

A world of investing.®



# Putnam Variable Trust

## **Putnam VT Small Cap Value Fund**

**Annual report**

**12 | 31 | 21**

# Message from the Trustees

February 11, 2022

Dear Shareholder:

In 2021, most areas of the stock market had another above-average year as corporate earnings rose amid rapid gross domestic product growth. Bonds, on the other hand, had a subpar year, with inflation causing concern. Financial markets are now adjusting to a shift in monetary policy, as the U.S. Federal Reserve reduces its bond-purchasing program and considers raising interest rates.

In 2022, the evolving Covid-19 pandemic remains challenging. Still, companies have learned to adapt to unexpected hurdles. Trends in consumer spending, employment, and credit conditions have been encouraging. We believe economic conditions may remain supportive for financial markets this year.

As the economy shifts gears, Putnam's investment professionals will be actively managing your fund and monitoring risks, as the firm has done for more than 80 years.

Thank you for investing with Putnam.

Respectfully yours,



**Robert L. Reynolds**  
President and Chief Executive Officer  
Putnam Investments



**Kenneth R. Leibler**  
Chair, Board of Trustees

## Performance summary (as of 12/31/21)

### Investment objective

Capital appreciation

**Net asset value** December 31, 2021

Class IA: \$14.16

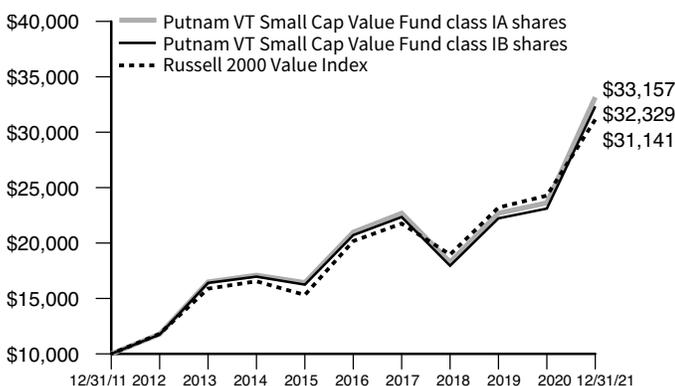
Class IB: \$13.90

### Total return at net asset value (as of 12/31/21)

	Class IA shares (4/30/99)	Class IB shares (4/30/99)	Russell 2000 Value Index
1 year	40.37%	39.90%	28.27%
5 years	58.08	56.08	54.36
Annualized	9.59	9.31	9.07
10 years	231.57	223.29	211.41
Annualized	12.73	12.45	12.03
Life	740.18	695.53	710.81
Annualized	9.85	9.58	9.67

For a portion of the periods, the fund had expense limitations, without which returns would have been lower.

### Cumulative total returns of a \$10,000 investment in class IA and class IB shares at net asset value — since 12/31/11

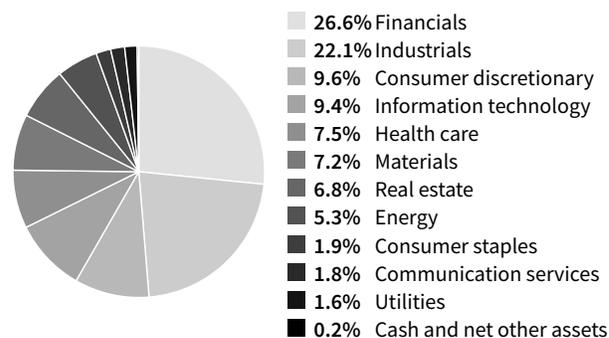


The Russell 2000® Value Index is an unmanaged index of those companies in the small-cap Russell 2000® Index chosen for their value orientation.

Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. Russell® is a trademark of Frank Russell Company.

**Data represent past performance. Past performance does not guarantee future results. More recent returns may be less or more than those shown. Investment return and principal value will fluctuate, and you may have a gain or a loss when you sell your shares. Performance information does not reflect any deduction for taxes a shareholder may owe on fund distributions or on the redemption of fund shares. All total return figures are at net asset value and exclude contract charges and expenses, which are added to the variable annuity contracts to determine total return at unit value. Had these charges and expenses been reflected, performance would have been lower. For more recent performance, contact your variable annuity provider who can provide you with performance that reflects the charges and expenses at your contract level.**

### Portfolio composition



Allocations are shown as a percentage of the fund's net assets. Cash and net other assets, if any, represent the market value weights of cash, derivatives, short-term securities, and other unclassified assets in the portfolio. Summary information may differ from the portfolio schedule included in the financial statements due to the inclusion of derivative securities, any interest accruals, the exclusion of as-of-trades, if any, the use of different classifications of securities for presentation purposes, and rounding. Holdings and allocations may vary over time.

