

## Portfolio managers

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(Industry since 1990)

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(Industry since 2011)

## Objective

The strategy seeks to outperform the market on an absolute and risk-adjusted basis over a full cycle.

## Composite

Putnam Sustainable Leaders

## Inception

March 31, 2018

## Total strategy assets

\$7,527.24M

Total strategy assets may include accounts that are not reflected in the composite.

## Benchmark

S&P 500 Index

## Sustainable Leaders

### Investing in sustainability leadership

#### Leading sustainability companies

We believe companies that demonstrate leadership in financially material sustainability issues often demonstrate the potential for strong long-term financial performance.

#### Active research process

A framework grounded in fundamental research, enhanced by a focus on material sustainability issues, drives investment decisions.

#### Integrated, experienced team

The experienced, dedicated sustainable investing team is integrated within Putnam's equity research group.



#### Summary commentary

**Performance:** The Sustainable Leaders strategy performed roughly in line with the S&P 500 Index during the quarter. Positive contribution from security selection was offset by a negative impact from sector allocation decisions. Top contributors were among information technology and consumer discretionary stocks, with the largest detractors in industrials and financials.

**Positioning:** Positioning is the by-product of a process that seeks fundamental strength linked to leadership in sustainability issues that are financially material to a company's business. Top sector overweights are in materials and information technology, with the largest underweights in communication services, energy, and financials.

**Increased:** Sector positioning was largely unchanged compared to the prior quarter; overweights in healthcare, consumer discretionary, and materials were slightly higher.

**Decreased:** Relative exposure in the real estate sector shifted from neutral to a small underweight. Additionally, an underweight to financials widened.

#### Composite performance (annualized) as of June 30, 2021

	Q2	YTD	1 year	3 years	Since inception
Gross	8.48%	14.72%	42.33%	23.87%	23.34%
Net	8.33	14.41	41.54	23.19	22.66
Benchmark	8.55	15.25	40.79	18.67	18.34
Relative return (gross)	-0.07	-0.53	1.54	5.20	5.00
Relative return (net)	-0.22	-0.84	0.75	4.52	4.32

#### Calendar-year composite performance as of June 30, 2021

	2020	2019	2018*
Gross	29.85%	37.29%	-3.30%
Net	29.13	36.54	-3.70
Benchmark	18.40	31.49	-3.65
Relative return (gross)	11.45	5.80	0.35
Relative return (net)	10.73	5.05	-0.05

\*Performance represents inception through December 31, 2018.

**Past performance is not a guarantee of future results. An investment in the strategy can lose value.**

All data as of June 30, 2021, unless otherwise noted. No assurance can be given that the investment objective return will be achieved or that an investor will receive a return of all or part of his or her investment. Actual results could be materially different from the stated goals. Investors should carefully consider the risks involved before deciding to invest. As with any investment, there is a potential for profit as well as the possibility of loss. Returns are stated in U.S. dollars and include the reinvestment of dividends and interest. Returns less than one year are not annualized. Indexes are unmanaged and do not incur expenses. You cannot invest directly in an index.

### Top twenty holdings

	Portfolio	Benchmark	Industry
Microsoft	7.7%	5.6%	Software
Apple	6.5	5.9	Technology hardware, storage and peripherals
Amazon	4.4	4.1	Internet and direct marketing retail
Adobe	2.6	0.8	Software
Danaher	2.5	0.5	Health care equipment and supplies
Visa	2.2	1.1	IT services
Thermo Fisher Scientific	2.2	0.6	Life sciences tools and services
BlackRock	2.0	0.3	Capital markets
Eli Lilly	2.0	0.5	Pharmaceuticals
Bank of America	1.9	0.9	Banks
Fidelity National Information Services	1.9	0.2	IT services
Johnson Controls	1.8	0.1	Building products
Target	1.8	0.3	Multiline retail
Walmart	1.7	0.5	Food and staples retailing
ASML Holding	1.6	0.0	Semiconductors and semiconductor equipment
Chipotle Mexican Grill	1.6	0.1	Hotels, restaurants and leisure
Linde	1.6	0.4	Chemicals
Heineken	1.5	0.0	Beverages
Union Pacific	1.5	0.4	Road and rail
Texas Instruments	1.5	0.5	Semiconductors and semiconductor equipment
Shopify	1.5	0.0	IT services

Top twenty holdings represent 50.5% of the portfolio and will vary over time. The top 20 holdings included herein are for illustrative purposes only and should not be considered a recommendation to purchase or sell any particular security.

