

Putnam Stable Value Fund



Annual report
12 | 31 | 23

Putnam Stable Value Fund

Audited Financial Statements

Year ended December 31, 2023

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Audited Financial Statements

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Report of Independent Auditors

To the Trustee of Putnam Stable Value Fund

Opinion

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, 2023 and the related statements of operations and of changes in net assets, including the related notes, and the financial highlights for the year then ended (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as of December 31, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

PriceWaterhouseCoopers LLP

March 18, 2024

Boston, MA

Schedule of investments 12/31/23

TRADITIONAL GUARANTEED INVESTMENT CONTRACTS (24.0%)(a)						
Issuer	Crediting Rate	Maturity Date	Major Credit Ratings	Investments at Fair Value	Adjustment to Contract Value	Contract Value (b)
Jackson National Life Insurance Co.	6.18%	8/27/2027	A2/A/A	\$55,841,832	\$(2,155,403)	\$53,686,429
Jackson National Life Insurance Co.	5.35%	9/27/2024	A2/A/A	53,498,314	(126,780)	53,371,534
Jackson National Life Insurance Co.	4.32%	2/25/2027	A2/A/A	157,549,802	3,063,429	160,613,231
Jackson National Life Insurance Co.	2.65%	12/29/2026	A2/A/A	147,746,571	9,856,382	157,602,953
Lincoln National Life Insurance Co.	5.67%	6/28/2026	A1/A+/A+	53,028,030	(1,478,410)	51,549,620
Lincoln National Life Insurance Co.	5.05%	12/16/2027	A1/A+/A+	104,248,011	(37,736)	104,210,275
Lincoln National Life Insurance Co.	2.03%	11/23/2026	A1/A+/A+	95,909,099	8,410,145	104,319,244
Metropolitan Life Insurance Co.	5.53%	11/17/2025	Aa3/AA-/AA-	80,639,594	(965,127)	79,674,467
Metropolitan Life Insurance Co.	5.26%	9/30/2025	Aa3/AA-/AA-	79,831,104	(552,774)	79,278,330
Metropolitan Life Insurance Co.	3.28%	3/28/2024	Aa3/AA-/AA-	57,937,376	275,504	58,212,880
Metropolitan Life Insurance Co.	2.68%	6/27/2024	Aa3/AA-/AA-	166,878,914	1,717,883	168,596,797
Metropolitan Life Insurance Co.	2.58%	12/27/2023	Aa3/AA-/AA-	108,595,265	2,301,166	110,896,431
Metropolitan Life Insurance Co.	2.56%	12/27/2024	Aa3/AA-/AA-	109,023,091	1,685,861	110,708,952
Metropolitan Life Insurance Co.	2.54%	3/28/2024	Aa3/AA-/AA-	55,313,854	359,464	55,673,318
Metropolitan Life Insurance Co.	2.52%	9/27/2024	Aa3/AA-/AA-	54,490,405	981,105	55,471,510
Metropolitan Life Insurance Co.	1.85%	9/28/2026	Aa3/AA-/AA-	47,870,678	4,181,710	52,052,388
Metropolitan Life Insurance Co.	1.71%	9/28/2026	Aa3/AA-/AA-	47,577,446	4,351,814	51,929,260
Metropolitan Life Insurance Co.	1.60%	6/26/2026	Aa3/AA-/AA-	96,396,305	7,672,187	104,068,492
Minnesota Life Insurance Co.	2.77%	6/27/2024	Aa3/AA-/AA	55,739,966	672,753	56,412,719
Minnesota Life Insurance Co.	2.52%	9/27/2024	Aa3/AA-/AA	109,278,453	1,967,568	111,246,021
Minnesota Life Insurance Co.	1.86%	9/28/2026	Aa3/AA-/AA	47,891,482	4,169,493	52,060,975
Minnesota Life Insurance Co.	1.72%	6/26/2026	Aa3/AA-/AA	48,067,676	3,897,259	51,964,935
Principal Life Insurance Co.	5.60%	9/28/2027	A1/A+/AA-	109,138,839	(2,066,601)	107,072,238
Principal Life Insurance Co.	5.51%	3/29/2028	A1/A+/AA-	106,765,349	(2,073,888)	104,691,461
Principal Life Insurance Co.	5.00%	3/29/2028	A1/A+/AA-	156,652,728	237,908	156,890,636
Principal Life Insurance Co.	3.92%	2/25/2027	A1/A+/AA-	51,538,931	1,787,041	53,325,972
Principal Life Insurance Co.	3.27%	9/26/2025	A1/A+/AA-	103,341,663	2,539,213	105,880,876
Principal Life Insurance Co.	2.74%	3/28/2025	A1/A+/AA-	161,991,234	4,017,391	166,008,625
Principal Life Insurance Co.	2.58%	12/27/2024	A1/A+/AA-	108,974,465	2,130,086	111,104,551
Principal Life Insurance Co.	2.39%	6/27/2024	A1/A+/AA-	54,610,530	567,453	55,177,983
Principal Life Insurance Co.	1.72%	3/27/2026	A1/A+/AA-	48,436,444	3,469,783	51,906,227

TRADITIONAL GUARANTEED INVESTMENT CONTRACTS (24.0%)(a) cont.

