Putnam Retirement Advantage Trusts

2022 annual performance commentary

Market environment in 2022

Financial markets were challenged by multiple, converging risks in the macroeconomy. High inflation, rising interest rates, and the Russia-Ukraine War contributed to a risk-averse investing environment. Investors shed growth stocks in favor of more value-oriented, cyclical stocks. Global sanctions against Russia caused an energy and food shortage in Europe, exacerbating already high inflation. China's zero-Covid-19 policy caused periodic lockdowns, worsening supply chain issues. New U.S. trade restrictions on China's technology sector also stoked global growth concerns.

Persistently high inflation remained a top priority of the U.S. Federal Reserve. In March, the Fed increased interest rates for the first time since 2008, adding 0.25% to borrowing costs. Between May and September, the Fed raised interest rates four more times, bringing the federal funds rate to 3.00%–3.25%. Many investors feared that the Fed's aggressive tactics to control inflation would tip the U.S. economy into a recession. By October, markets were lifted on hopes that the Fed would soon slow the pace of rate hikes.

Through year-end, the Fed continued to fight high inflation. The Fed raised rates 0.75% in early November but signaled it may soon begin to slow the pace of tightening as investors had hoped, lifting sentiment. Better-than-expected corporate earnings and signs of cooling inflation also drove markets higher through November. A smaller hike of 0.50% in mid-December brought the federal funds rate to 4.25%–4.50%, a level not seen in fifteen years. But stocks sold off as the Fed indicated they will take rates higher through 2023 until there is sufficient evidence that inflation is consistently trending downward. Central banks around the globe, including the ECB, Bank of England, and others, also delivered historic rate hikes in 2022 to fight inflation. Markets closed out their worst year since 2008 as investors feared recession in 2023.

Both stocks and bonds posted significant losses for the 12-month reporting period. U.S. stocks, as measured by the S&P 500 Index, returned –18.11%. Non-U.S. stocks in developed markets, as measured by the MSCI EAFE Index [ND], fared slightly better, returning –14.45%. Emerging market stocks, as measured by the MSCI Emerging Markets Index [GD], were among the weakest performers, returning –19.74% for the period.

High-yield bonds returned –10.47%, as measured by the JPMorgan Developed High Yield Index. Investment-grade bonds returned –13.01%, as measured by the Bloomberg U.S. Aggregate Bond Index. The yield on the benchmark 10-year U.S. Treasury climbed from 1.52% at the start of the period to 3.88% by period-end. Short-term yields rose even more, causing the yield curve to invert.

For the year, global equities, as measured by the MSCI World Index, posted a loss of -18.14%. Global bonds, as measured by the FTSE World Government Bond Index, posted a return of -18.26%.

Absolute Performance – Glide Path Impact

With global stocks and bonds experiencing significant weakness over the period, all Retirement Advantage vintages delivered negative absolute returns. Returns for Class X ranged from -11.71% to -17.70%, with the strongest performance coming from more fixed income-oriented vintages nearing retirement.

Our internal benchmarks performed as one would expect given negative returns from fixed income and more negative returns from stocks. Vintages with higher equity allocations have the largest exposure to global stock markets, which meant these portfolios underperformed near-retirement portfolios with smaller equity allocations. Despite smaller equity allocations, near-retirement portfolios still finished negative as fixed income fared only slightly better than stocks.

Active Strategies

Asset Allocation – Overall, dynamic asset allocation decisions led to a small gain. We adjusted the portfolio's tactical allocation mix several times over the period. Equity allocation decisions were additive for the year. In the first quarter of 2022, the portfolios benefited from short-term over- and underweight positions, implemented to take advantage of equity market volatility. A modest overweight position in the second quarter of 2022 offset some of these gains as stocks moved into correction territory [a decline of 10% or more from a recent high]. Underweight positioning in August and September 2022 benefited results as stocks sank to year-to-date lows. We held an underweight position to equity risk through the remainder of the year, which detracted from performance as stocks rallied in the fourth quarter.

In fixed income, the portfolios experienced a small gain from a modest underweight position to interest-rate risk, as yields rose sharply with the Fed's move toward tighter policy. We changed the position to neutral at the beginning of February 2022.

Selection – Overall, security selection decisions boosted performance. Our quantitative U.S. large-cap core equity strategy experienced strength and our quantitative U.S. small-cap core equity strategy finished slightly positive. In quantitative strategies, our team analyzes stock market history to identify characteristics of stocks [factors] that have excess risk-adjusted returns. Over the period, our valuation and short interest factors drove performance. Portfolios furthest from retirement experienced some weakness from our fundamental emerging market equity strategy. Our fundamental U.S. large-cap value strategy was another notable positive contributor, benefitting all portfolios.

Performance relative to Morningstar peers

The portfolios ended these twelve months ranked in the 34th percentile on average relative to Morningstar category peers. Most portfolios ended the past year in the top third of their respective categories.