### Top active weights

Top 5 overweights	Portfolio	Benchmark	Over/under	Top 5 underweights	Portfolio	Benchmark	Over/under
Microsoft	7.7%	5.6%	2.1%	Alphabet	1.3%	4.0%	-2.7%
Danaher	2.5	0.5	2.0	Facebook	0.0	2.3	-2.3
Adobe	2.6	0.8	1.8	Berkshire Hathaway	0.0	1.5	-1.5
Johnson Controls	1.8	0.1	1.7	Tesla	0.0	1.4	-1.4
BlackRock	2.0	0.3	1.7	NVIDIA	0.0	1.4	-1.4

### Top contributors/detractors

Top 5 contributors	Average portfolio weight	Average benchmark weight	Absolute contribution to return	Top 5 detractors	Average portfolio weight	Average benchmark weight	Absolute contribution to return
Microsoft	7.40%	5.41%	1.10%	Prudential	1.36%	0.00%	-0.16%
Apple	6.16	5.77	0.72	GFL Environmental	1.38	0.00	-0.15
Adobe	2.27	0.70	0.51	JetBlue	0.43	0.00	-0.08
Amazon	4.40	4.02	0.49	Disney	1.36	0.92	-0.07
Danaher	2.38	0.45	0.43	Deere & Company	0.91	0.32	-0.05

Portfolio characteristics and holdings are for a representative account and are shown for illustrative purposes only. Each account is managed individually. Accordingly, account characteristics may vary. The inclusion of holdings information in this presentation should not be interpreted as a recommendation to buy or sell or hold any security. The securities identified do not represent all the securities purchased, sold or recommended for client accounts. It should not be assumed that an investment in the securities identified was or will be profitable. Holdings are subject to change. Past performance is not a guarantee of future results. To obtain information regarding the calculation methodology and a list showing every holding's contribution to the overall account's performance during the measurement period, please contact [investment\\_performance\\_analytics@putnam.com](mailto:investment_performance_analytics@putnam.com).

**Sector weightings**

	Underweight	Overweight	Portfolio	Benchmark
Materials		4.3	6.9%	2.6%
Information technology		2.6	30.0	27.4
Consumer discretionary		1.3	13.6	12.3
Health care		1.1	14.1	13.0
Industrials		0.9	9.4	8.5
Utilities		0.8	3.3	2.5
Consumer staples	-0.9		5.0	5.9
Real estate	-0.9		1.7	2.6
Financials	-1.8		9.5	11.3
Energy	-2.9		0.0	2.9
Communication services	-8.0		3.1	11.1

**Market-cap breakdown**

Over \$95B	61.32%
\$22B - \$95B	24.12
\$4.7B - \$22B	10.14
Less than \$4.7B	0.87
Cash and other assets*	3.55

\*"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. 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 characteristics**

	Portfolio	Benchmark
<b>Financial</b>		
Projected 12-month P/E	25.7x	21.7x
Projected 5-year EPS growth rate	17.1%	17.0%
Price/cash flow	19.6x	19.4x
Price/sales	3.5x	3.1x
Dividend yield	1.1%	1.4%
<b>Risk*</b>		
Standard deviation	17.58%	18.26%
Tracking error	3.41%	-

	Portfolio	Benchmark
<b>Other</b>		
Number of holdings	63	505
Cash position	3.6%	-
Portfolio turnover†	26%	-
Active share	67%	-

\* Based on a simple regression of monthly gross returns for past three years versus the benchmark.

† Represents the portfolio's annual turnover rate as of the most recent quarter-end.

Risk statistics are calculated using composite month end return values. All other portfolio characteristics are for a representative account and are shown for illustrative purposes only.

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