Issuer	Crediting Rate	Maturity Date	Major Credit Ratings	Investments at Fair Value	Adjustment to Contract Value	Contract Value (b)
Principal Life Insurance Co.	1.49%	12/29/2025	A1/A+/AA-	\$97,238,973	\$6,117,634	\$103,356,607
Principal Life Insurance Co.	1.40%	6/26/2025	A1/A+/AA-	98,233,257	4,961,976	103,195,233
Principal Life Insurance Co.	1.26%	12/29/2025	A1/A+/AA-	97,222,043	6,555,932	103,777,975
United of Omaha Insurance Co.	5.90%	9/27/2027	A1/A+/A+	82,158,667	(2,468,903)	79,689,764
United of Omaha Insurance Co.	5.48%	3/28/2028	A1/A+/A+	53,312,554	(970,417)	52,342,137
United of Omaha Insurance Co.	5.45%	6/22/2028	A1/A+/A+	105,303,938	(1,959,280)	103,344,658
United of Omaha Insurance Co.	5.25%	6/27/2027	A1/A+/A+	135,748,100	(920,189)	134,827,911
United of Omaha Insurance Co.	4.24%	12/28/2025	A1/A+/A+	105,589,465	975,506	106,564,971
United of Omaha Insurance Co.	3.62%	3/28/2027	A1/A+/A+	50,857,250	2,302,052	53,159,302
United of Omaha Insurance Co.	2.75%	6/26/2024	A1/A+/A+	54,607,375	644,534	55,251,909
United of Omaha Insurance Co.	1.81%	9/27/2026	A1/A+/A+	47,757,746	4,218,528	51,976,274
United of Omaha Insurance Co.	1.76%	6/25/2026	A1/A+/A+	48,303,963	3,860,899	52,164,862
United of Omaha Insurance Co.	1.75%	3/26/2026	A1/A+/A+	147,886,396	9,215,842	157,102,238
United of Omaha Insurance Co.	1.36%	6/25/2025	A1/A+/A+	49,465,934	2,527,323	51,993,257
Total Traditional Guaranteed Investment Contracts				\$3,908,489,112	\$95,917,316	\$4,004,406,428

SECURITY-BACKED INVESTMENT CONTRACTS (73.0%)(a)

Issuer	Crediting Rate	Major Credit Ratings	Investments at Fair Value	Wrap Contracts at Fair Value	Adjustment to Contract Value	Contract Value (b)
American General Life Insurance Co.						
Putnam Short Duration Government/Corporate Trust (c)	4.60% †	A2/A+/A+	\$904,532,039	\$—	\$52,222,767	\$956,754,806
American United Life Insurance Co.						
Putnam Intermediate Domestic Investment-Grade Trust (c)	4.03% †	NR/AA-/A+	902,145,302	—	84,935,975	987,081,277
Mass Mutual Insurance Co.						
Putnam Short Duration Government/Corporate Trust (c)	4.15% †	Aa3/AA+/AA+	2,083,856,646	—	140,719,596	2,224,576,242
Metropolitan Life Insurance Co.						
Putnam Intermediate Domestic Investment-Grade Trust (c)	4.04% †	Aa3/AA-/AA-	908,379,405	—	85,186,619	993,566,024
New York Life Insurance Co.						
Putnam Short Duration Government/Corporate Trust (c)	5.13% †	Aaa/AA+/AAA	638,859,474	—	29,704,024	668,563,498
Pacific Life Insurance Co.						
Putnam Intermediate Domestic Investment-Grade Trust (c)	4.28% †	Aa3/AA-/AA-	2,035,966,033	—	170,716,976	2,206,683,009

