Putnam Stable Value Fund

Offering Statement

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Putnam INVESTMENTS

GOAL

To preserve principal and achieve high current income through a diversified portfolio of high-quality investment contracts.

WHAT IS PUTNAM STABLE VALUE FUND?

The fund is a collective investment trust established and maintained by Putnam Fiduciary Trust Company (PFTC or Putnam) as trustee of the fund, pursuant to the Declaration of Trust for the Putnam Fiduciary Trust Company Investment Funds for Pension and Profit Sharing Trusts, as amended from time to time (the "Declaration of Trust"). The fund is designed to provide a stable fixed income vehicle for defined contribution plans, such as 401(k) and conventional profit sharing and money purchase plans. Other eligible plans (other than defined benefit plans) may also invest at Putnam's discretion. The fund also may serve as a stable fixed income vehicle within asset allocation funds sponsored by Putnam or an affiliate for such plans.

INVESTMENT STRATEGY

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 fund invests at least 5% of its assets in high-quality money market instruments, cash, cash equivalents and stable value funds (including fixed income funds underlying SBICs) with investment policies and other provisions similar to those of the fund, and may invest without limit in these investments.

To earn additional income, the fund (or another stable value fund in which it invests) may lend securities to other financial institutions on a collateralized basis. Any income will be net of fees. Securities lending is subject to certain risks.

Issuers and wrap providers. 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.

Credit quality. In addition to applying the above measures of credit quality at the time an investment contract is purchased, PFTC 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. These credit standards apply only at the time the fund purchases an investment contract. The fund may continue to hold a contract if the issuer, wrap provider or any underlying security subsequently ceases to meet the standards. These standards will not apply to the fund's acquisition of any money market instrument.

GICs. A GIC represents the issuer's agreement to make interest and principal payments in the amounts and at the times specified by the contract.

SBICs. SBICs are sometimes referred to as synthetic GICs. They consist of one or more 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 insurance company and segregated from its general account. These assets are subject to an agreement by an insurance company, bank or other financial institution (wrap provider) under specified circumstances to make or guarantee benefit payments to the fund for the benefit of plan participants at book value by making up any difference between the book value and fair market value of the securities.

The underlying securities of SBICs may be held to maturity or bought and sold during the life of the contract.

Interest rate. The investment contracts may pay either a fixed or variable interest rate, which may also be referred to as the "crediting rate." Some investment contracts pay a fixed interest rate on either a simple or compound basis. Others pay an interest rate that varies as specified by the terms of the contract. 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. Some investment contracts are experience rated, meaning the interest rate may increase or decrease based upon the performance of the securities, or any withdrawals from the contract.

Diversification. The fund will not purchase an investment contract that would cause the following limits to be exceeded:

- No more than 15% of fund assets may be invested in GICs or similar contracts issued by any single insurance company or 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 and SBICs (including insurance company separate accounts) issued or wrapped by any single bank or insurance company.

Maturity. The fund's investments are structured to create a stream of internal cash flows from interest payments and maturing proceeds designed to satisfy the reasonably anticipated liquidity needs of the fund. The average weighted maturity of the fund, including money market instruments, will not exceed 4 years. The targeted average weighted maturity range, including money market instruments, is 1.5 to 4 years. PFTC will seek to diversify contract maturities by purchasing 1-year through 7-year contracts. Investment contracts may not be purchased with a stated maturity of greater than 7 years.

Separate account investment contracts and 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 duration of the portfolio of securities underlying the separate account investment contract or the SBIC must be 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.

Underlying securities of SBICs. The underlying securities of an SBIC (including separate account products) will be of investment grade quality (rated at least BBB–) or viewed by Putnam as equivalent in quality. If two or more rating agencies assign different ratings to a security, the higher rating shall apply. The fund will strive to maintain a minimum average quality rating for such securities (across the fund's SBICs as a whole) of A+ or its equivalent.

