

# **Putnam Core Bond Fund**

# **Class Y: PYTRX Class A: PTRNX**

Commentary | as of September 30, 2025

## **Key Takeaways**

- Markets: Market sentiment improved across the third quarter of 2025 due to a partial resolution of some of the outstanding trade policy concerns and a 25-basis point rate cut by the US Federal Reserve which were both well received by the market. On the trade front, a deal was reached between the President Trump administration and some of the largest US trading partners; such as the United Kingdom, the European Union and Japan. Although no agreement was made with China, there was a 90-day pause in many of the across-the-board increases. President Trump has continued to issue product specific tariffs designed to move his policy goals further. At its September meeting, the Fed cut the fed funds rate by 25-basis points and signaled that more cuts were likely to come by the end of this year. This bolstered markets, which viewed that the cut was addressing some of the weakening economic measures, such as the status of the US labor market.
- Contributors: High yield and CLO exposures within corporate credit.
- **Detractors:** Underweight exposure to emerging markets debt.
- Outlook: The Fed has been struggling to balance its dual mandate—maximum employment and price stability—as stagflation (rising inflation with slowing growth) becomes a real possibility. The Fed has chosen to prioritize employment over inflation, consistent with its historical tendency to intervene when growth slows. US trade policy remains a wild card, adding to uncertainty in the market, even if tariffs do not cause a permanent lift in inflation. Strong consumer spending and supportive fiscal policy mean the current economic environment is not likely to return to disinflation. In our view, tariffs are expected to cause a moderate, one-off uptick in inflation, of roughly 1–1.5 percentage points. The overall impact should be limited due to the small share of imports in the US economy. In our view, this level of uncertainty has the potential to spur volatility in the UST market. We continued to be biased toward higher UST yields, especially in intermediate and longer-term maturities, given the Fed's inability to cut rates deeply due to inflation and increased issuance of USTs needed to fund increasing deficits.

# Morningstar Rating™

Overall Rating as of September 30, 2025



As of 09/30/2025 the fund's Class Y and Class A shares received a 5 star overall Morningstar rating  $^{\text{TM}}$ , measuring risk-adjusted returns against 430, 382 and 288 Intermediate Core Bond 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.

Fund Characteristics	Fund			
Distribution Frequency	Monthly			
30-Day SEC Yield (Class Y)—With Waiver	4.39%			
30-Day SEC Yield (Class Y)—Without Waiver	4.38%			

### **Performance Review**

- During the third quarter of 2025, the Fund's Y share class returned 2.12% and outperformed its benchmark, the Bloomberg US Aggregate Index, which returned 2.03%.
- High yield and CLO allocations within corporate credit were additive high yield corporate credit spreads tightened by
  approximately 23 basis points, ending the quarter at 267 basis points. Fundamentals in the leveraged loan market are stable
  overall, and issuance is running at record levels with \$142 billion in new issues year-to-date.
- Within mortgage credit, non-agency RMBS, interest-only [IO] and mezzanine CMBS positions contributed to relative
  performance. Commercial real estate is showing signs of improvement and rising transaction volumes are providing more
  price transparency. U.S. homeowner balance sheets remain well positioned, supported by locked in home price appreciation,
  lower household leverage, and strong underwriting standards.
- An underweight exposure to emerging markets debt detracted from relative returns over the period. EM hard currency
  sovereign bond indexes, as well as investment grade (IG) bonds and high yield (HY) issues, have recorded gains, supported
  by US Fed easing and a favorable technical backdrop.

## Outlook

- Corporate credit: Spreads have tightened by 7 basis points since the start of the year to finish September at +73 basis points. This point-to-point move, however, masks considerable intra-period volatility with spreads trading as wide as +119 post-Liberation Day to the mid-September tights of +71 (a 48-basis point range). Throughout the period, widening has generally been met with buyers as the technical strength of the IG corporate market has superseded policy and tariff uncertainty, despite its potential to impact demand and cost structures across sectors. Gross IG supply is roughly flat yearover-year, however net supply year-to-date is down 31%. Lower net supply, strong demand from liability-management based buyers, and consistent inflows have all contributed to this technical strength. Prior to the tariff announcements, corporate balance sheets were generally in good shape, affording most investment grade issuers substantial flexibility to manage through shifting economic conditions, which provides further support to the market. Additionally, second quarter earnings were largely supportive for credit with leverage and interest coverage metrics stabilizing and EBITDA margins trending near all-time highs. However, we have seen pockets of stress with subprime auto delinquencies rising and greater price elasticity amongst middle- and lower-income consumers. Going forward, we expect domestic sectors like utilities, insurance and wireless to be more resilient, while consumer discretionary sectors and those with global supply to be more at risk for disruption. With valuations now back towards the tight end of the range, the market is pricing in a sanguine outcome with minimal room for policy errors, and therefore we continue to favor balanced a risk posture with a bias towards noncyclical sectors.
- Commercial mortgage credit: We believe commercial real estate will face more headwinds as higher long-term interest rates and slower economic growth could weigh on the sector. However, availability of financing is much improved as floating-rate private label CMBS (Single Asset Single Borrower 'SASB') and private credit have helped fill the void left by regional banks. CRE is showing signs of improvement and rising transaction volumes are providing more price transparency. There are good tailwinds for the New York office market, including strong leasing momentum, stabilizing vacancies and net absorption. Meanwhile, payoff and refinancing rates continue to surprise to the upside amongst all property types. The prevalence of modifications and extensions on existing debt have helped mitigate maturity wall issues and the immediate need for new financing. We view generic spreads as tight and the credit curve as flat. However, we believe CMBS still offers attractive opportunities for security selection when utilizing detailed loan level analysis, particularly when considering relative value to

