

Markets recover from crisis

History has shown investors can benefit from staying invested throughout a crisis

CRISIS AND THE S&P: MARKET REACTION

Event	Event reaction dates	Gain/loss during event	S&P 500 annualized gain/loss after last reaction date			
			1 month later	1 year later	5 years later	10 years later
Fall of France	05/09/40 – 06/22/40	-16.9%	0.7%	5.0%	15.7%	13.2%
Attack on Pearl Harbor	12/06/41 – 12/10/41	-7.5	2.1	15.8	18.0	17.1
Korean War	06/23/50 – 07/13/50	-12.2	10.2	42.2	27.7	18.5
Eisenhower heart attack	09/23/55 – 09/26/55	-6.6	-0.5	11.9	8.4	11.5
Cuban Missile Crisis	08/23/62 – 10/23/62	-9.9	15.5	41.1	15.8	11.1
John F. Kennedy assassination	11/21/63 – 11/22/63	-2.8	7.0	27.8	12.4	7.0
U.S. bombs Cambodia	04/29/70 – 05/26/70	-15.0	6.4	49.0	9.3	9.3
Nixon resigns	08/09/74 – 08/29/74	-13.4	-6.8	30.2	14.6	14.6
U.S.S.R. invades Afghanistan	12/24/79 – 01/03/80	-1.8	9.9	36.5	15.0	18.0
U.S. invades Grenada	10/24/83 – 11/07/83	-2.1	2.8	9.4	15.9	15.0
Financial panic of 1987	10/02/87 – 10/19/87	-31.5	7.1	27.7	17.0	18.9
Invasion of Panama	12/15/89 – 12/20/89	-2.1	-0.9	-0.2	9.3	18.2
Gorbachev coup	08/16/91 – 08/19/91	-2.3	3.2	14.5	15.2	14.3
Gulf War ultimatum	12/24/90 – 01/16/91	-4.0	17.2	36.6	17.3	18.0
World Trade Center bombing	02/26/93 – 03/01/93	-0.3	2.1	8.0	21.8	8.7
Long-term capital management collapse	08/28/98 – 09/09/98	-2.0	-2.0	35.8	1.8	—
Russian ruble devaluation	08/28/98 – 09/11/98	-1.7	-2.3	35.8	1.6	—
September 11 terrorist attacks	09/10/01 – 09/21/01	-11.6	11.3	-11.1	8.3	—
U.S. invades Iraq	03/18/03 – 03/31/03	-2.1	8.2	35.1	—	—
Mean gain/loss		-7.7%	4.8%	23.7%	13.6%	14.2%
Median gain/loss		-4.0%	3.2%	27.8%	15.1%	14.6%

All returns include reinvested dividends. Returns for periods greater than one year are annualized. Historical references do not assume that any prior market behavior will be duplicated. Past performance does not indicate future results. There are risks associated with mutual fund investing including the possibility that share prices will decline. Since investment return and principal value will fluctuate, shares when redeemed may be worth more or less than their original cost. Performance of Putnam funds will differ.

The S&P 500 Index is an unmanaged index of common stock performance. You cannot invest directly in an index. Indexes are unmanaged and used as a broad measure of market performance. Data prior to the S&P 500 Index inception in 1959 was derived from Thompson Financial.

The pattern of crisis and recovery

Typically, an international crisis tends to heighten fear. The news media and public perceptions become overly pessimistic. Financial markets that are usually rational can show irrational movements.

But a crisis that is important enough to influence financial markets typically causes the government to respond. After all, the biggest crises involved a threat to national security in addition to a danger to the economy. Historically, this situation has prompted action — often by the Federal Reserve, the United States, the United Nations, or an international coalition — to bring about a solution. The economy and financial markets were then able to resume their long-term trends.

The U.S. stock market has been remarkably resilient; it has routinely recovered from short-term crisis events to move higher over long time periods. The graph below shows a hypothetical investment in the S&P 500 Index, which represents some of the largest companies in the U.S. stock market. In spite of recessions, wars, and other crises, the annualized return since 1940 was 11.95%.

