

## Portfolio manager

**William J. Monroe, CFA**  
(Industry since 1996)

## Objective

The strategy seeks to outperform the Russell 2000 Growth index over a full market cycle.

## Composite

U.S. Small Cap Growth Equity

## Inception

January 31, 2000

## Total strategy assets

\$889.61

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

## Benchmark

Russell 2000 Growth Index

## U.S. Small Cap Growth Equity

### Uncovering high-quality and fast-growing small cap companies

#### Combining quality and growth

We believe that portfolios that balance exposure to high-quality and aggressive growth stocks can offer strong risk-adjusted return potential.

#### Research-intensive process

Our fundamental investment process focuses on identifying overlooked growth opportunities where the market has undervalued the duration or magnitude of a company's growth potential.

#### Long-term investment horizon

Our process is anchored in our commitment to a multiyear investment horizon that seeks to harness the power of compounding growth with risk management embedded at multiple levels.



#### Summary commentary

**Performance:** The Putnam U.S. Small Cap Growth Equity strategy modestly underperformed its benchmark, the Russell 2000 Growth Index. The underperformance was driven by sector allocations, notably the portfolio's underweight to energy. Stock selection was mixed across sectors, as strong results in information technology were offset by weakness in consumer discretionary names.

**Positioning:** The portfolio balances exposure to both quality and aggressive growth within the small-cap growth universe. We are most overweight the industrials and financials sectors and most underweight health care and consumer staples. We aim to keep stock selection as the primary driver of returns and therefore do not typically take large sector bets.

**Increased:** A new position in industrial machinery increased our overweight to the industrials sector.

**Decreased:** The portfolio increased its underweight to the consumer staples sector after exiting a name in the packaged foods & meats industry and decreasing exposure to food distributors.

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

	Q2	YTD	1 year	3 years	5 years	10 years
Gross	3.66%	7.20%	46.79%	24.44%	25.32%	16.29%
Net	3.45	6.78	45.61	23.44	24.31	15.27
Benchmark	3.92	8.98	51.36	15.94	18.76	13.52
Relative return (gross)	-0.26	-1.78	-4.57	8.50	6.56	2.77
Relative return (net)	-0.47	-2.20	-5.75	7.50	5.55	1.75

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Gross	49.53%	39.32%	-1.26%	21.69%	9.54%	-1.95%	3.21%	49.43%	15.69%	-2.37%
Net	48.33	38.21	-2.05	20.72	8.66	-2.90	2.18	47.93	14.56	-3.21
Benchmark	34.63	28.48	-9.31	22.17	11.32	-1.38	5.60	43.30	14.59	-2.91
Relative return (gross)	14.90	10.84	8.05	-0.48	-1.78	-0.57	-2.39	6.13	1.10	0.54
Relative return (net)	13.70	9.73	7.26	-1.45	-2.66	-1.52	-3.42	4.63	-0.03	-0.30

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 ten holdings**

	Portfolio	Benchmark	Industry
InMode	2.9%	0.0%	Health care equipment and supplies
TFI International	2.6	0.0	Road and rail
Boot Barn	2.3	0.2	Specialty retail
Medpace	2.2	0.3	Life sciences tools and services
Nova Measuring Instruments	2.0	0.0	Semiconductors and semiconductor equipment
Hamilton Lane	2.0	0.2	Capital markets
Five Below	2.0	0.0	Specialty retail
Manhattan Associates	1.9	0.0	Software
Open Lending	1.9	0.3	Capital markets
Colliers International	1.9	0.0	Real estate management and development

Top ten holdings represent 21.7% of the portfolio and will vary overtime. The top 10 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
InMode	2.9%	0.0%	2.9%	Arrowhead Pharmaceuticals	0.0%	0.5%	-0.5%
TFI International	2.6	0.0	2.6	Lattice Semiconductor	0.0	0.5	-0.5
Boot Barn	2.3	0.2	2.1	Crocs	0.0	0.5	-0.5
Nova Measuring Instruments	2.0	0.0	2.0	Scientific Games	0.0	0.5	-0.5
Five Below	2.0	0.0	2.0	Fate Therapeutics	0.0	0.5	-0.5

**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
InMode	2.66%	0.00%	0.68%	AdaptHealth	1.01%	0.15%	-0.40%
Boot Barn	2.08	0.14	0.63	Penn National Gaming	0.93	0.48	-0.35
TFI International	2.56	0.00	0.46	ChemoCentryx	0.22	0.09	-0.31
Manhattan Associates	1.81	0.00	0.37	Array Technologies	0.27	0.00	-0.30
Open Lending	1.74	0.01	0.33	Performance Food Group	1.43	0.01	-0.25

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
Industrials		2.7	16.1%	13.4%
Financials		1.3	6.2	4.9
Communication services		1.1	4.1	3.0
Information technology		0.5	21.8	21.3
Consumer discretionary		0.3	15.5	15.2
Utilities	-0.3		0.0	0.3
Materials	-0.5		2.5	3.0
Real estate	-0.9		1.9	2.8
Energy	-1.3		0.7	2.0
Consumer staples	-2.3		1.3	3.6
Health care	-3.7		26.8	30.5

**Market-cap breakdown**

Over \$5B	47.85%
\$3B - \$5B	29.17
\$1B - \$3B	18.99
Less than \$1B	0.84
Cash and other assets*	3.14

\*“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>Capitalization</b>		
Median capitalization	\$4.8B	\$1.5B
Weighted average capitalization	\$5.5B	\$3.8B
<b>Financial</b>		
Projected 5-year EPS growth rate	19.0%	16.9%
Prices/sales	3.5x	2.5x
<b>Risk</b>		
Standard deviation	19.19%	20.63%
Beta	0.89	-
Tracking error	6.12%	-
Up capture ratio	103.81%	-
Down capture ratio	78.31%	-

	Portfolio	Benchmark
<b>Other</b>		
Number of holdings	90	1,175
Cash position	3.1%	-
Portfolio turnover†	64%	-
Active share	86%	-

\* Based on a simple regression of monthly gross returns for past five 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.

