FRANKLIN TEMPLETON | Putnam INVESTMENTS

Putnam Small Cap Growth Fund

Class Y: PSYGX Class A: PNSAX | **Commentary | as of September 30, 2026**

Key Takeaways

- **Markets:** US small-cap growth stocks fell sharply in the third quarter, giving back part of their second-quarter rally. Higher Treasury yields, persistent inflation and the US Federal Reserve's first rate hike since 2023 weighed on the asset class. A reversal in the artificial intelligence (AI) trade added to the pressure.
- **Contributors**: Stock selection in communication services.
- **Detractors**: Stock selection in information technology, energy and industrials.
- **Outlook**: Against a market backdrop that likely remains volatile for the foreseeable future, we seek to construct a well-diversified portfolio where performance is driven more by stock selection than by sector allocations.

Performance Review

- For the quarter, Putnam Small Cap Growth Fund's Class Y shares underperformed its benchmark, the Russell 2000 Growth Index. Both stock selection and sector allocation detracted from relative performance.
- From the perspective of stock selection, communication services contributed most to relative performance, while names held in information technology, industrials and energy detracted from relative returns.
- Top contributors to relative performance included an overweight position in Huron Consulting Group (industrials), along with off-benchmark positions in Halozyme Therapeutics and Guardant Health (both health care).
- Individual detractors included off-benchmark positions in Nova (information technology) and Carpenter Technology (industrials), along with an overweight in Cardinal Infrastructure Group (industrials).
- As of quarter-end, the fund's largest sector overweights were industrials and information technology, while its largest sector underweights were real estate, materials and financials. Health care, information technology and industrials were the sectors with the largest absolute weights.

Outlook

- We remain constructive on the outlook for US small-cap growth stocks, supported by resilient corporate fundamentals and continued business investment. However, elevated interest rates and shifting market leadership reinforce the importance of focusing on companies with durable growth prospects.
- Continued investment in AI remains a growth driver across multiple industries. We also see attractive opportunities across a broad range of sectors, reinforcing the importance of fundamental research and disciplined stock selection.
- Potential headwinds include elevated interest rates, geopolitical uncertainty and narrow market leadership. We expect continued volatility and believe diversification, disciplined risk management and a focus on long-term fundamentals remain important.
- The strategy seeks to outperform the benchmark by investing in securities of high-quality, rapidly growing small companies. We employ a bottom-up, fundamental research process, and construct the portfolio in a way that seeks to reduce the risk inherent in smaller companies. The core of the portfolio is invested in high-quality, stable-growth companies. We believe this approach, with a focus on bottom-up stock selection, will enable the strategy to perform well during most normal market environments.

Morningstar Rating™

Overall Rating as of September 30, 2026

★★★★★ **(5-Star)** Class Y

★★★★★ **(5-Star)** Class A

As of 09/30/2026 the fund's Class A and Class Y shares received a 5 star overall Morningstar rating™, measuring risk-adjusted returns against 519, 497 and 406 Small Growth funds over the 3-, 5- and 10- year periods, respectively. A fund's overall rating is derived from a weighted average of the performance figures associated with its 3-, 5- and 10-year (if applicable) rating metrics. The number of funds in the category for the Overall Rating are listed under the 3-year period.

Top Equity Issuers (% of Total)

Holding	Fund
DigitalOcean Holdings, Inc.	2.54
Halozyme Therapeutics, Inc.	2.44
Huron Consulting Group Inc.	2.25
RBC Bearings Incorporated	2.19
BrightSpring Health Services, Inc.	2.02
Semtech Corporation	1.97
Applied Industrial Technologies, Inc.	1.95
Medpace Holdings, Inc.	1.76
Onto Innovation Inc.	1.73
Covista Inc.	1.71

Not FDIC Insured | No Bank Guarantee | May Lose Value

Average annual total returns and fund expenses (%) - as of September 30, 2026

			Without Sales Charge							With Maximum Sales Charge							Expenses		Sales Charges		Inception
Class	CUSIP	Ticker	3-Mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr	Inception	3-Mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr	Inception	Gross	Net	Initial Charge	CDSC	Date
Class Y	746763499	PSYGX	-15.06	9.22	6.85	17.80	6.13	14.16	11.61	-15.06	9.22	6.85	17.80	6.13	14.16	11.61	0.92	0.92	—	—	12/30/1997
Class A	746763549	PNSAX	-15.11	9.03	6.60	17.51	5.87	13.87	11.39	-19.99	2.76	0.47	15.22	4.62	13.20	11.16	1.17	1.17	5.75	—	12/30/1997
Benchmark	—	—	-9.39	10.71	12.05	17.55	4.72	9.90	—	-9.39	10.71	12.05	17.55	4.72	9.90	—	—	—	—	—	—