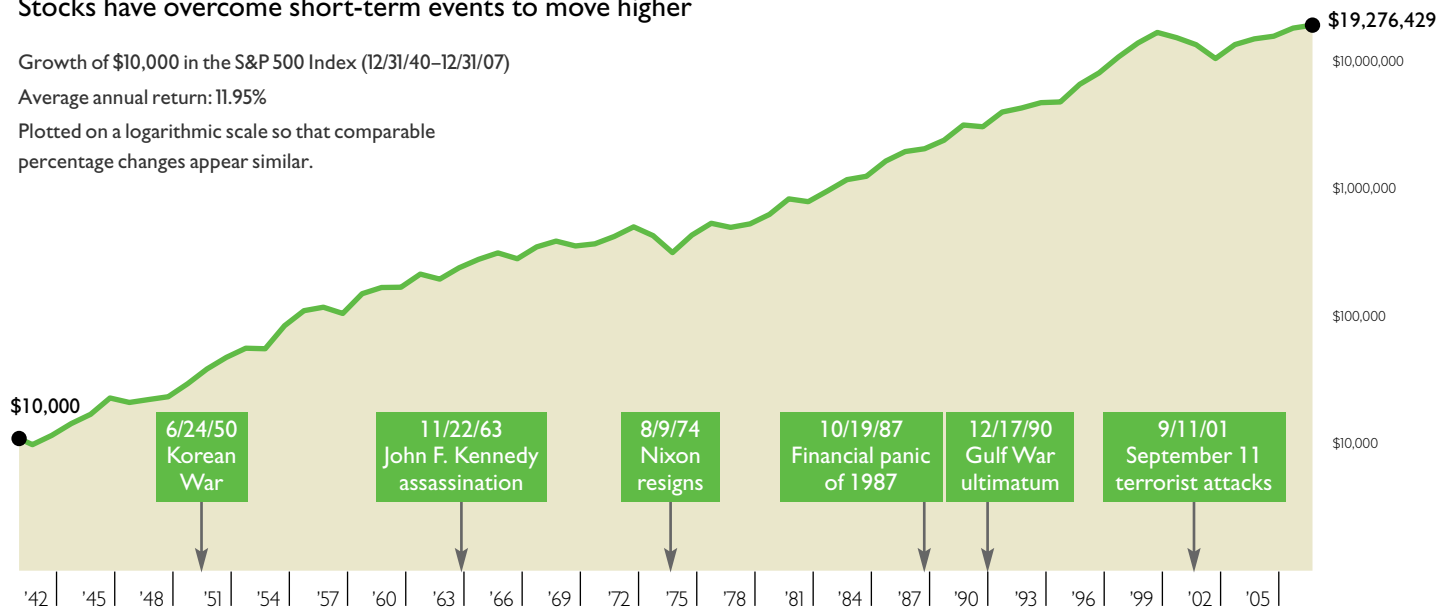
With this historical perspective, investors can align their expectations with the market's long-term averages rather than its short-term ups and downs. History has shown that markets have recovered from short-term international crises. Investors can benefit from working with their financial representatives to stay on track — investing even during a crisis — to pursue their long-term goals.

Stocks have overcome short-term events to move higher

Growth of \$10,000 in the S&P 500 Index (12/31/40–12/31/07)

Average annual return: 11.95%

Plotted on a logarithmic scale so that comparable percentage changes appear similar.



This graph represents a hypothetical \$10,000 investment in the S&P 500 Index, an unmanaged index of common stock performance. You cannot invest directly in an index. Indexes do not have sales charges and do not represent the performance of any Putnam fund or product. Past performance does not indicate future results and prior markets may not be duplicated. Systematic or continued investing does not assure a profit or protect against loss. You should consider your ability to continue investing during periods of low price levels. The time horizon shown here is longer than that of most investors.

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