SECURITY-BACKED INVESTMENT CONTRACTS (73.0%)(a) <i>cont.</i>						
Issuer	Crediting Rate	Major Credit Ratings	Investments at Fair Value	Wrap Contracts at Fair Value	Adjustment to Contract Value	Contract Value (b)
Prudential Life Insurance Co.						
Putnam Intermediate Domestic Investment-Grade Trust (c)	4.23% †	Aa3/AA-/AA-	\$1,386,867,623	\$—	\$119,253,984	\$1,506,121,607
Transamerica Life Insurance Co.						
Putnam Short Duration Government/Corporate Trust (c)	4.21% †	A1/A+/A	2,459,964,812	—	162,843,025	2,622,807,837
Total Security-Backed Investment Contracts			\$11,320,571,334	\$—	\$845,582,966	\$12,166,154,300
SHORT-TERM INVESTMENTS (3.2%)(a)						
Issuer	Yield	Maturity Date	Principal/Shares	Investments at Fair Value	Adjustment to Contract Value	Contract Value (b)
Putnam Money Market Portfolio (d)	5.63%		537,443,182	\$537,443,182	\$—	\$537,443,182
Total Short-Term Investments				\$537,443,182	\$—	\$537,443,182
TOTAL INVESTMENTS						
	Crediting Rate		Investments at Fair Value	Wrap Contracts at Fair Value	Adjustment to Contract Value	Contract Value (b)
Total investments	4.09%		\$15,766,503,628	\$—	\$941,500,282	\$16,708,003,910

(a) Percentages indicated are based on net assets of \$16,661,594,038.

(b) Contract value approximates cost plus accrued interest as of December 31, 2023.

(c) Funds are maintained by Putnam Fiduciary Trust Company, LLC.

(d) Affiliated company (Note 2). The rate quoted in the security description is the annualized 7-day yield of the Putnam Money Market Portfolio at the close of the reporting period.

† This rate resets on a quarterly basis. See Note 2 “Calculating the Crediting Rate of Wrap Contracts”.

For the year ended December 31, 2023, the ratio of fair value to contract value is 0.943650 (The fair value of participating plans can be calculated by applying this ratio to their 12/31/23 balance).

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

Statement of assets and liabilities 12/31/23

ASSETS

Investments, at fair value (*)	\$15,766,503,628
Wrap contracts, at fair value	—
Receivable for units to be issued	82,395,775
Total Assets	15,848,899,403

LIABILITIES

Payable for units redeemed	128,637,165
Payable for accrued expense	168,482
Total Liabilities	128,805,647
Net Assets, at fair value	15,720,093,756
Adjustment from fair value to contract value	941,500,282
Net Assets, at contract value	\$16,661,594,038

COMPUTATION OF UNIT VALUE

Unit Value	\$1.00
(\$16,661,594,038 divided by 16,661,594,038 units outstanding)	

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

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

Statement of operations Year ended 12/31/23

INVESTMENT INCOME	
Interest (*)	\$600,210,393
EXPENSES (Note 2)	
Audit fees	97,100
Legal fees	12,679
Operating expenses	718,507
Insurance fees	141,227
Total expenses	969,513
Net investment income	\$599,240,880

(*) See Note 2 to the financial statements regarding investments in the 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 12/31/23
Net investment income	\$599,240,880
Distributions	
From net investment income	(599,240,880)
Principal Transactions (Note 2):	
Proceeds from sale of units	5,977,871,034
Receivable for units to be issued	82,395,777
Issuance of units from reinvestment of distributions	599,240,880
Cost of units redeemed	(6,925,868,730)
Payable for units redeemed	(128,637,165)
Net increase (decrease) in net assets	(394,998,204)
Net assets at beginning of year	17,056,592,242
Net assets at end of year	\$16,661,594,038

NUMBER OF UNITS OF THE FUND	
Units outstanding beginning of year	17,056,592,242
Sold	6,060,266,811
Reinvested	599,240,880
Redeemed	(7,054,505,895)
Units outstanding end of year	16,661,594,038

All references to the Fund's net assets are measured at contract value unless otherwise stated.

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 12/31/23
Net asset value, beginning of year	\$1.00
<i>Investment operations:</i>	
Net investment income (a)	.04
Less distributions:	
From net investment income (b)	(.04)
Total from investment operations	.00
Net asset value, end of year	\$1.00
Total return at net asset value (%)^(c)	3.58

RATIOS AND SUPPLEMENTAL DATA	
Net assets, end of year (in thousands)	\$16,661,594
Ratio of expenses to average net assets (%) ^(d)	0.00
Ratio of net investment income to average net assets (%)	3.52

- (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.
- (c) Total return assumes dividend reinvestment.
- (d) Amount represents less than 0.01%

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

Notes to financial statements 12/31/23

1. Description of the Fund

Putnam Stable Value Fund (the “Fund”) is a Fund established and maintained by Putnam Fiduciary Trust Company, LLC (“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 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.

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 (December 31, 2023), through the date that the financial statements were available to be issued (March 18, 2024), have been evaluated in the preparation of the financial statements. Unless otherwise noted, the “reporting period” represents the period from January 1, 2023 through December 31, 2023. 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 tradable on any secondary market, 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, held in Trust for the client 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.