Most of our near-retirement portfolios finished well ahead of their peer group median. These portfolios benefited from the conservative nature of our glide path just before the target date, security selection strength, and slightly positive asset allocation. The Maturity portfolio finished the year close to median as its allocation is very similar to the average ending allocation of the peer group. In our near-retirement portfolios, we reduce equity risk below the industry average, seeking to protect older investors from significant losses when account balances are largest and recovery time is shortest. In these portfolios, we have repeatedly demonstrated the ability to better protect older investors from retirement-endangering drawdowns. The portfolios performed well in 2022 as stocks declined over 18% from January to December.

In portfolios where we have a similar equity allocation compared to peers, we benefited from security selection strength and slightly positive asset allocation. Value added from these factors helped those portfolios deliver returns that generally ranked in the 30th percentile or better.

Portfolios furthest from retirement typically have a slightly higher equity allocation than industry peers. This higher glide path equity allocation was a negative for these portfolios. However, security selection strength and slightly positive asset allocation benefited these portfolios. They finished the past year above median relative to category peers.

Contact Putnam's DCIO team for more information about Putnam Retirement Advantage Funds, including quarterly commentaries from the portfolio team.

	Morningstar category rank (as of 12/31/2022)					
Class X	**1-Year**	**3-Year**	**5-Year**	**10-Year**	**Since Incep.**	**Inception Date**
Retirement Advantage 2065	41% (58/142)	--	--	--	9% (14/102)	1/5/2021
Retirement Advantage 2060	46% (102/202)	7% (10/159)	42% (49/124)	--	20% (23/94)	2/10/2016
Retirement Advantage 2055	27% (73/272)	5% (14/220)	46% (77/173)	2% (2/64)	3% (2/45)	12/22/2010
Retirement Advantage 2050	32% (53/202)	15% (28/174)	63% (79/139)	1% (2/100)	9% (4/31)	1/3/2008
Retirement Advantage 2045	22% (44/271)	15% (35/223)	64% (98/173)	19% (21/90)	17% (5/27)	1/3/2008
Retirement Advantage 2040	27% (40/203)	14% (30/174)	69% (77/140)	15% (23/102)	10% (6/42)	1/3/2008
Retirement Advantage 2035	32% (67/274)	30% (58/223)	69% (108/174)	18% (22/90)	15% (5/33)	1/3/2008
Retirement Advantage 2030	34% (45/201)	53% (83/172)	82% (104/138)	24% (26/101)	19% (6/41)	1/3/2008
Retirement Advantage 2025	33% (66/271)	91% (190/217)	93% (156/172)	46% (55/90)	42% (14/33)	1/3/2008
Retirement Maturity Fund	50% (78/230)	41% (63/191)	16% (30/157)	6% (5/80)	11% (5/39)	1/3/2008
Average Percentile Rank	**34%**	**30%**	**60%**	**16%**	**16%**	

Funds were ranked within the appropriate Morningstar category, specifically: US SA Target-Date 2065+, US SA Target-Date 2060, US SA Target-Date 2055, US SA Target-Date 2050, US SA Target-Date 2045, US SA Target-Date 2040, US SA Target-Date 2035, US SA Target-Date 2030, US SA Target-Date 2025, and US SA Target-Date Retirement.

Performance returns (%) as of 12/31/2022

Class X	1 year	5 years	10 years	Since Inception*
Retirement Advantage 2025	-12.76	2.32	5.96	4.78
Retirement Advantage 2025 Benchmark	-13.40	3.04	5.90	4.77
Retirement Advantage 2030	-14.09	3.53	7.24	5.43
Retirement Advantage 2030 Benchmark	-14.63	4.55	7.27	5.58
Retirement Advantage 2035	-15.05	4.14	8.02	5.88
Retirement Advantage 2035 Benchmark	-15.57	5.18	8.03	6.00
Retirement Advantage 2040	-15.80	4.60	8.55	6.11
Retirement Advantage 2040 Benchmark	-16.24	5.62	8.56	6.23
Retirement Advantage 2045	-16.31	4.83	8.91	6.27
Retirement Advantage 2045 Benchmark	-16.74	5.88	8.96	6.41
Retirement Advantage 2050	-16.85	5.02	9.23	6.48
Retirement Advantage 2050 Benchmark	-17.21	6.14	9.34	6.64
Retirement Advantage 2055	-17.29	5.21	9.44	8.92
Retirement Advantage 2055 Benchmark	-17.54	6.42	9.63	9.14
Retirement Advantage 2060	-17.63	5.33	-	9.99
Retirement Advantage 2060 Benchmark	-17.80	6.63	-	11.01
Retirement Advantage 2065	-17.70	-	-	0.00
Retirement Advantage 2065 Benchmark	-17.84	-	-	-0.29
Retirement Advantage Maturity	-11.71	2.87	4.86	4.60
Retirement Advantage Maturity Benchmark	-12.84	2.61	4.02	4.37
S&P 500 Index	-18.11	9.42	12.56	8.91
Bloomberg U.S. Aggregate Bond Index	-13.01	0.02	1.06	2.62

* Inception date is January 3, 2008 except for 2055, which is December 22, 2010, 2060, which is February 10, 2016, and 2065, which is January 5, 2021. Data is historical. Past performance is not a guarantee of future results. More recent returns may be more or less than those shown. Investment return will fluctuate. Performance assumes reinvestment of distributions and does not account for taxes. Since inception returns for periods of less than one year are not annualized. Performance data reflects the impact of a 0.35% management fee for class X shares. In certain cases your plan's management fee may be lower and your return higher. For the most recent month-end performance, please call your plan's toll-free number.

