred to herein as "Investment Contracts." The Fund strives to maintain at least 5% of its assets in high-quality money market instruments, cash, cash equivalents and stable value funds with investment policies and other provisions similar to those of the Fund, and may invest without limit in these investments.

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 in conformity with accounting principles generally accepted in the United States of America. Subsequent events after the balance sheet date through the date that the financial statements were available to be issued, March 22, 2018, have been evaluated in the preparation of the financial statements. Unless otherwise noted, the "reporting period" represents the period from January 1, 2017 through December 31, 2017. The Fund is an investment company and follows accounting and reporting guidance under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 946, *Financial Services – Investment Companies*.

Investment Contract Valuations

Investment Contracts are valued at contract value. Contract value represents invested principal plus accrued interest earned thereon. The Investment Contracts are not transferable, but provide for benefit responsive withdrawals by plan participants at contract value. In determining Investment Contracts' value, the Trustee considers such factors as the benefit responsiveness of the Investment Contracts and, with respect to SBICs, the contingency provisions in the contract in the event of a default by the issuer of underlying securities. Investment Contracts will normally be held to maturity, and meet the fully benefit responsive requirements of ASC 962, *Plan Accounting – Defined Contribution Pension Plans*. The contract value of Investment Contracts will be adjusted to reflect any issuer defaults or other evidence of impairment under an Investment Contract should they occur. Short-term investments are valued at contract value which approximates cost plus accrued interest, and approximates fair value.

The fair value of traditional GICs is determined using a discounted cash flow methodology where individual contract cash flows are discounted at the prevailing market interpolated GIC rate as of year end. For example, a GIC with a maturity of 2.5 years will use an interpolated rate of 50% of the 2 year GIC rate and 50% of the 3 year GIC rate.

Synthetic investment contracts (e.g., security backed and separate account guaranteed investment contracts) represent individual assets placed in a trust, with ownership by the Fund (or, in the case of a separate account, by the contract issuer); a third party issues a wrap contract that provides for participant transactions to be executed at contract value. Individual assets of the synthetic investment contract are valued at fair value, on the basis of valuations furnished by Trustee-approved independent pricing services. These pricing services 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 includes consideration of such factors as security prices, yields, maturities and ratings), or at fair value as determined in good faith by the Trustee. Short-term investments are stated at contract value, which approximates fair value.

Fixed income investments in the synthetic separate account contract are valued by the contract issuer or its affiliated external asset manager on the basis of valuations furnished by independent pricing services, which 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 includes consideration of such factors as security prices, yields, maturities and ratings), or at fair value as determined in good faith by the external asset manager.

ASC 820, *Fair Value Measurements and Disclosures*, 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 December 31, 2017:

	Valuation inputs	
Investments in securities	**Level 1**	**Level 2**
Traditional Guaranteed Investment Contracts	$—	$2,063,350,500
Security-Backed Investment Contracts	—	2,781,258,921
Separate Account Guaranteed Investment Contract	—	1,001,899,643
Short-Term Investments	—	298,116.056
Total	**$—**	**$6,144,625,120**

Other financial instruments	**Level 1**	**Level 2**
Wrap contracts	$—	$—

SBICs consist of investment-grade fixed income securities (or commingled funds composed of such securities), owned by the Fund or, in the case of insurance company separate accounts, owned by the contract issuer in the Trust for the sole benefit of the participants, which are "wrapped" by an insurance company, bank or other financial institution (the "wrap provider"). The underlying securities of SBICs may be either held to maturity, commonly known as "buy and hold" SBICs, or the securities may be bought and sold during the life of the contract, commonly known as "managed" SBICs. Under specified circumstances, the wrap provider provides liquidity for benefit payments to the Fund for the benefit of plan participants at contract value.

Underlying investments may include, but are not limited to:

- Asset-backed securities
- Corporate bonds
- Mortgage-backed securities (including Commercial Mortgage-backed securities)
- Securities issued or backed by U.S. government agencies, government sponsored enterprises, or similar U.S. government entities or instrumentalities

The value of the Fund's investments in externally managed stable value commingled investment funds are provided to the Fund by the external managers of these funds. Based on representations by the managers of these funds, the assets held by these funds are valued by the managers of these funds in accordance with the methodologies described above for the Fund. External managers are listed under Collective Investment Funds in the Schedule of investments, as of the end of the reporting period, if applicable.

Investment Income

Investment income is accrued as earned. Investment income earned from SBICs is recorded net of fees paid to the wrap contract providers. Investment income earned by the short-term investment fund is reinvested.

