

# Putnam Large Cap Value Fund (PEIYX): Defining value daily

## The benefit of defining value daily

Once a year, the Russell 1000 Value Index is reconstituted, identifying a value universe of companies with lower price-to-book ratios and low growth rates. However, company fundamentals can change over the course of 12 months. That’s why the PEIYX managers analyze and define the value universe every day — helping to uncover attractive stocks that may not yet be part of the benchmark.

## Outperformance in a variety of market conditions

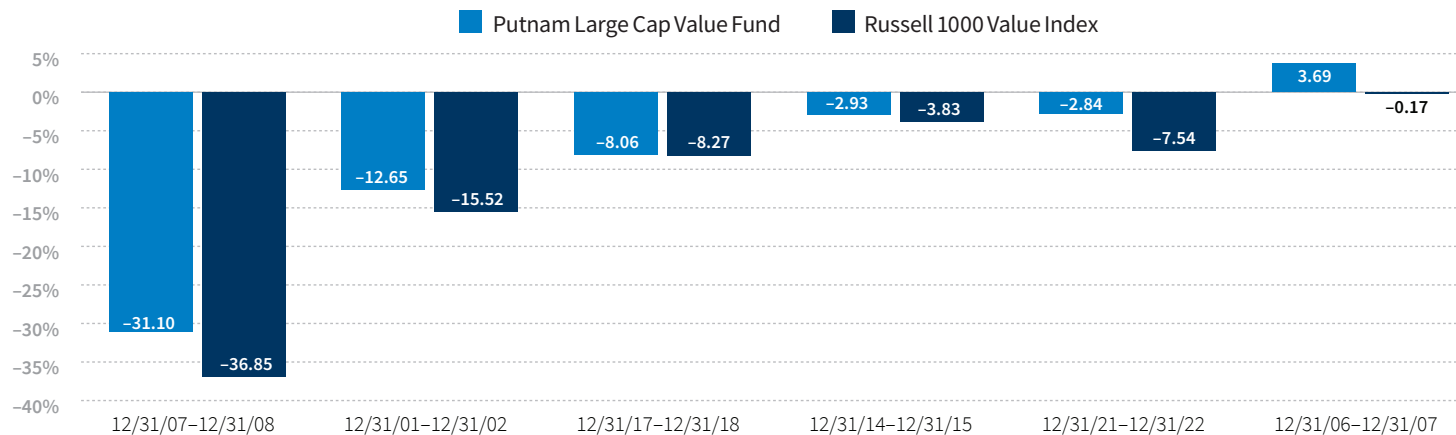
A disciplined focus on risk management, portfolio construction, and relative value has helped the fund outperform in periods of extreme market declines and in their recoveries.

Tech bubble	2000	2001	2002
Putnam Large Cap Value Y	13.51%	-1.31%	-12.65%
Russell 1000 Value Index	7.01	-5.59	-15.52
Russell 1000 Growth Index	-22.42	-20.42	-27.88

Global financial crisis	2008	2009
Putnam Large Cap Value Y	-31.10%	27.52%
Russell 1000 Value Index	-36.85	19.69

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

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



*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. 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.*

All returns shown are cumulative.

For Investment Professional use only. Not for public distribution.

# How we define value on a daily basis

## 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

Portfolio Managers Darren Jaroch and Lauren DeMore combine fundamental research with quantitative screening and risk management tools. They blend multiple sources of alpha with the goal of producing strong risk-adjusted performance over time.

## Non-benchmark holdings

As an indication of the fund's differentiated process, over the last 3 years, the fund has had on average 20% of its holdings outside the benchmark (Russell 1000 Value 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 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 3-year period actually has the greatest impact because it is included in all three rating periods. Ratings do not take into account the effects of sales charges and loads. Putnam Large Cap Value Fund received 5, 4, and 5 stars for the 3-, 5-, and 10-year periods among 1,145, 1,077, and 779 Large Value funds, respectively.

**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.

**Your clients should carefully consider the investment objective, risks, charges, and expenses of a fund before investing. For a prospectus, or a summary prospectus if available, containing this and other information for any Putnam fund or product, call the Putnam Client Engagement Center at 1-800-354-4000. Your clients should read the prospectus carefully before investing.**

Putnam Investments | 100 Federal Street | Boston, MA 02110 | [putnam.com](http://putnam.com)

## Long-term outperformance

Class Y shares Inception 10/01/98	Putnam Large Cap Value Fund	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%

Data as of 12/31/22.

*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.*

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.

## MORNINGSTAR RATING



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

## MORNINGSTAR RANKINGS

Category: Large Value

(Class Y shares based on total return)

**1 year** 26% (294/1229)

**3 years** 12% (123/1155)

**5 years** 7% (63/1099)

**10 years** 9% (64/819)

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.

Data as of 12/31/22.

Putnam Retail Management

11984 332304 1/23