

# A multidimensional approach to value investing

Q4 | 22



**Putnam**  
**Large Cap Value**  
**Fund**

Large-cap U.S. value stocks  
Research-focused management  
Strategic approach to dividends

# Veteran managers with decades of value investing experience

Putnam Large Cap Value Fund managers Darren A. Jaroch, CFA, and Lauren B. DeMore, CFA, are members of Putnam's U.S. and international investment teams. They have been instrumental in developing strategic risk controls for Putnam's value investment process.



**Darren A. Jaroch, CFA**  
*Portfolio Manager*  
Industry since 1996



**Lauren B. DeMore, CFA**  
*Portfolio Manager*  
Industry since 2002

**46**

years of combined industry experience

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**23**

years managing value portfolios at Putnam

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**29**

analysts providing deep  
fundamental research and insights

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As of 12/31/22.

“ We believe investors want performance that is consistently good rather than occasionally great. This takes risk controls and a **strategic approach** to dividends. ” Darren and Lauren

# A differentiated process focused on identifying relative value opportunities within each sector

## Putnam Large Cap Value Fund: Seeking growth from undervalued stocks



The fund seeks companies with underappreciated fundamentals and the income potential from growing dividends to pursue returns for investors.



The fund invests in large U.S. companies across a range of sectors, seeking attractively priced stocks with the potential to appreciate as the market recognizes their long-term worth.



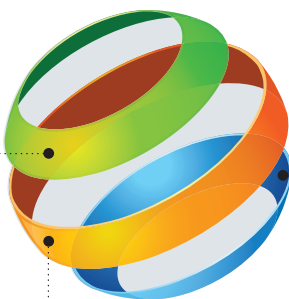
The fund's portfolio includes companies that have the ability and willingness to pay dividends, which are excess profits distributed to shareholders. Dividend-paying stocks offer potential income for the fund's investors.

## A MULTIDIMENSIONAL APPROACH TO VALUE INVESTING

Darren Jaroch, CFA, and Lauren DeMore, CFA, manage a disciplined process to target a wider array of opportunities than many other U.S. value portfolios. The team combines fundamental research and quantitative tools to pursue multiple alpha sources, with a strong overlay of risk control.

### VALUE STOCKS

Attractively priced stocks of companies that are poised for improvement



### CASH FLOW GENERATORS

Stocks of companies with strong cash flows, earnings quality, and attractive capital allocation strategies

### DIVIDEND GROWERS

Stocks of companies that are willing and able to increase their dividends

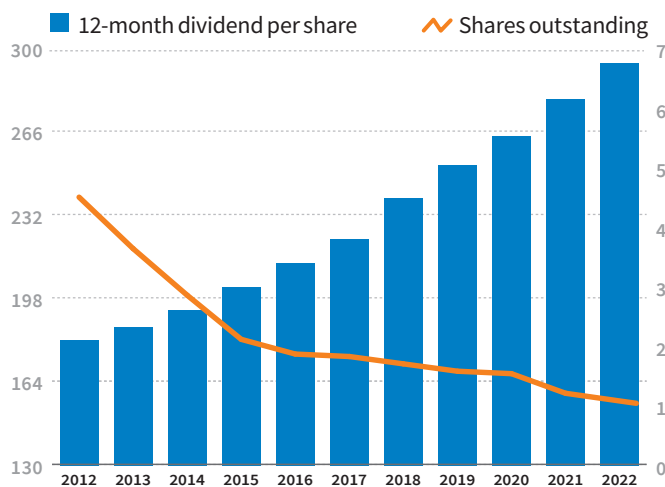
# Key strategy: A focus on dividend growth

A key component of the fund’s investment process is the belief that focusing on dividend growth can lead to outperformance over the long term. “It is important to differentiate companies that can simply support a dividend from those that can grow that dividend,” says Darren Jaroch of the approach, which emphasizes company cash flows, earnings quality, and capital allocation.

## Stock example: Northrop Grumman (NOC)

This diversified defense contractor maintains a large share of the highest-priority defense platforms, which offer both earnings stability and visibility over decades. Northrop is the lead contractor for two key programs that have become a strategic priority for the U.S. Department of Defense as it looks to modernize outdated capabilities. Northrop has delivered consistent growth in earnings, which has driven consistent growth in shareholder returns — via both dividend growth and aggressive share buybacks. Also, through its acquisition of Orbital ATK, Northrop maintains a significant growth opportunity in its space systems business as defense priorities evolve and demand for satellite technology grows. Northrop shares have delivered significant outperformance over the past decade relative to the benchmark and its defense peers.

