FRANKLIN TEMPLETON | Putnam INVESTMENTS

Putnam Convertible Securities Fund

Class Y: PCGYX Class A: PCONX | **Commentary | as of September 30, 2026**

Key Takeaways

- **Markets:** Convertible securities were volatile during the quarter. Issuers linked to artificial intelligence (AI), which had driven year-to-date gains, pulled back in July on monetization concerns and rebounded in August as equities rallied and new issuance hit record levels.
- **Contributors:** Security selection in health care, financials and consumer staples.
- **Detractors**: Security selection in information technology, consumer discretionary and communication services.
- **Outlook:** We remain constructive on convertible securities given healthy balance sheets, robust demand and record issuance from a broader, higher-quality issuer base, much of it tied to AI infrastructure. With rates rising and AI valuations under greater scrutiny, we favor balanced, quality issuers and view volatility as an opportunity to add exposure at attractive levels of convexity.

Performance Review

- For the quarter, Putnam Convertible Securities Fund underperformed its benchmark, the ICE BofA U.S. Convertible Index. Security selection detracted from relative performance, and sector allocation only marginally detracted.
- Security selection in information technology, consumer discretionary and communication services detracted from relative performance, while security selection in health care, financials and consumer staples contributed to relative returns.
- Sector allocation benefited from underweight positioning in industrials and an overweight in real estate, whereas underweight positioning in health care and financials detracted.
- Top contributors to relative performance included overweight positioning in health care companies Tempus and Halozyme Therapeutics, along with an off-benchmark holding in Microsoft (information technology).
- Individual detractors included not holding Super Micro Computer (information technology), an underweight position in Strategy (information technology) and off-benchmark holding in Nebius Group (information technology).
- As of quarter-end, the fund's largest sector overweights were information technology, energy and materials, while its largest sector underweights were utilities, health care and financials. Information technology, health care and communication services were the sectors with the largest absolute weights.

Outlook

- As we progress through the year, markets have had to navigate a rapidly evolving macroeconomic and geopolitical landscape. Equity markets continue to set new highs despite periodic volatility tied to Middle East developments, inflation concerns and uncertainty around monetary policy.
- Strong corporate earnings, continued enthusiasm for AI applications and infrastructure buildout, and resilient economic data remained key tailwinds for risk assets. In convertibles, semiconductor and AI infrastructure issuers were major contributors, reflecting the asset class's exposure to some of the most dynamic areas of global growth.
- We believe convertible securities remain well positioned to deliver attractive risk-adjusted returns, supported by strong fundamentals, favorable technicals, ample liquidity, selective exposure to AI-driven growth trends and the potential for increased merger and acquisition activity.
- Elevated yields in high-yield and investment-grade credit continue to make convertible issuance attractive relative to straight debt, supporting a healthy supply outlook. New issue volume set a record in 2025 and is on pace to exceed it meaningfully in 2026.
- The convertible market continues to benefit from a broader and higher-quality issuer base as large, established companies join a diverse pipeline across sectors. New issues have generally traded well, and secondary-market liquidity and volumes remain historically high. Increased global activity, including in Europe and China, has further expanded the opportunity set.
- Our approach maintains a balanced delta (40–60 range) at the portfolio level to capture equity upside while limiting downside risk. However, securities along the entire delta spectrum are eligible for inclusion.
- Within that framework, we emphasize balanced, quality issuers that we believe will demonstrate positive convexity over time, as well as high-delta securities on which we have a strong fundamental view.

Top Holdings (% of Total)

Holding	Fund
Alphabet	4.65
Lumentum Holdings	2.81
Welltower	2.24
Boeing	2.20
Cloudflare	2.01
NextEra Energy	1.98
Bloom Energy	1.92
Snowflake	1.89
Live Nation Entertainment	1.89
Bank of America	1.78

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	746476407	PCGYX	-6.44	13.72	13.25	15.65	5.32	10.72	9.94	-6.44	13.72	13.25	15.65	5.32	10.72	9.94	0.76	0.76	—	—	6/29/1972
Class A	746476100	PCONX	-6.50	13.48	12.95	15.35	5.05	10.43	9.80	-11.88	6.96	6.46	13.10	3.81	9.78	9.68	1.01	1.01	5.75	—	6/29/1972
Benchmark	—	—	-6.19	13.63	15.87	16.70	6.45	11.77	—	-6.19	13.63	15.87	16.70	6.45	11.77	—	—	—	—	—	—

Benchmark(s)

Benchmark =ICE BofA U.S. Convertible 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 12/30/1998. Returns for periods prior to 12/30/1998 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. For periods after the share class offering, performance for the specific share class is used, reflecting the applicable 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.

What are the Risks?

All investments involve risks, including possible loss of principal. Convertible securities are subject to the risks of stocks when the underlying stock price is high relative to the conversion price and debt securities when the underlying stock price is low relative to the conversion price. **Small- and mid-cap stocks** involve greater risks and volatility than large-cap stocks. **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. **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

Convertible securities are bonds or preferred stocks that can be converted into a preset number of shares of common stocks after a predetermined date.

Convexity is a measure of the curvature, or the degree of the curve, in the relationship between bond prices and bond yields.

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 **ICE BofA U.S. Convertible Index** tracks the performance of publicly issued U.S. dollar-denominated convertible securities of U.S. companies.

Source: The index data referenced herein is the property of Intercontinental Exchange ("ICE") and/or its licensors and has been licensed for use by Franklin Templeton. ICE and its licensors accept no liability in connection with this use.

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.

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