## Report from your fund's manager

### What was the market like for U.S. small-cap value stocks during the 12-month reporting period ended December 31, 2021?

Small-cap value stocks were one of the strongest-performing categories within U.S. equities in 2021. The asset class outperformed large-cap value as well as large- and small-cap growth stocks. Given their economic sensitivity, performance was largely driven by expectations for Covid-19 vaccines and a return to a more normal economy, inflation and interest-rate expectations, and a rotation into value investing.

### How did Putnam VT Small Cap Value Fund perform?

For the 12-month reporting period, the fund's class IA shares rose 40.37%, strongly outperforming the benchmark Russell 2000 Value Index, which returned 28.27%. Underweight positioning in health care and overweight positioning in materials and energy added to benchmark-relative performance. On the other hand, underweight exposure to real estate and overweight exposure to information technology weighed on relative performance.

### What were some specific holdings that contributed to performance during the reporting period?

Magnolia Oil & Gas, which saw increased production from one of its Texas oil fields, was the top performer. Energy was the best-performing sector in 2021 and benefited from the recovery in oil and gas prices to seven-year highs. Magnolia enjoyed increased free cash flow as a result. Management used profits to actively repurchase its stock and increased its dividend, which boosted the stock price. The fund's second-best-performing holding was TecnoGlass, a leading producer of architectural glass and windows for residential and commercial markets in the southeastern United States. Amid a strong housing market, TecnoGlass has steadily increased its market share and expanded into new markets, attracting increased investor attention. During the period, the company announced strong financial results, which exceeded analyst expectations. With its stock price fully reflecting its potential, in our view, we sold the position at a significant gain in the third quarter to lock in profits.

### What were some specific holdings that detracted from performance during the reporting period?

The fund's top detractor was Purple Innovation, a disrupter in the traditional mattress industry with its innovative products, direct-to-consumer sales, and favorable return policies. The company experienced declining demand that was not consistent with industry trends in addition to supply chain issues. With prospects for the company dimming, in our view, we sold the stock and reallocated the proceeds to more promising opportunities. IBEX Holdings, a leading provider in outsourced voice-based customer service, also struggled. The company serves many of the world's leading retail, e-commerce, fintech, health care, and utility companies. Despite strong fundamental results, the company has reported some volatility in business levels from two of its largest customers. We continued to hold the stock due to what we perceive to be an extremely low valuation and IBEX's longer-term vision and business strategy.

### What is your outlook as 2022 begins?

Near term, we believe the recovery is likely to be influenced by the state of the pandemic as well as supply chain issues that many companies have been facing. We expect both issues to ease in the coming months. Inflation may persist longer than many think. While the possibility of interest-rate increases by the Federal Reserve later in 2022 could cause volatility in the stock market, we believe any initial rate increases will not derail the economy and are already priced into stocks. In this environment, the fund is positioned with an emphasis on better-quality companies and economically sensitive cyclical stocks.

*The views expressed in this report are exclusively those of Putnam Management and are subject to change. They are not meant as investment advice. Please note that the holdings discussed in this report may not have been held by the fund for the entire period. Portfolio composition is subject to review in accordance with the fund's investment strategy and may vary in the future.*

Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. Russell® is a trademark of Frank Russell Company.

**Consider these risks before investing:** Investments in small and/or midsize companies increase the risk of greater price fluctuations. Value stocks may fail to rebound, and the market may not favor value-style investing.

The value of investments in the fund's portfolio may fall or fail to rise over extended periods of time for a variety of reasons, including general economic, political, or financial market conditions; investor sentiment and market perceptions; government actions; geopolitical events or changes; and factors related to a specific issuer, geography, industry, or sector. These and other factors may lead to increased volatility and reduced liquidity in the fund's portfolio holdings. These risks are generally greater for small and midsize companies. From time to time, the fund may invest a significant portion of its assets in companies in one or more related industries or sectors, which would make the fund more vulnerable to adverse developments affecting those industries or sectors.

Our investment techniques, analyses, and judgments may not produce the outcome we intend. The investments we select for the fund may not perform as well as other securities that we do not select for the fund. We, or the fund's other service providers, may experience disruptions or operating errors that could have a negative effect on the fund. You can lose money by investing in the fund.

