
Putnam adapts 'Absolute Return 500 Fund' for VAs

By Editor Test Wed, Feb 23, 2011

Putnam Investments launched four Absolute Return Funds in January 2009 that aimed to match the returns of short-term securities, bonds, balanced funds and stocks, respectively, but with less risk.

Putnam Investments plans to launch a version of its Absolute Return 500 Fund, called the Putnam Variable Trust Absolute Return 500 Fund, for use by insurance companies in variable annuities and other variable insurance products in lieu of balanced funds.

The new version is designed to seek a return that beats the inflation rate (as reflected by Treasury bills) by 5% over a period of at least three years or more, regardless of market conditions, and with less volatility than that "historically associated with traditional asset classes that have earned similar level of return."

The fund combines two independent investment strategies: A beta strategy that seeks to balance risk and provide positive total return through a comprehensively diversified, multi-asset class market portfolio with broad exposure to investment markets; and an alpha strategy with a variety of active trading tactics that employ security selection, tactical asset allocation, , currency transactions and options transactions.

The new variable trust offering will join the Putnam 529 for America and Putnam RetirementReady (lifecycle) funds as investment vehicles that make Putnam absolute return strategies available to advisors and their clients.

"This subaccount aims for targeted return with managed volatility that insurers can use in assembling portfolios to help meet their variable products' investment, risk and volatility objectives," said Putnam's President and Chief Executive Officer Robert L. Reynolds.

The trustees of the Putnam Funds have approved the proposed subaccount, and Putnam has filed the subaccount with the U.S. Securities and Exchange Commission. Subject to the required review the Putnam VT Absolute Return 500 Fund will be launched in spring 2011.

The Putnam VT Absolute Return 500 Fund will be managed by the same team of portfolio managers and in the same manner as the retail Absolute Return 500 Fund, led by Jeffrey L. Knight, Head of Global Asset Allocation.

Putnam Investments launched the mutual fund industry's first suite of Absolute Return Funds in January 2009 with four funds: the "100" Fund (Class A: PARTX) which seeks to beat inflation by 1% over periods of three years or more net of all fund expenses as measured by T-bills, and can be an alternative to short-term securities; a "300" Fund intended to beat inflation by 3% and provide an alternative to bond funds; the "500" Fund, and the "700" Fund, designed to beat inflation by 7% and provide an alternative to stock funds.

To manage risk, the funds use short-maturity fixed-income securities; derivatives to hedge against market

declines; Treasury futures contracts to reduce interest-rate risk; and cash positions to help stabilize fund performance.

Currently, the Putnam Absolute Return Funds have almost \$3 billion under management and are used by almost 10,000 advisors from more than 500 broker dealers.

At the end of January 2011, Putnam had \$123 billion in assets under management, including mutual fund assets of \$68 billion and institutional assets of \$55 billion. Putnam has offices in Boston, London, Frankfurt, Amsterdam, Tokyo, Singapore, and Sydney.

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