

Putnam Small Cap Growth Fund

Class Y: PSYGX Class A: PNSAX

Commentary | as of March 31, 2025

Key Takeaways

- **Markets:** The quarter was marked by significant volatility, with small-cap growth stocks posting double-digit declines.
- **Contributors:** Stock selection in the health care and consumer discretionary sectors.
- **Detractors:** Stock selection and overweight positioning in the industrials and information technology sectors.
- **Outlook:** We remain focused on constructing a portfolio driven by stock selection, but we are generally more cautious in our outlook. We believe higher-quality companies with pricing power to defend their margins in the new global trade regime may help temper some volatility.

Performance Review

- In a challenging quarter for equity markets, the fund outperformed its benchmark, the Russell 2000 Growth Index.
- Outperformance was driven by stock selection, while sector allocations weighed on results.
- Stock selection in health care and consumer discretionary drove relative strength, while selections and positioning in industrials and information technology detracted.
- Top individual contributors to performance included out-of-benchmark exposure to Verona Pharma and Intra-Cellular therapies, and an overweight position in Huron Consulting.
- Top detractors from performance included an overweight position in Vertex and out-of-benchmark exposure to Parsons.
- At the close of the quarter, the largest overweight sectors relative to the benchmark were industrials and materials. The fund's largest sector underweights were energy and communication services.

Outlook

- At the close of the first quarter, uncertainties abound, due to whiplash around tariff headlines, declining consumer and business confidence, and the rising probability of recession.
- Against this backdrop, we are positioning the portfolio more cautiously. We have always sought to anchor the portfolio in stable higher-quality companies that have a track record of delivering high returns and generating strong cash flows. We believe these types of businesses may have the pricing power to defend their margins in the new global trade regime.
- Along those lines, we are less interested in stocks that are more levered to GDP growth or that rely heavily on government spending.
- We continue to seek opportunities in companies whose products and services are highly valued by their customers and are relatively sheltered from regulatory risk.

Morningstar Rating™

Overall Rating as of March 31, 2025

★★★★★ (5-Star) Class Y

★★★★★ (5-Star) Class A

As of 03/31/2025 the fund's Class A and Class Y shares received a 5 star overall Morningstar rating™, measuring risk-adjusted returns against 535, 520 and 395 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.

Top Equity Issuers (% of Total)

Holding	Fund
Merit Medical Systems	2.49
Encompass Health	2.38
Huron Consulting Group	2.34
ACI Worldwide	2.14
Descartes Systems Group	2.10
Carpenter Technology	2.08
Belling Brands	2.06
Applied Industrial Technologies	2.01
Skyward Specialty Insurance Group	2.00
Vertex	1.91

Sector Allocation (% of Total)

Sector	Fund
Industrials	26.96
Health Care	23.12
Information Technology	18.24
Consumer Discretionary	9.59
Financials	8.55
Materials	5.19
Consumer Staples	3.45
Real Estate	2.07
Energy	1.25
Cash & Other Net Assets	1.57

Average annual total returns and fund expenses (%)

Class	CUSIP	Ticker	Without Sales Charge							With Maximum Sales Charge							Expenses		Sales Charges		Inception
			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	-10.39	-10.39	-4.81	5.18	15.15	10.40	11.12	-10.39	-10.39	-4.81	5.18	15.15	10.40	11.12	0.96	0.96	—	—	12/30/1997
Class A	746763549	PNSAX	-10.44	-10.44	-5.05	4.92	14.86	10.12	10.90	-15.59	-15.59	-10.51	2.86	13.51	9.47	10.66	1.21	1.21	5.75	—	12/30/1997
Benchmark	—	—	-11.12	-11.12	-4.86	0.78	10.78	6.14	—	-11.12	-11.12	-4.86	0.78	10.78	6.14	—	—	—	—	—	—

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. Gross expenses are the fund's total annual operating expenses as of the fund's prospectus available at the time of publication. Net expenses are capped under a contractual agreement, which cannot be terminated prior to 10/30/2025 without Board consent. 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.

Morningstar Rating™: Source: Morningstar®, 03/31/2025. 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 5, 4 and 5 and fund's Class Y shares received a Morningstar Rating of 5, 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.

Putnam funds are not exchangeable for other funds distributed by Franklin Distributors, LLC. Prior to August 2, 2024, Putnam Retail Management, LP served as distributor of Putnam funds and services.

© 2024 Franklin Templeton. Distributed by Putnam Retail Management, LP. Member FINRA/SIPC.

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.