These credit standards apply only at the time the fund purchases an investment contract. The fund may continue to hold a contract if the issuer, wrap provider or any underlying security subsequently ceases to meet the standards. These standards will not apply to the fund's acquisition of any money market instrument.

The underlying securities will be U.S. dollar denominated and may include U.S. Treasury and agency obligations, mortgage-backed securities, including mortgage- backed derivative securities such as collateralized mortgage obligations, asset-backed securities, corporate bonds, sovereign debt, Yankee bonds and Euro dollar securities, short-term investments (including money market funds and other short-term investment vehicles) and other fixed income securities (including Rule 144A securities). In addition, SBICs may purchase and sell exchange-traded financial futures and exchange-traded and over-the-counter financial options, swaps, and other derivatives for the purposes of hedging, duration and yield curve management, or as a substitute for securities in which the fund may invest, but not for speculative purposes.

Application of investment restrictions. All investment restrictions and limitations apply only at the time an investment is purchased.

RISKS OF THE FUND

The fund is not intended as a complete investment program, and there can be no guarantee it will achieve its goal. The fund's returns will fluctuate. The security of assets invested in investment contracts depends on the creditworthiness of the issuers of the contracts and, in some cases, the issuers of securities underlying the contracts. The fund is not insured or guaranteed by any government agency or PFTC, and it is possible to lose money by investing in the fund. In addition, investors should consider the following factors and risks.

Variable returns on contracts. SBICs and other investment contracts typically pay an interest rate (also referred to as the crediting rate) which adjusts periodically on a specified schedule. These contracts allow a constant valuation of the contract at book value, but the crediting rate will increase or decrease based on changes in the market value of the underlying securities and the interest paid on the securities. In addition, the crediting rate may be impacted by purchases and redemptions of units from the fund. Because of these factors, the crediting rate of a stable value fund tends to rise and fall more slowly than traditional bond or money market funds when interest rates change. The crediting rate at any point in time may not reflect current market rates of interest or the current returns on the fund's underlying securities. Under extreme circumstances, such as a rapid increase in market interest rates or during termination of a contract, the crediting rate of an investment contract can be reduced to zero for a period of time, which will reduce the fund's overall yield.

Credit risk. The SBIC investment contracts held by the fund do not protect the fund from defaults or other negative credit events in the fund's bond investments, which may result in a loss of principal or a lower crediting rate. Similarly, the payment of principal and interest of a GIC contract is dependent on the creditworthiness of the issuer. In the event of a default on its obligations by a GIC issuer, the fund could incur a loss of principal, which could reduce the unit value.

Wrap provider risks. The creditworthiness of SBICs and other investment contracts is dependent on the financial health of the relevant wrap providers or investment contract issuers. In the event of a default on its obligations by a wrap provider, if the fund is not able to purchase sufficient replacement contracts, the fund could incur a gain or loss of principal, which could require an adjustment of the unit value. The crediting rate of the fund may be either positively or negatively impacted by the default of a wrap provider, depending upon the market value of the underlying securities of that contract at the time of the default.

In addition, wrap providers or investment contract issuers may or may not issue new investment contracts or take new deposits into existing contracts depending on market conditions. If the fund cannot purchase sufficient investment contracts to cover most of its assets, its yield could be reduced. The investment contracts also contain provisions that give both the fund and the investment contract issuer the ability to seek termination of the contract under certain circumstances.

In order to issue and maintain SBICs, wrap providers may impose restrictions on the fund's investments, which may constrain its investment approach and impact the fund's yield.

Reinvestment and large subscription risks. As older investments in the fund mature, they are replaced with new investments with current interest rates. These new investments may have interest rates that are lower than the maturing instruments. Similarly, when the fund receives large net subscriptions, the investments it buys may have lower interest rates than its existing portfolio, which will reduce overall yield.