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, 2023:

Investments in securities	Valuation inputs		
	Level 1	Level 2	Level 3
Traditional Guaranteed Investment Contracts	\$—	\$4,004,406,428	\$—
Security-Backed Investment Contracts	—	12,166,154,300	—
Short-Term Investments	—	537,443,182	—
Total	\$—	\$16,708,003,910	\$—

Other financial instruments	Valuation inputs		
	Level 1	Level 2	Level 3
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, if any held, 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 short-term investments 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 plan and 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 wrap contracts 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 thirteen months or less, or that can be terminated by the Fund upon 30 to 90 days notice to the issuer.

The Fund invests in the Putnam Money Market Portfolio, a portfolio established and maintained by PFTC. 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 12/31/22	Purchase cost	Sale proceeds	Investment income	Shares outstanding and fair value as of 12/31/23
Short-term investments					
Putnam Money Market Portfolio	\$588,590,938	\$7,496,028,359	\$7,571,154,587	\$23,978,472	\$537,443,182

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 three 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 invests 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 (including fixed income funds underlying SBICs) 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. Operating expenses are made up of custody and accounting expenses.

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, 2023, purchases of new investment contracts and additional deposits to existing contracts were \$450,000,000. There were principal paydowns of investment contracts of \$632,260,556 in 2023. Of the interest that accrued during the year ended December 31, 2023, \$482,088,948 is included in the carrying amount of the Investment Contracts. There were \$532,260,556 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 5 years. The targeted average weighted maturity range, including money market instruments, is 1.5 to 5 years. The Fund will seek to diversify contract maturities by purchasing 1-year through 10-year contracts. No individual insurance contract or bank contract may be purchased with a stated maturity of greater than 10 years. However, the legal final maturity of any underlying fixed income security and wrap contracts may be longer than 10 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 10 years from the date of conversion. In addition, the underlying fixed income securities of these investment contracts are not subject to the 10 year final maturity date constraint so long as the average duration of the portfolio of securities underlying the separate account investment contract or the managed SBICs is 10 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 reasonably 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	3.85%
Weighted average crediting rate	4.09%
Average yield at fair value	3.81%

Portfolio Averages (as of the end of the reporting period)

Duration:	2.98 years
Spot Yield:	4.09% (gross)
Market Interest Rate (5 Year Constant Maturity Treasury (CMT)):	3.847%
Cash Holdings:	3.22%

Scenario 1: 0% participant cashflow

		Market Rate shock	-50%	-25%	No Change	25%	50%
		Market Rate	1.92%	2.89%	3.85%	4.81%	5.77%
		Resulting Fund Crediting Rate					
Period End							
	Q1	3/31/2024	3.84%	3.95%	4.06%	4.17%	4.28%
	Q2	6/30/2024	3.69%	3.87%	4.04%	4.22%	4.40%
	Q3	9/30/2024	3.55%	3.79%	4.03%	4.27%	4.51%
	Q4	12/31/2024	3.41%	3.71%	4.01%	4.31%	4.61%

Scenario 2: -10% participant cashflow							
		Market Rate shock	-50%	-25%	No Change	25%	50%
		Market Rate	1.92%	2.89%	3.85%	4.81%	5.77%
		Resulting Fund Crediting Rate					
Period End	Q1	3/31/2024	4.06%	4.07%	4.09%	4.10%	4.11%
	Q2	6/30/2024	3.89%	3.98%	4.07%	4.16%	4.25%
	Q3	9/30/2024	3.73%	3.89%	4.05%	4.21%	4.37%
	Q4	12/31/2024	3.58%	3.81%	4.03%	4.26%	4.48%

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 4.09% 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 marginal immediate 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, 2022	\$1,263,813,753
Change in the difference between fair value and contract value of all fully benefit responsive investment contracts	(322,313,471)
Change in the fully benefit responsive status of the investment contracts	—
Adjustments from fair value to contract value as of December 31, 2023	\$941,500,282

8. Indemnification

In the normal course of business the Fund may have claims, assessments and litigation, none of which we would expect to have a material impact on the financials in any given year.

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.

On January 1, 2024, a subsidiary of Franklin Resources, Inc. ("Franklin Resources" and together with its subsidiaries, "Franklin Templeton") acquired Putnam U.S. Holdings I, LLC ("Putnam Holdings"), the parent company of Putnam Fiduciary Trust Company (PFTC) and The Putnam Advisory Company, LLC (PAC), in a stock and cash transaction (the "Transaction"). As a result of the Transaction, PFTC (a wholly-owned subsidiary of Putnam Holdings) and PAC (a sub-advisor to the fund and an indirect, wholly-owned subsidiary of Putnam Holdings) became indirect, wholly-owned subsidiaries of Franklin Resources. PFTC and PAC continue to provide uninterrupted services with respect to the fund Declaration of Trust Agreement.



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