This material is prepared for use by investment professionals and institutional investors and is provided for limited purposes. By receiving and reviewing this material, the recipient acknowledges the following: This material is a general communication being provided for informational and educational purposes only. It is not designed to be a recommendation of any specific investment product, strategy, or decision, and is not intended to suggest taking or refraining from any course of action. The material was not prepared, and is not intended, to address the needs, circumstances, and objectives of any specific institution, plan, or individual(s). Putnam is not providing advice in a fiduciary capacity under applicable law in providing this material, which should not be viewed as impartial, because it is provided as part of the general marketing and advertising activities of Putnam, which earns fees when clients select its products and services. The views and strategies described herein may not be suitable for all investors. Prior to making any investment or financial decisions, any recipients of this material should seek individualized advice from their personal financial, legal, tax, and other professional advisors that takes into account all of the particular facts and circumstances of their situation. Representative account data in this report is for illustrative purposes only. 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. Unless otherwise noted, Putnam is the source of all data. Putnam Investments cannot guarantee the accuracy or completeness of any statements or data contained in the material. Predictions, opinions, and other information contained in this material are subject to change. Any forward-looking statements speak only as of the date they are made, and Putnam assumes no duty to update them. Forward-looking statements are subject to numerous assumptions, risks, and uncertainties. Actual results could differ materially from those anticipated. While Putnam Investments seeks to achieve the portfolio's stated objective, there is no guarantee the objective will be achieved. All investments involve risk, and investment recommendations will not always be profitable. Putnam Investments does not guarantee any minimum level of investment performance or the success of any investment strategy. Investing entails risks, including possible loss of principal. Past performance is no guarantee of future results.

This material or any portion hereof may not be reprinted, sold, or redistributed in whole or in part without the express written consent of Putnam Investments. The information provided relates to Putnam Investments and its affiliates, which include The Putnam Advisory Company, LLC, Putnam Investment Management, LLC, and Putnam Investments Limited®.

Model-based managed accounts programs: Putnam Investments and its affiliates, which include The Putnam Advisory Company, LLC and Putnam Investment Management, LLC ("Putnam"), is limited to providing non-discretionary investment management services through Separately Managed Account (SMA) and Unified Managed Account (UMA) programs or other third-party platforms (collectively, the "Financial Intermediary"), where Putnam generally provides ongoing investment recommendations through one or more "model" portfolios, and the Financial Intermediary, rather than Putnam, makes investment decisions and executes trades on behalf of its underlying clients. The Financial Intermediary decides in its discretion whether to make any changes to the model that Putnam recommends, and is also solely responsible for determining the suitability of the strategy and investments for each client that participates. This information is not personalized investment advice or an investment recommendation by Putnam, and is intended for use only by a Financial Intermediary in connection with its management of its own clients' accounts. Putnam does not have investment discretion over, or place trade orders for, any portfolio or account derived from this information. Performance of any portfolio or account derived from this information may vary materially from the performance shown herein. There is no guarantee that any investment strategy illustrated will be successful or achieve any particular level of results. Information and other marketing materials created by Putnam concerning a model portfolio strategy - including holdings, performance and other characteristics - may not be indicative of a client's actual experience from an account managed in accordance with the strategy. This material has been created by Putnam and the information included herein has not been verified by a Financial Intermediary and may materially differ from information provided by a Financial Intermediary. Putnam is not responsible for overseeing the provision of services by a Financial Intermediary and cannot assure the quality of its services.

Issued in the United Kingdom by Putnam Investments Limited®. Putnam Investments Limited is authorised and regulated by the Financial Conduct Authority (FCA). For the activities carried out in Germany, the German branch of Putnam Investments Limited holds a permit as a financial investment broker in accordance with Sec. 34f para. 1 sentence no. 1 of the German Trade Ordinance and is registered under the registration number D-F-16077N8-19 in the publicly available broker register Putnam Investments Limited is also permitted to provide cross-border investment services to certain EEA member states. In Europe, this material is directed exclusively at professional clients and eligible counterparties (as defined under the FCA Rules, or the German Securities Trading Act (Wertpapierhandelsgesetz) or other applicable law) who are knowledgeable and experienced in investment matters. Any investments to which this material relates are available only to or will be engaged in only with such persons, and any other persons (including retail clients) should not act or rely on this material. Furthermore this material is only intended for the recipient receiving it directly from Putnam Investments Limited and should not be forwarded to, or relied upon by, the recipient's underlying clients.

Prepared for use with wholesale investors in Australia by Putnam Investments Australia Pty Limited, ABN 50 105 178 916, AFSL No. 247032. This material has been prepared without taking account of an investor's objectives, financial situation and needs. Before deciding to invest, investors should consider whether the investment is appropriate for them.

Prepared for use in Canada by Putnam Investments Canada ULC (o/a Putnam Management in Manitoba). Where permitted, advisory services are provided in Canada by Putnam Investments Canada ULC (o/a Putnam Management in Manitoba) and its affiliate, The Putnam Advisory Company, LLC.

For use with institutional investors and investment professionals.