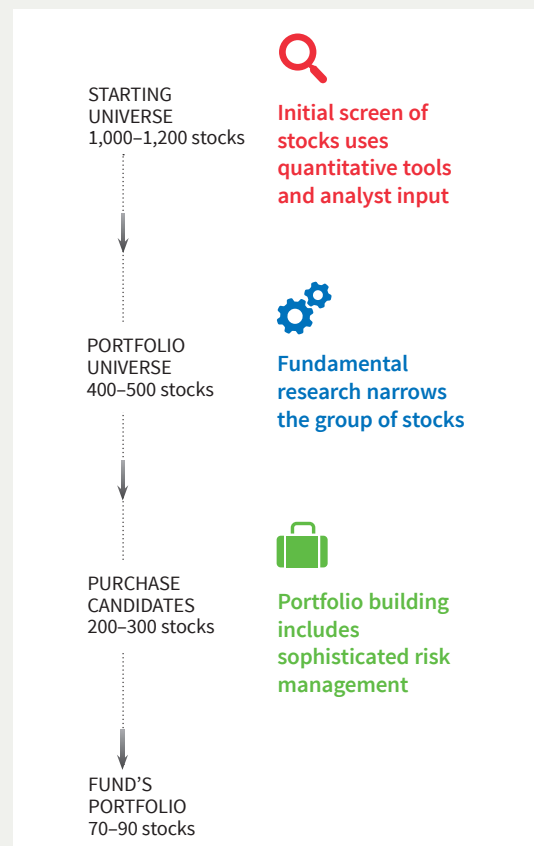
## Northrop Grumman shareholder return



As of 12/31/22, Northrop Grumman represented 2.31% of Putnam Large Cap Value Fund assets.

## BUILDING A PORTFOLIO WITH DISCIPLINED RISK MANAGEMENT

Supported by a team of analysts, Portfolio Managers Darren Jaroch and Lauren DeMore carefully consider risk factors when constructing the portfolio. Stock-specific risk analysis is built into the process.



The fund’s investment process includes working to understand the degree of risk that every position brings to the portfolio, and determining whether that risk is “paid for” — that is, properly balanced with return potential.

# Key strategy: Defining value outside the index

## The benchmark index defines value annually

The Russell 1000 Value Index is reconstituted each year by identifying a value universe of companies with lower price-to-book ratios and low growth rates. The stocks in the index can then rise to higher price-to-book ratios before the next reconstitution 12 months later.

## The team evaluates opportunities daily

Because equity valuations change constantly, the process for Putnam Large Cap Value Fund involves constant monitoring of the value universe. Darren and Lauren employ a disciplined process designed to uncover opportunities, many of which may be outside the benchmark index.

## Differentiated process

Our investment team defines the value universe by combining:

All stocks that are highly rated by the Putnam research team within and outside the Russell 1000 Value benchmark

+

The top 20% of securities identified by our proprietary multifactor quantitative model

## Stock example: BJ's Wholesale Club Holdings (BJ)

This retail warehouse club operator is an example of the managers' focus on relative value and willingness to own stocks that do not pay a dividend. BJ's trades at a greater than 50% discount to its peer Costco despite a similar growth outlook. Its shares trade in line with the broader consumer staples group despite expected earnings growth that is twice as high. BJ's retained members and gained new ones during the pandemic, and its strong earnings led to outperformance versus Costco, the Russell 1000 Value Index, and the consumer staples sector. Rather than pay a dividend, BJ's chooses to deploy its cash flows into paying down debt and increasing store expansion plans. The managers believe this is an attractive use of cash and could lead to stronger future earnings and greater dividends when the company begins a distribution.

## The fund has outperformed in a variety of market conditions

Tech bubble	2000	2001	2002	Global financial crisis	2008	2009
Putnam Large Cap Value Y	13.51%	-1.31%	-12.65%	Putnam Large Cap Value Y	-31.10%	27.52%
Russell 1000 Value Index	7.01	-5.59	-15.52	Russell 1000 Value	-36.85	19.69
Russell 1000 Growth Index	-22.42	-20.42	-27.88			

2020 Sell-off/Recovery	Q1 20	Recovery Q2 20-Q4 21
Putnam Large Cap Value Y	-25.15%	88.56%
Russell 1000 Value Index	-26.73	84.27

As of 12/31/22, BJ's Wholesale Club represented 0.95% of Putnam Large Cap Value Fund assets.