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other sectors.

Residential mortgage credit: U.S. homeowner balance sheets remain well positioned, supported by locked in home price appreciation, lower household leverage, strong underwriting standards, and a relatively healthy labor market. Affordability remains challenged given high mortgage rates and all time high median home prices. Housing supply has increased from the historical lows, driven by new homes supply particularly in southern states such as Florida and Texas. Given this backdrop we expect home price growth will be modest over the next year with risks skewed to downside and high regional variance. Overall, we maintain a neutral view of the sector given rich valuations and our expectations for home price growth, but we continue to find value in certain subsectors. Given the flat credit curve, we favor opportunities near the top of the capital stack, such as recent issue non-qualified mortgage and credit risk transfer bonds.

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## Average annual total returns and fund expenses (%) - as of September 30, 2025

			Without Sales Charge						With Maximum Sales Charge							Expenses		Sales Charges		Inception	
Class	CUSIP	Ticker	3-Мо	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	746764323	PYTRX	2.12	6.26	3.21	5.45	2.47	2.75	2.70	2.12	6.26	3.21	5.45	2.47	2.75	2.70	0.39	0.39	_	_	12/23/2008
Class A	746764372	PTRNX	2.06	6.17	3.04	5.19	2.23	2.49	2.45	-2.02	1.93	-1.08	3.76	1.40	2.07	2.20	0.64	0.64	4.00	_	12/23/2008
Benchmark 1	_	_	2.03	6.13	2.88	4.93	-0.45	1.84	_	2.03	6.13	2.88	4.93	-0.45	1.84	_	_	_	_	_	_
Benchmark 2	_	_	2.03	6.13	2.88	4.68	2.90	2.05	_	2.03	6.13	2.88	4.68	2.90	2.05	_	_	_	_	_	_

### Benchmark(s)

Benchmark 1=Bloomberg U.S. Aggregate Index

Benchmark 2=Putnam Core Bond Linked Benchmark

**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 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.

## What are the Risks?

All investments involve risks, including possible loss of principal. Fixed income securities involve interest rate, credit, inflation and reinvestment risks, and possible loss of principal. As interest rates rise, the value of fixed income securities falls. Low-rated, high-yield bonds are subject to greater price volatility, illiquidity and possibility of default. Asset-backed, mortgage-backed or mortgage-related securities are subject to prepayment and extension risks. International investments are subject to special risks, including currency fluctuations and social, economic and political uncertainties, which could increase volatility. These risks are magnified in emerging markets. Derivative instruments can be illiquid, may disproportionately increase losses, and have a potentially large impact on performance. 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.

#### Glossary

A basis point (bp, or bps) is one one-hundredth of one percent (1/100% or 0.01%).

A Credit Risk Transfer (CRT) is a channel for government-sponsored enterprises (GSEs) like Fannie Mae and Freddie Mac to transfer credit risk to private investors and away from taxpayers. EBITDA: A ratio used to determine the value of a company and is calculated as the enterprise value divided by EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization).

Investment grade is a rating that indicates that a municipal or corporate bond has a relatively low risk of default. BBB is medium credit quality rating.

**Stagflation** is a seemingly contradictory condition described by slow economic growth and relatively high unemployment, or economic stagnation, which is at the same time accompanied by rising prices (i.e. inflation).

## **Important Information**

# Effective 2/28/23, the fund's name changed from Putnam Fixed Income Absolute Return Fund and was repositioned to a core bond strategy.

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 **Bloomberg US Aggregate Index** is comprised of investment-grade, U.S. dollar-denominated government, corporate, and mortgage- and asset-backed issues having at least one year to maturity. Source: Bloomberg Indices. The **Putnam Core Bond Linked Benchmark** represents the performance of the ICE BofA U.S. Treasury Bill Index through February 27, 2023, and the performance of the Bloomberg U.S. Aggregate Bond Index thereafter.

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

The **30-day SEC yield** is calculated using the net income (interest and dividends) per share earned over a trailing 30-day period (annualized), divided by the fund's share price at the end of that period. It may not equal the fund's actual income distribution rate, which reflects the fund's past dividends paid to shareholders.

Morningstar Rating™: Source: Morningstar®, 09/30/2025. 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 4, 5 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.

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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.