Benchmark(s)

Benchmark =Russell 2000 Growth Index

Performance data quoted represents past performance, which does not guarantee future results. *Current performance may be lower or higher than the figures shown. Principal value and investment returns will fluctuate, and investors' shares, when redeemed, may be worth more or less than the original cost. Performance would have been lower if fees had not been waived in various periods. Total returns assume the reinvestment of all distributions and the deduction of all fund expenses. Returns with sales charge reflect a deduction of the stated maximum sales charge. An investor cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges. Returns for periods of less than one year are not annualized. All classes of shares may not be available to all investors or through all distribution channels. For current month-end performance, please visit franklintempleton.com.*
The fund began offering Class Y shares on 11/3/2003. Performance quotations have been calculated as follows: (a) Class Y periods prior to 11/3/2003 are based on the fund's Class A performance, which has not been adjusted for the lower operating expenses; had it been adjusted, performance would be higher. (b) For periods after the share class offering, performance for the specific share class is used, reflecting the expenses and maximum sales charges applicable to that class.
The total annual operating expenses are as of the fund's prospectus available at the time of publication. Actual expenses may be higher and may impact portfolio returns.
The fund's monthly base fee is increased or reduced by a performance adjustment as described in the prospectus.

What are the Risks?

All investments involve risks, including possible loss of principal. Small- and mid-cap stocks involve greater risks and volatility than large-cap stocks. The **investment style** may become out of favor, which may have a negative impact on performance. To the extent the portfolio invests in a **concentration of certain securities, regions or industries**, it is subject to increased volatility. **Active management** does not ensure gains or protect against market declines. The manager may consider **environmental, social and governance (ESG) criteria** in the research or investment process; however, ESG considerations may not be a determinative factor in security selection. In addition, the manager may not assess every investment for ESG criteria, and not every ESG factor may be identified or evaluated. These and other risks are discussed in the fund's prospectus.

Important Information

The information provided is not a complete analysis of every material fact regarding any country, market, industry, security or fund. Because market and economic conditions are subject to change, comments, opinions and analyses are rendered as of the date of this material and may change without notice. A portfolio manager's assessment of a particular security, investment or strategy is not intended as individual investment advice or a recommendation or solicitation to buy, sell or hold any security or to adopt any investment strategy; it is intended only to provide insight into the fund's portfolio selection process. Holdings are subject to change.

The **Russell 2000 Growth Index** measures the performance of the small-cap growth segment of the U.S. equity universe.

Source: FTSE.

Important data provider notices and terms available at www.franklintempletondatasources.com. All data is subject to change.

Holdings are provided for informational purposes only and should not be construed as a recommendation to purchase or sell any security.

Morningstar Rating™: Source: Morningstar®, 09/30/2026. For each mutual fund and ETF with at least a 3-year history, Morningstar calculates a Morningstar Rating™ based on how a fund ranks on a Morningstar Risk-Adjusted Return measure against other funds in the same category. This measure takes into account variations in a fund's monthly performance, and does not take into account the effects of sales charges and loads, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of funds in each category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars and the bottom 10% receive 1 star. The weights are: 100% 3-year rating for 36-59 months of total returns, 60% 5-year rating/40% 3-year rating for 60-119 months of total returns, and 50% 10-year rating/30% 5-year rating/20% 3-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent 3-year period actually has the greatest impact because it is included in all three rating periods. The fund's Class A shares received a Morningstar Rating of 4, 4 and 5 and fund's Class Y shares received a Morningstar Rating of 4, 4 and 5 star(s) for the 3-, 5- and 10-year periods, respectively. Franklin Templeton provides this fund's Morningstar Rating™ for Class A and Class Y shares only. Other share classes may have different Morningstar ratings. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

The fund is not exchangeable for other funds distributed by Franklin Distributors, LLC.

© 2026 Franklin Templeton. Franklin Distributors, LLC. Member FINRA/SIPC. Putnam Investments is a Franklin Templeton Company.

Before investing, carefully consider a fund's investment objectives, risks, charges and expenses. You can find this and other information in each prospectus, or summary prospectus, if available, at www.franklintempleton.com. Please read it carefully.

FRANKLIN TEMPLETON