

How income growers have helped PEIYX outperform in a variety of markets

Putnam Large Cap Value Fund (PEIYX) is an all-weather value strategy, managed to be worthy of a long-term allocation in a diversified portfolio. With strong risk-adjusted returns, the fund offers a solid track record when value is in favor, when value is out of favor, and in down markets. Portfolio Managers Lauren DeMore, CFA, and Darren Jaroch, CFA, believe investors want performance that is consistently good rather than occasionally great.

How did the fund build this impressive profile? One piece of the puzzle is the fund favors companies that are income growers over companies that are high-dividend yielders.

Why favor income growers?

A richer stream. Since the 1990s, companies have increasingly rewarded shareholders more by repurchasing shares than paying larger dividends. Among large companies in the Russell 1000 Index, dividend yields have declined, but total yields — dividends and stock repurchases — have increased. A focus on income growers benefits from this trend.

Share buybacks have helped lift total yield relative to dividends

Average yields for companies in the Russell 1000 Index

| | Dividend yield | Share yield | Total yield |
|-------|----------------|-------------|-------------|
| 1990s | 2.2% | -0.2% | 2.0% |
| 2000s | 1.7% | 0.8% | 2.4% |
| 2010s | 1.8% | 1.5% | 3.3% |

Source: Putnam.

Putnam Large Cap Value Fund

Annualized total return performance 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.

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.

The Russell 1000® Value Index is an unmanaged index of those companies in the large-cap Russell 1000 Index chosen for their value orientation. You cannot invest directly in an index.

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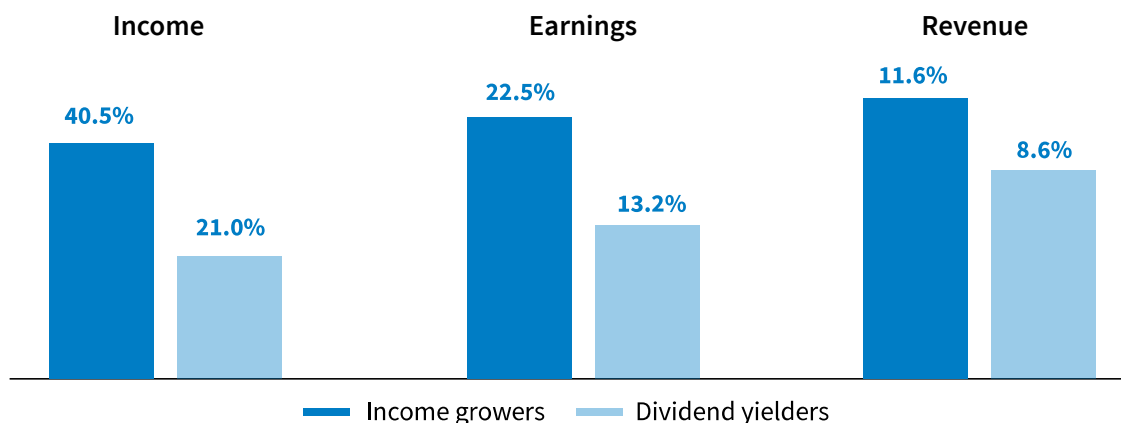
There are no guarantees that a company will continue to pay dividends.

Holding example: Assured Guaranty. This debt insurer has a modest dividend yield of 1.61%, not far from the level where it has stayed for most of the past 10 years. However, the company has rewarded investors in part by increasing its annual dividend per share from \$0.40 to \$1.00. An ambitious share repurchase effort has had even greater impact, contributing nearly 10% to total return on average over each of the past 10 years — a low-volatility source of return. As a result, the firm’s share count has gone down from 200 million to 65 million while the stock price has gone up from \$12 to \$62. As of December 31, 2022, Assured Guaranty represented 1.10% of the assets in Putnam Large Cap Value Fund.

More overachievers. Casting a net for income growers brings companies with more robust growth profiles into the fund’s investment universe as potential portfolio holdings. Companies with the ability to grow income, in many cases, also successfully grow earnings and revenue. We believe fund performance shows stocks with these qualities are more resilient when value is out of favor and growth leads markets.

Income growers had better growth characteristics than dividend yielders

Average income, earnings, and revenue growth, 1990–2021



Source: Putnam. Income growers are stocks in the Russell 1000 Index that rank in the top 50% for five-year total income growth and profitability and that pay annual dividends above a rate of 0.25%. The dividend yielders are stocks in the Russell 1000 Index that rank in the top 25% for dividend yield. Income growth includes both dividends and stock buybacks.

Holding example: Northrop Grumman. 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. As of December 31, 2022, Northrop Grumman represented 2.31% of the assets in Putnam Large Cap Value Fund.

A record of performance during down and up markets

A focus on income growers, combined with deep fundamental research and rigorous risk management, has produced an impressive track record.

- Outperformance of its benchmark Russell 1000 Value Index over all time periods
- Attractive up-market and down-market capture ratios versus the benchmark
- Outperformance of its benchmark index during market sell-offs and market recoveries like the early Covid-19 pandemic

Leading Morningstar Ratings for risk-adjusted performance

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 |

Attractive market upside and downside capture ratios over five years*

| | |
|--------------------|---------|
| Up capture ratio | 102.78% |
| Down capture ratio | 92.58% |

* As of 12/31/22; based on a simple regression of monthly net returns for the past five years versus the index.

Dividend growth rate above benchmark*

| | Q4 22 |
|--------------------------|-------|
| Putnam Large Cap Value Y | 9.24% |
| Russell 1000 Value Index | 6.98% |

* As of 12/31/22.

Disciplined focus on relative value helped the fund outperform in a variety of market conditions

| 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 |

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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.

For informational purposes only. Not an investment recommendation.

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.

From time to time, the fund may invest a significant portion of its assets in companies in one or more related industries or sectors, which would make the fund more vulnerable to adverse developments affecting those companies, industries, or sectors. International investing involves currency, economic, and political risks.

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.

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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.

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