

# What is sustainable investing?

Sustainable investing aims to identify companies that offer potential for strong financial returns while also demonstrating a commitment to sustainable business practices and positive impact. Sustainability is typically evaluated through analysis of environmental, social, and governance (ESG) policies, practices, and performance.

Environmental practices might include improving water quality or reducing carbon emissions. Social impact could involve fair labor practices and improvements in workplace equality and diversity. Governance issues relate to a company’s leadership structures, board composition, and management incentives. As with any strategy, investors should consider how these approaches might affect their overall investment plan.

## Sustainable investment approaches

<p><b>EXCLUSIONARY APPROACH</b></p>  <p>“Not that”</p>	<p>This approach focuses on what is NOT included in a portfolio, since some investors aim to avoid exposure to businesses like fossil fuels or gun manufacturing. Exclusionary approaches are often employed by passive funds.</p>
<p><b>INTEGRATED APPROACH</b></p>  <p>“Best practices”</p>	<p>This approach combines ESG analysis with other forms of investment research, and can be implemented through fundamental, quantitative, or passive investment strategies.</p> <p><b>Putnam Sustainable Leaders Fund (PNOYX)</b> has an integrated approach that seeks excellence in fundamentals, valuation, and sustainability.</p>
<p><b>IMPACT APPROACH</b></p>  <p>“Sustainable solutions”</p>	<p>This approach requires the most in-depth research, as it seeks companies that are actively solving sustainability challenges. Impact investors set explicit goals for both financial return and social or environmental benefit.</p> <p><b>Putnam Sustainable Future Fund (PMVYX)</b> uses deep fundamental research to seek companies that are at the forefront of addressing unmet needs and creating positive environmental and social impact.</p>

## Examples of sustainable business practices

“ We believe an intense focus on sustainability has the potential to deliver returns to investors while also benefiting communities and the environment. ”



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**Consider these risks before investing:** Stock values may fall or fail to rise over time for several reasons, including general financial market conditions, changing market perceptions, changes in government intervention in the financial markets, and factors related to a specific issuer, industry or sector. These and other factors may lead to increased volatility and reduced liquidity in the fund's portfolio holdings. Growth stocks may be more susceptible to earnings disappointments, and the market may not favor growth-style investing. Investments in small and/or midsize companies increase the risk of greater price fluctuations. International investing involves currency, economic, and political risks. Emerging-market securities have illiquidity and volatility risks. The fund's sustainable investment strategy limits the types and number of investment opportunities available to the fund and, as a result, the fund may underperform other funds that do not have a sustainable focus. The fund's investment strategy of investing in companies that exhibit a commitment to sustainable business practices may result in the fund investing in securities or industry sectors that underperform the market as a whole or underperform other funds that do not invest with a similar focus. Due to changes in the products or services of the companies in which the fund invests, the fund may temporarily hold securities that are inconsistent with its sustainable investment criteria. You can lose money by investing in the fund.

Impact investing and/or Environmental, Social and Governance (ESG) managers may take into consideration factors beyond traditional financial information to select securities, which could result in relative investment performance deviating from other strategies or broad market benchmarks, depending on whether such sectors or investments are in or out of favor in the market. Further, ESG strategies may rely on certain values based criteria to eliminate exposures found in similar strategies or broad market benchmarks, which could also result in relative investment performance deviating.

**Investors should carefully consider the investment objectives, risks, charges, and expenses of a fund before investing. For a prospectus, or a summary prospectus if available, containing this and other information for any Putnam fund or product, call your financial representative (or call Putnam at 1-800-225-1581). Read the prospectus carefully before investing.**