4Q 2023 | Separately Managed Accounts | Product Commentary

PUTNAM U.S. LARGE CAP VALUE EQUITY CONCENTRATED

Darren A. Jaroch, CFA and Lauren B. DeMore, CFA
Portfolio Managers

Composite Performance Update

U.S. equities gained for the fourth quarter, despite ongoing uncertainty about Federal Reserve policy and the direction of interest rates. Stocks rallied in the latter part of the quarter and approached record highs, amid optimism that the Federal Reserve would begin cutting interest rates in 2024. U.S. equities began the quarter with a loss after struggling with concerns about inflation, recession, and geopolitical pressure from the growing conflict in the Middle East. A last-minute deal in Congress to avert a government shutdown lifted stocks briefly. Attacks on Israel and an escalating conflict with the Palestinian militant group Hamas in the Gaza Strip sent stocks plunging briefly and added to market volatility throughout the month. Stocks rebounded in November, lifted by easing inflation and stabilization in the job market. In general, third-quarter earnings were strong. Dovish comments by policymakers fueled a rally in equities. In addition, the Fed's outlook suggested policymakers anticipated three rate cuts in 2024. In the final week of trading, a report showed holiday retail sales grew 3.1% in December compared with a year ago, lifting stocks.

While the Putnam U.S. Large Cap Value Equity Concentrated portfolio posted a positive return for the quarter, it slightly underperformed its benchmark, the Russell 1000 Value Index. Security selection was a positive contributor to relative performance, while sector allocation decisions had a neutral impact. A small cash balance provided a modest drag on relative performance given the strong absolute return environment. Relative performance benefited most from positions in the consumer discretionary, financials, and utilities sectors. Holdings within health care, communication services, and consumer staples provided a partial offset. While the portfolio was negatively impact by a relative underweight to the financials and real estate sectors, the top performers in the benchmark, beneficial positioning in the consumer discretionary (overweight) and health care (underweight) sectors provided a positive offset.

Top individual contributors to performance included overweight positions PulteGroup (consumer discretionary), United Rentals (industrials), and NRG Energy (utilities). Detractors included overweights to energy companies Exxon Mobil and ConocoPhillips. The portfolio's out-of-benchmark positions in Sanofi (health care) and Charter Communications (communication services) also weighed on relative results.

We believe the strategy's focus on relative value opportunities – in and outside of the benchmark, deep fundamental research, and focus on portfolio construction has led to its long-term performance results. As of December 31, 2023, the strategy has outperformed its benchmark across all time periods including the trailing 3 years (+678 bps net, +738 bps gross) and the trailing 5 years (+526bps net, +577bps gross). The strategy also maintains an attractive risk profile and a 5-yr upside downside capture of 107.96/90.02, net of fees (108.82/89.07 gross).

Outlook

The portfolio is a large-cap equity strategy that seeks companies with underappreciated fundamentals and the income potential from growing dividends to pursue returns for investors. Our bottom-up, relative value approach to investing has not changed. Leveraging both fundamental and quantitative tools helps us to differentiate between cheap and undervalued. To do this, we assess the equity universe daily — across both growth and value styles. We combine a six-factor quantitative model with classic fundamental research. By defining relative value in this way we seek to be on top of the changing market and brings us to places beyond traditional value.

Given the narrow participation in the 2023 market rally, we are finding attractive valuations and investment opportunities in our investment universe. Specific to value, there are broad areas of the market that underperformed in 2023, where we have conviction in strong and improving fundamentals, such as the health care, utilities, and energy sectors. We are mindful of optimistic consensus expectations that the Federal Reserve executes a soft landing for the economy and we believe that we have positioned the portfolio to succeed in any path.

We are reasonably optimistic on the prospect for corporate earnings, with the assumption that gross margins have reached their trough now that inflation pressures have declined significantly. However, we are cautious of some potential challenges including a fragile low-end consumer, potential inflation flare-ups, and ongoing geopolitical events in Europe and the Middle East that could have broader impacts, particularly to the global supply chain. Further, we are mindful of the focus on the actions of the Federal Reserve, which has offered the potential for three rates cuts in 2024.

We continue to analyze the overall market environment in the context of how it affects our individual stock holdings. Our focus is on stock selection, while aiming to keep the portfolio as immune as possible to macroeconomic challenges. This includes stress testing the portfolio against a number of different scenarios, such as rising interest rates, recessionary pressures, and style rotations.

By sector, we remain within +/-5% of benchmark weight. Currently, the largest overweights relative to the benchmark are to the consumer discretionary, materials, and information technology sectors. The financials sector is the largest absolute weight; however, it is currently our most underweighted sector. The communication services and real estate sectors also remain below benchmark weight.

Portfolio Repositioning during Q4 2023

A position in Ingersoll-Rand was initiated during the quarter. Meta Platforms and Union Pacific were sold.

Portfolio characteristics

Market capitalization[1]

Market cap breakdown ($)	Portfolio weight (%)	Benchmark weight (%)
Over $155.9 billion	25.88	29.39
36.6 -155.9 billion	50.99	40.73
6.3 - 36.6 billion	18.11	26.98
1.7 – 6.3 billion	2.44	2.88
Less than 1.7 billion	0.00	0.03
Cash and other assets	2.58	0.00
Weighted average market cap ($bil)	**203.8**	**139.2**

"Cash and other assets" includes cash, short-term securities, ETFs, bonds excluding convertible bonds, and other securities not able to be classified by market capitalization.

