Putnam Convertible Securities Fund

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

Key Takeaways

- **Markets:** Convertible securities advanced during the quarter despite geopolitical and macroeconomic volatility, supported by strong earnings, resilient economic data, and strength in semiconductor and AI infrastructure companies.
- **Contributors:** Stock selection in information technology.
- **Detractors**: Stock selection in communication services, consumer discretionary and energy.
- **Outlook:** We remain constructive on convertible securities given strong fundamentals, robust demand, and an expanding, higher-quality opportunity set. Market volatility can create attractive entry points, given convertibles' upside participation and risk mitigation.

Performance Review

- During Q2 2026, the portfolio generated a positive return and outperformed its benchmark, the ICE BofA US Convertible Index. Both security selection and sector allocation were the drivers of relative outperformance.
- At the sector level, information technology was the largest relative contributor, led by favorable security selection and overweight positioning within AI-related companies. Underweight exposure to utilities and financials was also beneficial.
- Detractors included overweight positioning and security selection within the energy sector, along with security selection within communication services and consumer discretionary.
- At the issuer level, top contributors included Seagate, Nebius Group, DigitalOcean, and CyberArk within technology, along with overweight positions in Chefs' Warehouse (consumer staples) and Bloom Energy (industrials).
- An underweight in Western Digital (information technology) and avoidance of Wolfspeed (information technology) were the top detractors. Overweights in Guidewire Software and OSI Systems also weighed on relative returns.
- In terms of positioning, the portfolio emphasizes more balanced, quality issuers which we believe will demonstrate positive convexity over time; plus, selective exposure in high-delta securities in which we have a strong fundamental view.

Outlook

- The market backdrop remains supportive despite geopolitical and macroeconomic volatility. Strong earnings, AI-driven growth and resilient economic data have supported risk assets, with convertibles benefiting from meaningful exposure to semiconductors and AI infrastructure companies.
- Convertibles offer an attractive risk-adjusted return profile. Convertibles have outperformed both equities and fixed income over the past 18 months, delivering strong upside participation while maintaining favorable risk-mitigation characteristics. We continue to view periods of market volatility as opportunities to add exposure at attractive levels of convexity.
- Fundamentals and technicals remain strong. Healthy corporate balance sheets, robust investor demand, and continued issuance activity support the asset class. Broadening equity market participation could create additional opportunities for convertible securities going forward.
- The opportunity set and liquidity continue to expand. Elevated borrowing costs and the flexibility of convertible financing continue to support strong issuance from a broader and increasingly higher-quality issuer base, expanding investment opportunities and supporting market liquidity. New issue volume reached a record level in 2025 and is on pace to meaningfully exceed that mark in 2026.

Top Holdings (% of Total)

Holding	Fund
Western Digital	2.99
Alphabet	2.89
Lumentum Holdings	2.77
Welltower	2.37
Boeing	2.30
Terawulf	2.09
CoreWeave	2.06
NextEra Energy	2.02
Live Nation Entertainment	2.01
Digitalocean Holdings	1.99

Average annual total returns and fund expenses (%) - as of June 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	18.74	21.55	28.54	16.72	6.65	12.19	10.12	18.74	21.55	28.54	16.72	6.65	12.19	10.12	0.76	0.76	—	—	6/29/1972
Class A	746476100	PCONX	18.66	21.37	28.18	16.42	6.38	11.91	9.98	11.83	14.39	20.81	14.14	5.13	11.25	9.86	1.01	1.01	5.75	—	6/29/1972
Benchmark	—	—	16.78	21.12	34.12	18.20	7.71	13.15	—	16.78	21.12	34.12	18.20	7.71	13.15	—	—	—	—	—	—

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.

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

Putnam funds are not exchangeable for other funds distributed by Franklin Distributors, LLC.

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.

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