

ACTIVE INSIGHTS - 2021 Investment Framework

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Our 2021 Investment Framework contains the views and opinions of Putnam's Equity, Fixed Income and Global Asset Allocation teams.

ECONOMY

- Our median forecast for United States real GDP is 3.5%
- Our median forecast for European real GDP is 2.5%
- Our median forecast for Emerging Market real GDP is 4.5%
- We expect core CPI to remain muted in 2021
- The chart below shows U.S. real GDP going back to 2000. If we are correct that real GDP moves to 3.5%, it will be the highest level since 2004



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MARKETS

Equities

- Our median forecast calls for the S&P 500 to finish the year at 3900
- The two main drivers of our forecast are economic acceleration and earnings acceleration
- Our main concerns are centered on valuation and the potential for higher interest rates
- The consensus earnings estimate (next 12 months) for the S&P 500 is \$160.03. This suggests 25.41% YoY earnings growth
- The current forward price / earnings multiple for the S&P 500 is 23.12
- We favor consumer discretionary, industrial / material, and technology sectors
- We believe that both growth and value will perform well while recognizing that value historically outperforms as the economy reaccelerates
- We believe that small capitalization stocks will outperform large capitalization stocks
- We believe that the U.S. equity market will outperform developed international markets
- We believe that emerging markets will outperform U.S. equity markets and developed international markets
- The table below shows S&P 500 earnings estimates (NTM) and valuation out to 2022

SPX Index	96) Actions ▾	97) Settings	Consensus Overview					
S&P 500 INDEX								
Periodicity	A ▾	Flavor	F12 ▾	View	Growth ▾	Currency	USD ▾	
Measure		Actual	F12 Est	Growth	Y+1 Est	Growth	Y+2 Est	Growth
1) Earnings Per Share		127.61	160.03	25.41%	171.50	7.17%	198.49	15.74%
2) EPS Positive		138.56	165.54	19.47%	174.34	5.31%	199.05	14.18%
3) Cash Flow Per Share		235.52	236.58	0.45%	246.43	4.16%	275.85	11.94%
4) Dividends Per Share		60.53	62.97	4.02%	61.33	-2.60%	65.33	6.53%
5) Book Value Per Share		913.79	942.28	3.12%	1007.74	6.95%	1107.79	9.93%
6) Sales Per Share		1353.68	1414.49	4.49%	1453.95	2.79%	1549.70	6.59%
7) EBITDA Per Share		233.33	283.37	21.45%	301.32	6.33%	335.53	11.35%
8) Long Term Growth		0.00	11.32	0.00%	0.00	0.00%	0.00	0.00%
9) Net Debt Per Share		387.58	493.10	27.22%	465.17	-5.66%	440.96	-5.20%
10) Enterprise Value Per Share		4204.23	4230.40	0.62%	4201.93	-0.67%	4180.91	-0.50%
Valuation Measure		Actual	F12 Est	Y+1 Est	Y+2 Est			
11) Price/EPS		28.99	23.12	21.57	18.64			
12) Price/EPS Positive		26.70	22.35	21.22	18.58			
13) Price/Cash Flow		15.71	15.64	15.01	13.41			
14) Dividend Yield		1.64	1.70	1.66	1.77			
15) Price/Book		4.05	3.93	3.67	3.34			
16) Price/Sales		2.73	2.62	2.54	2.39			
17) Price/EBITDA		15.85	13.05	12.28	11.02			
18) EV/EBITDA		18.02	14.84	13.95	12.53			
19) Net Debt/EBITDA		1.66	1.37	1.29	1.16			

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Fixed Income

- Our median forecast calls for U.S. 10-year note yields to finish the year at 1.25%
- We believe investment grade corporate credit spreads are likely to be stable here with a bias to grind tighter
- We believe high-yield corporate credit spreads are likely to be stable here with a bias to grind tighter
- We believe structured credit spreads are likely to grind tighter from here
- We believe municipal credit spreads are likely to be stable here
- We believe the Fed is unlikely to raise or cut rates
- We have a split view on the ability of U.S. 10-year notes to provide diversification benefit
- We believe the U.S. dollar is likely to lose value relative to major foreign currencies
- The chart below shows U.S. 10-year note yields



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