Current performance may be lower or higher than the quoted past performance, which cannot guarantee future results. Share price, principal value, and return will vary, and you may have a gain or a loss when you sell your shares. Performance assumes reinvestment of distributions and does not account for taxes. For the most recent month-end performance, please visit [putnam.com](http://putnam.com). For a portion of the periods, this fund may have had expense limitations, without which returns would have been lower. Class Y shares are generally only available for corporate and institutional clients and have no initial sales charge.

# An active approach that seeks to outperform the market over time

## Annualized total returns\* as of 12/31/22

	Class Y shares Inception 10/1/98	Russell 1000 Value Index
Q4	12.09%	12.42%
1 year	-2.84	-7.54
3 years	9.44	5.96
5 years	9.44	6.67
10 years	11.86	10.29

Total expense ratio: 0.63%

\* Returns for periods of less than one year are not annualized.

## Portfolio characteristics as of 12/31/22

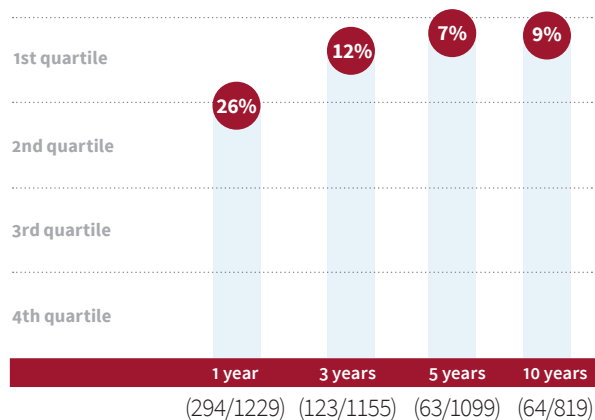
### Risk\*

Beta	0.97
Tracking error	2.33%
Up capture ratio	102.78%
Down capture ratio	92.58%
Number of holdings	73

\* Based on a simple regression of monthly net returns for the past five years versus the index.

## Morningstar rankings as of 12/31/22

Putnam Large Cap Value Fund Y  
Category: Large Value



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## Morningstar Ratings ★★★★★

The fund received a 5-star Overall Morningstar Rating as of 12/31/22 among 1,155 funds in the Large Value category.

		Number of funds rated
Overall	★★★★★	1,155
3 years	★★★★★	1,155
5 years	★★★★★	1,099
10 years	★★★★★	819

Data as of 12/31/22.

Morningstar rankings for class Y shares are based on total return without sales charge relative to all share classes of funds with similar objectives as determined by Morningstar. Morningstar rankings may differ significantly from Morningstar's risk-adjusted star ratings. Past performance is not indicative of future results.

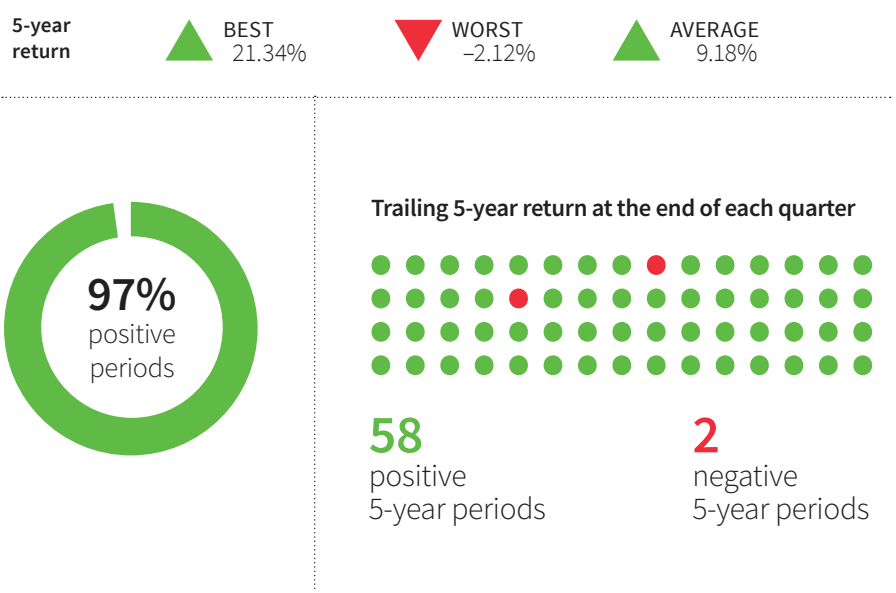
The Russell 1000® Value Index is an unmanaged index of those companies in the large-cap Russell 1000 Index chosen for their value orientation. The Russell 1000 Growth Index is an unmanaged index of those companies in the large-cap Russell 1000 Index chosen for their growth orientation. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. Russell® is a trademark of Frank Russell Company. You cannot invest directly in an index.

