

## Q3 2023 | Putnam Large Cap Value Fund Q&amp;A

# Fund outperforms benchmark in down quarter for value stocks



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



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

*The fund outperformed the benchmark for the third quarter and the 1-, 3-, 5-, and 10-year periods ended September 30, 2023.*

*Large-cap value stocks, which had been relative underperformers in the first half of the year, had a modest decline in the quarter.*

*As a result of value's relative underperformance, we are seeing some exciting opportunities in terms of valuation.*

## How were market conditions in the third quarter?

**Lauren:** After strong performance for the first two quarters of 2023, the equity market took a breather in the third quarter. Broad equity performance weakened as persistent inflation, uncertainty about the path of monetary tightening, and the possibility of recession weighed on sentiment. Large-cap value stocks, which had been relative underperformers in the first half of the year, had a modest decline in the quarter.

## How has the fund performed?

**Darren:** The fund had strong relative performance in this difficult period for large-cap value. It outperformed the benchmark for the third quarter and for the 1-, 3-, 5-, and 10-year periods ended September 30, 2023. Positions in health care, utilities, and communication services were top contributors. Energy stocks were also strong performers, while holdings in industrials and information technology detracted somewhat. We continued to reduce our position in Meta Platforms. Meta was removed from the benchmark Russell 1000 Value Index when the index was rebalanced in June. Our reduction was designed to align our active risk in the portfolio with our conviction in the position.

## What is your outlook for the months ahead?

**Lauren:** As a result of value's relative underperformance, we are seeing some exciting opportunities in terms of valuation. From a macroeconomic perspective, inflation remains the key focus of the Federal Reserve's policy decisions. The employment picture remains quite strong, which supports the view that an economic soft landing is still possible. We believe one more interest-rate hike is likely in 2023, but expectations for rate cuts in 2024 have eased. We are mindful of recent events in the Middle East,

which are creating uncertainty for financial markets and could weigh on investor sentiment. Other potential risks include higher energy costs and the United Auto Workers strikes. If the labor disputes persist, they could impact auto production, leading to another round of new and used car price inflation.

### Putnam Large Cap Value Fund (PEIYX)

Annualized total return performance as of 9/30/23

	Class Y shares Inception 10/1/98	Russell 1000 Value Index
Last quarter	-1.48%	-3.16%
1 year	18.39	14.44
3 years	14.68	11.05
5 years	9.18	6.23
10 years	10.39	8.45
Life of fund	10.34	—
Total expense ratio: 0.64%		

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. 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.*

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As of 9/30/23, Meta Platforms represented 1.88% of Putnam Large Cap Value Fund assets.

**Darren:** We believe some post-pandemic headwinds bear watching. As pandemic savings continue to dwindle, consumer sentiment could also decline, and we are already seeing some signs of fatigue. Also, the financial burden for many consumers is increasing as pandemic-related benefits wind down. Already, we are seeing nascent signs of stress for lower-income borrowers, including in auto financing and credit card debt.

For informational purposes only. Not an investment recommendation.

The views and opinions expressed here are those of the portfolio managers as of September 30, 2023, are subject to change with market conditions, and are not meant as investment advice.

**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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Putnam Retail Management