Morningstar rankings 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.

S&P 500 Index is an unmanaged index of common stock performance. MSCI EAFE Index [ND] is an unmanaged index of equity securities from developed countries in Western Europe, the Far East, and

Australasia. MSCI Emerging Markets Index [GD] is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. Gross total return (GD) indexes reinvest as much as possible of a company's dividend distributions. JPMorgan Developed High Yield Index is an unmanaged index of high-yield fixed income securities issued in developed countries. Bloomberg U.S. Aggregate Bond Index is an unmanaged index of U.S. investment-grade fixed income securities. MSCI World Index is an unmanaged index of equity securities from developed countries. The FTSE® World Government Bond Index (WGBI) measures the performance of fixed-rate, local-currency, investment-grade sovereign bonds. Indexes are unmanaged and do not incur expenses. You cannot invest directly in an index.

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The fund is a collective trust managed and distributed by Putnam Fiduciary Trust Company, LLC ("PFTC"), a non-depository New Hampshire trust company. However, it is not FDIC insured; is not a deposit or other obligation of, and is not guaranteed by, PFTC or any of its affiliates. The fund is not a mutual fund registered under the Investment Company Act of 1940, and its units are not registered under the Securities Act of 1933. The fund is only available for investment by eligible, qualified retirement plan trusts, as defined in the declaration of trust and participation agreement.

Each Retirement Advantage Fund has a different target date indicating when the fund's investors expect to retire and begin withdrawing assets from their account, typically at retirement. The dates range from 2025 to 2065 in five-year intervals, with the exception of the Maturity Fund, which is designed for investors at or near retirement. The funds are generally weighted more heavily toward more aggressive, higher-risk investments when the target date of the fund is far off, and more conservative, lower-risk investments when the target date of the fund is near. This means that both the risk of your investment and your potential return are reduced as the target date of the particular fund approaches, although there can be no assurance that any one fund will have less risk or more reward than any other fund. The principal value of the funds is not guaranteed at any time, including the target date.

Consider these risks before investing: If the quantitative models or data that are used in managing an underlying fund prove to be incorrect or incomplete, investment decisions made in reliance on the models or data may not produce the desired results and the fund may realize losses.

Our allocation of assets among permitted asset categories may hurt performance. The value of investments in the underlying funds' portfolios 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, asset class, geography, industry, or sector. These and other factors may lead to increased volatility and reduced liquidity in the underlying funds' portfolio holdings.

Growth stocks may be more susceptible to earnings disappointments, and value stocks may fail to rebound. Investments in small and/or midsize companies increase the risk of greater price fluctuations. Bond investments are subject to interest-rate risk (the risk of bond prices falling if interest rates rise) and credit risk (the risk of an issuer defaulting on interest or principal payments). Default risk is generally higher for non-qualified mortgages. Interest-rate risk is generally greater for longer-term bonds, and credit risk is generally greater for below-investment-grade bonds. Lower-rated bonds may offer higher yields in return for more risk. Funds that invest in government securities are not guaranteed. Mortgage-backed securities are subject to prepayment risk, which means that they may increase in value less than other bonds when interest rates decline and decline in value more than other bonds when interest rates rise.

The underlying funds may have to invest the proceeds from prepaid investments, including mortgage- and asset-backed investments, in other investments with less attractive terms and yields. International investing involves currency, economic, and political risks. Emerging market securities carry illiquidity and volatility risks. REITs are subject to the risk of economic downturns that have an adverse impact on real estate markets. Convertible securities' prices may be adversely affected by underlying common stock price changes. While convertible securities tend to provide higher yields than common stocks, the higher yield may not protect against the risk of loss or mitigate any loss associated with a convertible security's price decline. Convertible securities are subject to credit risk. Risks associated with derivatives include increased investment exposure (which may be considered leverage) and, in the case of over-the-counter instruments, the potential inability to terminate or sell derivatives positions and the potential failure of the other party to the instrument to meet its obligations. There is no guarantee that the funds will provide adequate income at and through an investor's retirement.

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

All investments involve risk, including the loss of principal. You can lose money by investing.

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Putnam Retail Management

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To request the offering document for the fund, visit putnam.com. The offering document includes investment objectives, risks, charges, expenses, and other information that you should read and consider carefully before investing.

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