Top 10 holdings[1]

	Percent of equity
Exxon Mobil	3.9
Bank of America	3.5
Oracle	3.3
Microsoft	3.2
Apollo Asset Management	3.0
Regeneron Pharmaceuticals	3.0
ConocoPhillips	3.0
United Rentals	2.7
Thermo Fisher Scientific	2.7
Citigroup	2.6
Total number of holdings	**44**

[1] Generally, the representative account is selected based on the account that has the longest track record or that is most representative of the intended strategy taking into consideration the account with the least investment restrictions, the size of the account, and/or most relevant and applicable to the prospective client. Representative accounts may change over time. Representative account data may differ from composite data. Portfolio characteristics are for a representative account and are shown for illustrative purposes only. Each account is managed individually. Accordingly, account characteristics may vary. Portfolio positioning and any mention of specific securities in the summary commentary are intended to help illustrate the investment process and should not be considered a recommendation or solicitation to purchase or sell the securities. The securities identified do not represent all the securities purchased, sold or recommended for client accounts. It should not be assumed that any investment in these securities was, or will prove to be, profitable, or that the investment decisions we make in the future will be profitable or equal to the investment performance of securities referenced herein.

Composite Performance
U.S. Large Cap Value Equity Concentrated

Annualized returns net and gross of fees

(%) as of December 31, 2023

	QTR	YTD	1-yr	3-yr	5-yr	Since Inception
Net of fees	9.16	18.08	18.08	15.64	16.17	13.45
Gross of fees	9.31	18.73	18.73	16.24	16.68	13.90
Russell 1000 Value Index	9.50	11.46	11.46	8.86	10.91	8.32

Calendar Year returns (gross & net of fees)

(%) as of December 31, 2023

	Gross of fees	Net of fees	Russell 1000 Value Index
2023	18.73	18.08	11.46
2022	-2.20	-2.74	-7.54
2021	35.25	34.64	25.16
2020	3.88	3.57	2.80
2019	35.52	32.13	26.54
2018	-5.52	-5.81	-8.27
2017	20.14	19.78	13.66
2016*	2.43	2.40	2.50

*The period from inception, November 30, 2016 to December 31, 2016, is not annualized

Performance is stated in U.S. dollars and include the reinvestment of dividends and interest. Please visit www.putnam.com for the latest performance figures.

Returns for periods less than one year are not annualized. **Past performance is no guarantee of future results.**

Fees: Gross performance includes the deduction of transaction costs but does not include the deduction of management fees and other expenses that may be incurred in managing an investment account. A portfolio's return will be reduced by advisory and other fees. Net performance reflects the deduction of a model fee applied on a monthly basis, equal to the actual management fee incurred by a portfolio in the composite or the highest management fee that would be charged to a prospect of the strategy, whichever is higher. The model fee may change over time. Actual advisory fees may vary among clients with the same investment strategy. The composite includes all actual, fully discretionary accounts with substantially similar investment policies and objectives managed to the composite's investment strategy.

Important information

Any information, statement or opinion set forth herein is general in nature, is not directed to or based on the financial situation or needs of any particular investor, and does not constitute, and should not be construed as, investment advice, forecast of future events, a guarantee of future results, or a recommendation with respect to any particular security or investment strategy or type of retirement account. Investors seeking financial advice regarding the appropriateness of investing in any securities or investment strategies should consult their financial professional.

Please refer to www.putnam.com for more information about the portfolio, including objective, risks and investment process. The information presented does not constitute, and should not be construed as, investment advice with respect to any investment discussed. There is no guarantee that investment objectives will be met.

These materials are being provided for illustrative and informational purposes only. The information contained herein is obtained from multiple sources that are believed to be reliable. However, such information has not been verified, and may be different from the information included in documents and materials created by the sponsor firm in whose investment program a client participates. Some sponsor firms may require that these materials be preceded or accompanied by investment profiles or other documents or materials prepared by such sponsor firms, which will be provided upon a client's request. For additional information, documents and/or materials, please speak to your Financial Professional or contact your sponsor firm.

Definitions and additional information

The **Federal Reserve Board ("Fed")** is responsible for the formulation of policies designed to promote economic growth, full employment, stable prices and a sustainable pattern of international trade and payments.

The **Russell 1000 Value Index** measures the performance of the large-cap value segment of the U.S. equity universe. Source: FTSE. Important data provider notices and terms available at www.franklintempletondatasources.com. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

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What should I know before investing?

All investments involve risks, including possible loss of principal. The prices of stocks in your portfolio may fall or fail to rise over extended periods of time for a variety of reasons, including both general financial market conditions and factors related to a specific company or industry. Value stocks may fail to rebound, and the market may not favor value-style investing.

This strategy may not be suitable for all investors. It is important to understand that you can lose money by investing in this strategy. The Composite is much more concentrated than the benchmark in terms of companies and sectors, and the volatility of the Composite may be greater or less than that of benchmark. In general, investing in portfolio with concentrated exposures to (i) particular asset class(es) and/or (ii) a particular sector and/or (iii) one or a select few markets involves greater risk than investing in portfolios that have greater diversification.

Investments in a limited number of securities may have more risk because changes in the value of a single security may have a more significant effect, either negative or positive, on the value of the portfolio.

Retail Separately Managed Accounts (SMAs): Putnam Investment Management, LLC acts as a discretionary investment manager or non-discretionary model provider in a variety of retail separately managed account programs and platforms ("SMA Programs") sponsored by non-affiliated financial intermediaries (each, a "Sponsor Firm"). Through various Sponsor Firms, Putnam offers model-delivery SMAs as well as single- and dual-contract SMAs through a range of actively managed equity strategies. SMA Programs may require a minimum asset level and, depending on specific investment objectives and financial position, may not be appropriate for all investors. The information provided relates to Putnam Investments and its affiliates, which includes Putnam Investment Management, LLC.

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