Calculating the Crediting Rate of Wrap Contracts

In a wrap contract structure, the underlying investments are owned by the Fund (or, in the case of a separate account, by the contract issuer) and held in trust for plan participants. The wrap contract amortizes the realized and unrealized gains and losses on the underlying bonds, typically over the duration of the bonds, through adjustments to the future crediting rate. The crediting rate is designed to produce a return experience over time equal to the cumulative market return on the covered assets net of fees, but without the day-to-day fluctuations in value typically associated with fixed income securities. The crediting rate is calculated by a formula specified in each wrap agreement and is typically adjusted quarterly depending on the contract.

The key factors that influence future crediting rates for a wrap contract include:

- The level of market interest rates and the changes over time
- The amount and timing of participant contributions, transfers, and withdrawals into/out of the contract
- The investment returns generated by the bonds backed by the wrap contract
- The duration of the underlying investments backed by the contract

The Fund's wrap contracts' crediting rates are typically reset on a quarterly (and sometimes monthly) basis. While there may be slight variations from one contract to another, most wrap contracts use a formula that is based on the characteristics of the underlying portfolio of bonds:

CR = $[(1+YTM) \times (MV/CV)^{1/DUR}-1] - F$

Where:	CR	= Crediting rate
	YTM	= Yield to maturity of underlying bonds/index
	MV	= Market value of underlying bonds
	CV	= Contract value (principal plus accrued crediting rate interest)
	DUR	= Duration of the portfolio/index
	F	= Wrap contract fees

Because changes in market interest rates affect the yield to maturity and the market value of the underlying bonds, they can have a material impact on the contract's crediting rate. To the extent that the Fund has unrealized and realized losses (that are accounted for, under contract value accounting, through a positive economic value of the wrap agreements), the future interest crediting rates will be lower over time than the current yield of the portfolio to account for this loss. Similarly, if the portfolio generated realized and unrealized gains (reflected in a negative economic value adjustment of the wrap under contract value accounting), future crediting rates will be higher over time than the current yield of the portfolio (to account for this gain) and an investor currently redeeming the Fund's units may forego any benefit related to a future crediting rate higher than the current yield of the portfolio. Additionally, the level and timing of contributions allocated to, and withdrawals from the Fund affect the crediting rate and can result in a different crediting rate than would be the case if the level and timing of contributions and withdrawals were different.

All wrap contracts provide for a minimum crediting rate of zero percent. In the event that the crediting rate should fall to zero, and participant withdrawals from the contract occur that exhaust the market value of the underlying portfolio that is being wrapped, the wrap issuers will pay to the Fund the shortfall needed to maintain the crediting rate at zero. This is intended to protect the participants' principal and accrued interest (up to the point where the crediting rate was set at zero percent).

Events that Limit the Ability of the Trust to Transact at Contract Value

All of the contracts that the Fund purchases are benefit responsive at contract value for all plan permitted, participant directed transactions. There are no exceptions to this stipulation. Additionally, the Fund negotiates contracts with certain employer-initiated transaction provisions including percentage allowances for targeted layoffs, bankruptcy resulting in employee job loss, reorganizations, spin-offs, and Plan terminations. Due to the size of the Fund and the specific percentage allowances negotiated by the Fund, it is highly unlikely (not probable) that any event would occur that would limit the Fund's ability to transact at contract value with each issuer under these events.

Issuer-Initiated Contract Termination

The only event or circumstance that would allow issuers to immediately terminate a fully benefit-responsive wrap contract with the Fund at an amount different from contract value would be if they were provided with willingly fraudulent information about the Fund by the Trustee. This would constitute a breach of contract and would allow for termination at a value that could be different from contract value. Additionally, most wrap contracts have provisions that allow the issuer to terminate at book value over a specified period of time, normally the duration of the portfolio being wrapped. At no point may an issuer of a wrap contract immediately terminate at market value (other than as specified above) if the market value of the underlying portfolio is less than the book value.

Cash Equivalents

The Trustee considers cash and cash equivalents to include money market instruments and floating rate investment contracts, as well as any other investment that offers daily liquidity and that may mature in twelve months or less, or that can be terminated by the Fund upon 30 to 90 days notice to the issuer.

The Fund invested in the Putnam Money Market Portfolio, a portfolio established and maintained by Putnam Fiduciary Trust Company. Investments in the Putnam Money Market Portfolio are valued at its closing net asset value each business day. Transactions during the reporting period with the Putnam Money Market Portfolio were as follows:

Name of affiliate	Fair value as of 12/31/16	Purchase cost	Sale proceeds	Investment income	Shares outstanding and fair value as of 12/31/17
Putnam Money Market Portfolio	$402,867,378	$3,633,447,416	($3,791,843,421)	$3,644,683	$248,116,056

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 ASC 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.