The Morningstar Rating™ for funds, or "star rating," is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a 3-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The Morningstar Rating does not include any adjustment for sales loads. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its 3-, 5-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% 3-year rating for 36–59 months of total returns, 60% 5-year rating/40% 3-year rating for 60–119 months of total returns, and 50% 10-year rating/30% 5-year rating/20% 3-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods.

# Pursuing consistent performance in a variety of markets

## A HISTORY OF POSITIVE PERFORMANCE

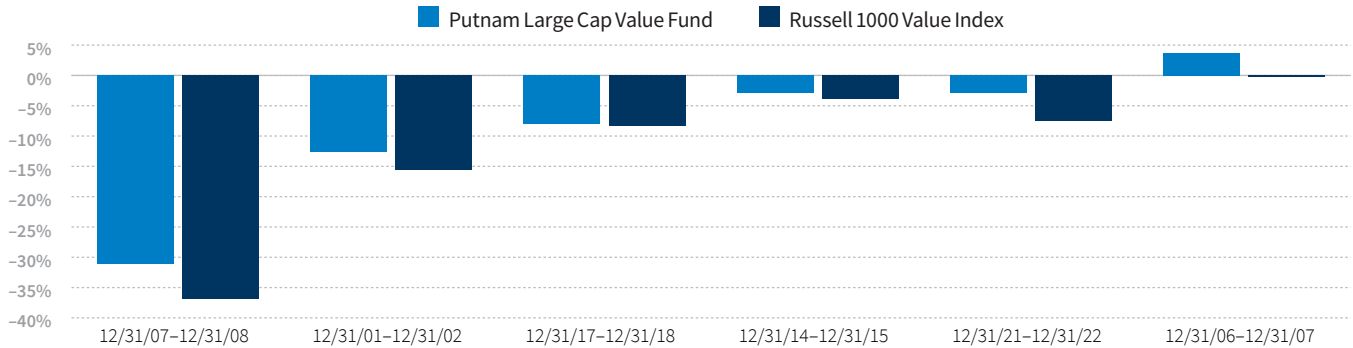
Highlights of 5-year quarterly rolling periods  
Based on annualized returns (class Y shares) at net asset value 12/31/07–12/31/22



**For rolling 5-year periods over the past 15 years, Putnam Large Cap Value Fund delivered a positive return 97% of the time.**

Past performance is no guarantee of future results. Performance of other share classes may differ from the results shown.

## Over the past 20 years, the fund has outperformed every year the Russell 1000 Value Index had a negative return



All returns shown are cumulative.  
Current performance may be lower or higher than the quoted past performance, which cannot guarantee future results. Share price, principal value, and return will vary, and you may have a gain or a loss when you sell your shares. Performance assumes reinvestment of distributions and does not account for taxes. For the most recent month-end performance, please visit putnam.com. Class Y shares before their inception are derived from the historical performance of class A shares (inception 6/15/77), which have not been adjusted for the lower expenses; had they, returns would have been higher. For a portion of the periods, this fund may have had expense limitations, without which returns would have been lower. Class Y shares are generally only available for corporate and institutional clients and have no initial sales charge.

**Consider these risks before investing:** Value stocks may fail to rebound, and the market may not favor value-style investing. Income provided by the fund may be reduced by changes in the dividend policies of, and the capital resources available at, the companies in which the fund invests.

The value of investments in the fund's portfolio may fall or fail to rise over extended periods of time for a variety of reasons, including general economic, political, or financial market conditions; investor sentiment and market perceptions; government actions; geopolitical events or changes; and factors related to a specific issuer, geography, industry, or sector. These and other factors may lead to increased volatility and reduced liquidity in the fund's portfolio holdings.

Our investment techniques, analyses, and judgments may not produce the outcome we intend. The investments we select for the fund may not perform as well as other securities that we do not select for the fund. We, or the fund's other service providers, may experience disruptions or operating errors that could have a negative effect on the fund. You can lose money by investing in the fund.

For informational purposes only. Not an investment recommendation.

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Request a prospectus or summary prospectus from your financial representative or by calling Putnam at 1-800-225-1581. The prospectus includes investment objectives, risks, fees, expenses, and other information that you should read and consider carefully before investing.