Liquidity risk. Under certain market conditions, it may become difficult to sell an underlying security owned by the fund quickly at a price which reflects fair value. This could result in a loss on the sale which would reduce the crediting rate on the wrap contract concerned. Additionally, there is no active market at the contract level for the SBICs and similar investment contracts purchased by the fund and the sale of these contracts is not an available option for satisfying redemptions.

ELIGIBILITY

To invest in the fund, a plan must be a defined contribution plan that is: (1) qualified under Internal Revenue Code Section 401 (a) and that is administered under one or more of the documents that permit the investment of the assets of such plan in a group trust as part of the plan and automatically incorporate the provisions of the fund's Declaration of Trust; (2) an eligible governmental plan trust or custodial account under Internal Revenue Code Section 457(b) and exempt from taxes under Internal Revenue Code Section 457(g); or (3) subject to approval by PFTC, any other type of plan that is eligible to invest under the Declaration of Trust and applicable law. The plan sponsor/employer of the investing plan is required to execute a participation agreement with PFTC.

An otherwise eligible plan will not be allowed to invest in the fund if such plan permits participant investment in any competing options that do not have a 90-day non-competing fund wash feature. Whether an investment option is competing or non-competing will be determined by PFTC in accordance with the provisions of the investment contracts in which the fund's assets are invested. The determination of whether a plan satisfies this limitation is within the exclusive discretion of PFTC. No plan may hold greater than a 15% interest in the fund and no asset allocation fund may hold greater than a 10% interest in the fund at the time of depositing assets in the fund, after taking the deposit into account. The provisions of this section limiting the ability of an otherwise eligible plan to invest in a fund do not apply to plans investing in an asset allocation fund for which the fund is an underlying investment.

FUND PROVISIONS

The following summary of fund provisions is qualified in its entirety by the provisions of the Declaration of Trust and the provisions of the specific investment contracts acquired by the fund. This offering statement constitutes the fund's Investment Characteristics, as defined in the Declaration of Trust. For further information, please contact PFTC.

Valuation. The assets of the fund are normally valued at book value as determined by the definition for "benefit responsiveness" as required by FASB FSP AAG INV-1 and SOP 94-4-1. However, either (or both) the value of any investment contract and the contract interest rate will be adjusted to reflect, when necessary, the default of any wrap provider, or issuer of a GIC or underlying security in a SBIC. Thus, certain withdrawals may be payable at market value.

Deposits. Deposits can be made to the fund on a daily basis. There is no minimum size restriction. Putnam may accept or reject any particular investment at any time in its discretion. Upon acceptance of a deposit from a plan or asset allocation fund, PFTC will credit the appropriate number of units to the account of the plan or the asset allocation fund. Contributions to the fund may be transmitted by wire or check. Detailed instructions will be provided by PFTC upon receipt of an executed participation agreement. Wired funds will be invested within one business day of receipt. Contributions by check will be invested within three business days of receipt.

Distributions of income. All units of the fund will receive a pro rata share of all income earned by the fund's investments, net of any fund expenses, commencing upon the date the units are issued to the plan. Income will be credited to each participating plan or asset allocation fund in the form of additional units.

90-day equity wash provision. No participant-directed investment transfers may be made to competing investment options. If PFTC has consented to competing investment options being made available to participants under the plan, amounts transferred to non-competing investment options may not be transferred to competing investment options until 90 days have elapsed since the transfer out of the fund. Competing investment options have been defined by PFTC to generally include fixed income funds of short duration (less than 3 years) such as money market funds and short-term bond funds. PFTC reserves the right to identify competing investment options at its discretion. This restriction on transfers does not apply to asset allocation funds investing in the fund.

Withdrawals. Subject to the restrictions set forth below, withdrawals from the fund will generally be permitted daily at book value.