Sales and Redemptions of Units of Participation

The Fund is valued on a daily basis by the Trustee. All income and expenses shall be deemed to be accrued, received or paid at an equal rate from day to day. Daily unit values are determined by dividing the Fund's net assets by the number of participating units outstanding on the valuation date. Contributions and redemptions to the Fund may be made daily at the current net asset value and are considered as made immediately after the daily valuation. The Fund declares and records dividends daily and pays them monthly. Dividends are reinvested in the Fund and the units issued are adjusted accordingly.

Subject to certain restrictions, withdrawals from the Fund are generally permitted daily at contract value. The Fund strives to maintain at least 5% of its assets in high-quality money market instruments, cash, cash equivalents and, pursuant to liquidity and deposit agreements, stable value funds with investment policies and other provisions similar to those of the Fund.

Expenses of the Fund

According to the Declaration of Trust, expenses associated with the purchase of investment contracts, including SBICs, will be reflected in the interest rate credited under the contracts to the Fund. The expenses for SBICs include custody fees and management or advisory fees (in the case of a managed SBIC with an unaffiliated investment manager) for the underlying securities and wrap fees, which are negotiated by the Trustee. Similarly, the yields derived from investments in a stable value fund will be net of that fund's management fees and other expenses. The Fund bears its other operating expenses, such as custody, middle office services and accounting fees, audit fees and legal expenses. Investment management fees are paid outside of the Fund. A portion of the management fee may be applied to payments made by PFTC to financial advisors, other marketing and servicing expenses and plan administrative costs.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the Trustee to make estimates and assumptions that affect certain reported amounts of assets and liabilities in the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates.

3. Purchases and Maturities of Investment Contracts

During the year ended December 31, 2017, purchases of new investment contracts and additional deposits to existing contracts were $500,000,000. There were principal paydowns of investment contracts of $478,192,807 in 2017. Of the interest that accrued during the year ended December 31, 2017, $93,980,335 is included in the carrying amount of the Investment Contracts. There were $438,432,994 of final maturities of Investment Contracts during the reporting period (excluding cash and cash equivalents).

4. Fund Investment Guidelines

The average weighted maturity of the Fund's portfolio (the "portfolio"), including money market instruments, is not to exceed 4 years. The average weighted maturity range, including money market instruments, is 1.5 to 4 years. The Fund will seek to diversify contract maturities by purchasing 1-year through 7-year contracts. No individual insurance contract or bank contract may be purchased with a stated maturity of greater than 7 years. However, the legal final maturity of any underlying fixed income security and wrap contracts may be longer than 7 years.

Separate account investment contracts and managed SBICs need not include a specific maturity date so long as the applicable annuity or wrap contract allows the portfolio to be converted to a fixed maturity that will mature no later than 7 years from the date of conversion. In addition, the underlying fixed income securities of these investment contracts are not subject to the 7 year final maturity date constraint so long as the duration of the portfolio of securities underlying the separate account investment contract or the managed SBICs is 7 years or less. The maturity of the portfolio of these securities is taken into account for purposes of calculating the average weighted maturity of the Fund. The portfolio will be structured to create a stream of internal cash flows from interest payments and maturing proceeds designed to satisfy the anticipated liquidity needs of the Fund.

The following diversification requirements apply to the Fund's investments:

By Issuer

No more than 15% of Fund assets may be invested in traditional GICs or similar contracts issued by any one insurance company or by any one bank. No more than 25% of Fund assets may be invested in SBICs wrapped by any single bank, insurance company or other financial institution. No more than 25% of Fund assets may be invested in a combination of investment contracts, SBICs and insurance company separate accounts issued or wrapped by any single bank or insurance company. No more than 20% of Fund assets may be invested in floating rate investment contracts in which interest rates are tied to an external index. This 20% limit does not apply to SBICs.

By Plan

No plan may hold greater than a 15% interest in the Fund at the time it deposits any assets in the Fund, after taking such deposit into account. Each of the foregoing percentage limitations shall be applied only at the time of purchase.