While PFTC will attempt to maintain sufficient liquidity to meet all withdrawal requests, it is possible that such requests will exceed the fund's available liquidity. If PFTC determines, in its sole discretion, that the fund does not have sufficient liquidity to meet any withdrawal request, the following rules will apply:

- PFTC may defer honoring any payment request or other obligation, if, as a result of the closing or other disruption of financial markets or exchanges, PFTC is unable to settle the necessary transaction prudently in order to honor on a timely basis such payment request or other payment obligation.
- PFTC may defer honoring employer withdrawal requests (e.g., a withdrawal due to plan termination) or an asset allocation fund's withdrawal request, for up to 12 months. Notwithstanding such 12 month deferral, qualified employee-initiated benefit payments generally will continue to be made as provided for in this offering statement during such period.

Cash Management. The fund's cash positions may be managed within the fund and/or invested in the Putnam Money Market Portfolio ("Portfolio"), which, like the fund, is a collective investment trust established and maintained by PFTC pursuant to the Declaration of Trust. The Portfolio invests mainly in money market instruments that are high quality and have short-term maturity. The Portfolio does not charge a management fee on the fund's investments. For more information, including the Portfolio's investment characteristics document, please contact Putnam.

Proxy Voting. PFTC will vote (or may retain an affiliate to vote) proxies issued by companies whose securities are owned by the fund. PFTC's policy is generally to seek to vote all proxies and that all voting be recorded in accordance with its (or its affiliate's, as the case may be) proxy voting policy, although PFTC may solicit recommendations from advisors or sub-advisors which it retains with respect to the fund. A copy of PFTC's (or its affiliate's, as the case may be) proxy voting policy is available upon request.

Regulatory Status. The fund and its Units have not been registered under the Securities Act of 1933, as amended (the "1933 Act"), the 1940 Act, or the securities laws of any states or other jurisdictions, and participants are not entitled to the protections of the 1933 Act, the 1940 Act, or such laws. The fund may, in addition to investing in securities and money market instruments, also invest in futures contracts, security futures contracts or products, derivatives, and other similar investments, and PFTC has claimed an exclusion from the definition of the term "commodity pool operator" under the Commodity Exchange Act, as amended (the "Commodity Act"), pursuant to Rule 4.5 of the Commodity Act, and therefore PFTC is not subject to registration or regulation as a "commodity pool operator" under the Commodity Act.

Custodian. State Street Bank and Trust Company serves as the custodian of the fund's assets.

FEES AND EXPENSES

Investment management fee: Each participating plan pays a management fee equal to a percentage of the plan's assets invested in the fund, not to exceed 1.00%, as agreed by PFTC and the plan. Such fee shall be accrued daily and paid quarterly. A portion of the fee may be applied to payments made by PFTC to financial advisors, other marketing and servicing expenses and plan administrative costs.

Investment contract fees: Expenses associated with the purchase of investment contracts, including SBICs, will be reflected in the interest rates credited under the contracts to the fund. These 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, both of which are negotiated by PFTC. 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 may pay investment software costs related to GIC investment placement.

Other fund operating expenses: The fund (or any other fund in which it invests) also bears its other operating expenses, such as custody, middle office services and accounting fees, audit fees, and legal expenses.

PUTNAM FIDUCIARY TRUST COMPANY

PFTC is a New Hampshire nondepository trust company that provides trustee and investment management services. PFTC is a subsidiary of Putnam Investments, LLC, a holding company that, except for a minority stake owned by employees, is owned (through a series of holding companies) by Great-West Lifeco Inc., which is a financial services holding company with interests in the life insurance, retirement, savings, and reinsurance businesses. Its businesses have operations in Canada, the

United States and Europe. Great-West Lifeco Inc. is a majority-owned subsidiary of Power Financial Corporation. Power Financial Corporation is a diversified management and holding company that has interests, directly or indirectly, in companies that are active in the financial services sector in Canada, the United States, and Europe. It also has substantial holdings in a group of energy, water, waste services, specialty minerals and cement and building materials companies in Europe. Power Corporation of Canada, a diversified international management and holding company, owns a majority of the voting securities of Power Financial Corporation.

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