5. Credit Quality

GIC issuers and wrap providers must have capital and surplus of $100 million or more and reported assets of at least $1 billion. In addition, each issuer or wrap provider that is an insurance company must be rated by at least one of Standard & Poor's, Moody's Investor Services Inc. and Fitch, with an average rating of A or the equivalent and no rating below A– or the equivalent. Investment contracts may meet the minimum credit criteria as a result of reinsurance, third-party guarantees, letters of credit, wrap contracts, additional collateralization or other forms of credit enhancement. The foregoing standards are applied only at the time of the Fund's purchase of an Investment Contract. Accordingly, once an investment contract has been acquired by the Fund, it may continue to be held by the Fund even though the issuer ceases to meet the above standards. These standards will not apply to the Fund's acquisition of any money market instrument.

The Fund's Trustee also may take into consideration research and analysis provided by Putnam's in-house analysts regarding the financial strength of each issuer and wrap provider.

6. Sensitivity Analysis

As market interest rates change, book value contracts adjust their crediting rates to reflect the earnings of the underlying bond portfolios.

In these hypothetical examples, the underlying bonds are equal to the value that has been passed through to participants. If interest rates move up or down, the market value of the underlying bonds changes: rising rates cause the market value of bonds to decrease and vice versa. The difference between market value and book value is calculated quarterly, and the crediting rate is adjusted. The average yield earned by the Fund is calculated by dividing the annualized earnings of all investments in the Fund by the fair value of all investments in the Fund.

Weighted average market yield	2.206%
Weighted average crediting rate	2.32%
Average yield at fair value	2.18%

Portfolio Averages (as of the end of the reporting period)	
Duration:	2.80 years
Spot Yield:	2.32% (gross)
Market Interest Rate (5 Year Constant Maturity Treasury (CMT)):	2.206%
Cash Holdings:	4.88%

Scenario 1: 0% participant cashflow

		Market Rate shock	**–50%**	**–25%**	**No Change**	**25%**	**50%**
		Market Rate	1.10%	1.65%	2.21%	2.76%	3.31%
		Resulting Fund Crediting Rate					
Period End	Q1	3/31/18	2.16%	2.23%	2.30%	2.38%	2.45%
	Q2	6/30/18	2.07%	2.18%	2.30%	2.41%	2.52%
	Q3	9/30/18	1.99%	2.14%	2.29%	2.44%	2.59%
	Q4	12/31/18	1.91%	2.10%	2.28%	2.47%	2.65%

Scenario 2: –10% participant cashflow							
		Market Rate shock	**–50%**	**–25%**	**No Change**	**25%**	**50%**
		Market Rate	1.10%	1.65%	2.21%	2.76%	3.31%
		Resulting Fund Crediting Rate					
Period End	Q1	3/31/18	2.28%	2.30%	2.32%	2.33%	2.35%
	Q2	6/30/18	2.18%	2.24%	2.31%	2.37%	2.43%
	Q3	9/30/18	2.09%	2.19%	2.30%	2.40%	2.51%
	Q4	12/31/18	2.00%	2.15%	2.29%	2.43%	2.58%

The hypothetical example above shows the effect on the portfolio crediting rate under two scenarios: (1) changes in the year end market interest rate of –50%, –25%, no change, +25%, and +50% with 0% participant cashflow and (2) changes in the year end market interest rate of –50%, –25%, no change, +25%, and +50% with –10% participant cashflow. The immediate impact on the Fund's beginning crediting rate of 2.32% is shown in the no change interest rate column, with the different rate changes on either side. For each time frame shown, the first scenario shows the resulting crediting rate if the Fund experienced no participant withdrawals, and the second scenario shows the impact of 10% of assets being immediately withdrawn from the Fund prior to the beginning of Q1. The results show that there is very little impact to current crediting rates at the time that market interest rates change. However, over the next four quarters, the crediting rate will move toward the market rates, whether higher or lower. The 10% withdrawal scenario shows how the withdrawal increases the magnitude of the change, but not the process of moving toward market rates.

7. Addendum to the Statement of Assets and Liabilities

Adjustments from fair value to contract value as of December 31, 2016	$(36,982,268)
Change in the difference between fair value and contract value of all fully benefit responsive investment contracts	9,864,081
Change in the fully benefit responsive status of the investment contracts	—
Adjustments from fair value to contract value as of December 31, 2017	**$(27,118,187)**

8. Indemnification

In the normal course of business the Fund may have claims, assessments and litigation, none of which is currently expected to have a material impact on the financials.

Additionally, the Fund also 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 expects the risk of material loss to be remote.

9. Additional Information

Plan Sponsors whose plans are invested in the Fund and would like additional information on the Fund's investments, including monthly updates on certain portfolio characteristics, can contact Putnam Investments. Other parties, such as prospective investors, may also obtain this information at Putnam's discretion.

One Post Office Square
Boston, MA 02109

1-800-225-1581

putnam.com

732GIC 3/2018