---

## Your fund's manager



Portfolio Manager **Michael C. Petro, CFA**, joined Putnam in 2002 and has been in the investment industry since 1999.

Your fund's manager also manages other accounts advised by Putnam Management or an affiliate, including retail mutual fund counterparts to the funds in Putnam Variable Trust.

## Understanding your fund's expenses

As an investor in a variable annuity product that invests in a registered investment company, you pay ongoing expenses, such as management fees, distribution fees (12b-1 fees), and other expenses. Using the following information, you can estimate how these expenses affect your investment and compare them with the expenses of other funds. You may also pay one-time transaction expenses, which are not shown in this section and would result in higher total expenses. Charges and expenses at the insurance company separate account level are not reflected. For more information, see your fund's prospectus or talk to your financial representative.

### Review your fund's expenses

The two left-hand columns of the Expenses per \$1,000 table show the expenses you would have paid on a \$1,000 investment in your fund from 7/1/21 to 12/31/21. They also show how much a \$1,000 investment would be worth at the close of the period, assuming actual returns and expenses. To estimate the ongoing expenses you paid over the period, divide your account value by \$1,000, then multiply the result by the number in the first line for the class of shares you own.

### Compare your fund's expenses with those of other funds

The two right-hand columns of the Expenses per \$1,000 table show your fund's expenses based on a \$1,000 investment, assuming a hypothetical 5% annualized return. You can use this information to compare the ongoing expenses (but not transaction expenses or total costs) of investing in the fund with those of other funds. All shareholder reports of mutual funds and funds serving as variable annuity vehicles will provide this information to help you make this comparison. Please note that you cannot use this information to estimate your actual ending account balance and expenses paid during the period.

### Expense ratios

	Class IA	Class IB
Total annual operating expenses for the fiscal year ended 12/31/20	1.15%	1.40%
Annualized expense ratio for the six-month period ended 12/31/21*	0.75%	1.00%

Fiscal year expense information in this table is taken from the most recent prospectus, is subject to change, and may differ from that shown for the annualized expense ratio and in the financial highlights of this report.

Prospectus expense information also includes the impact of acquired fund fees and expenses of 0.35%, which is not included in the financial highlights or annualized expense ratios. Expenses are shown as a percentage of average net assets.

\*For the fund's most recent fiscal half year; may differ from expense ratios based on one-year data in the financial highlights.

### Expenses per \$1,000

	Expenses and value for a \$1,000 investment, assuming actual returns for the 6 months ended 12/31/21		Expenses and value for a \$1,000 investment, assuming a hypothetical 5% annualized return for the 6 months ended 12/31/21	
	Class IA	Class IB	Class IA	Class IB
Expenses paid per \$1,000*†	\$3.85	\$5.13	\$3.82	\$5.09
Ending value (after expenses)	\$1,037.40	\$1,035.80	\$1,021.42	\$1,020.16

\*Expenses for each share class are calculated using the fund's annualized expense ratio for each class, which represents the ongoing expenses as a percentage of average net assets for the six months ended 12/31/21. The expense ratio may differ for each share class.

†Expenses based on actual returns are calculated by multiplying the expense ratio by the average account value for the period; then multiplying the result by the number of days in the period (184); and then dividing that result by the number of days in the year (365). Expenses based on a hypothetical 5% return are calculated by multiplying the expense ratio by the average account value for the six-month period; then multiplying the result by the number of days in the six-month period (184); and then dividing that result by the number of days in the year (365).

## **Report of Independent Registered Public Accounting Firm**

To the Board of Trustees of Putnam Variable Trust and Shareholders of  
Putnam VT Small Cap Value Fund:

### ***Opinion on the Financial Statements***

We have audited the accompanying statement of assets and liabilities, including the fund's portfolio, of Putnam VT Small Cap Value Fund (one of the funds constituting Putnam Variable Trust, referred to hereafter as the "Fund") as of December 31, 2021, the related statement of operations for the year ended December 31, 2021, the statement of changes in net assets for each of the two years in the period ended December 31, 2021, including the related notes, and the financial highlights for each of the five years in the period ended December 31, 2021 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of December 31, 2021, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period ended December 31, 2021 and the financial highlights for each of the five years in the period ended December 31, 2021 in conformity with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on the Fund's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Fund in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of December 31, 2021 by correspondence with the custodian, transfer agent and brokers; when replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP  
Boston, Massachusetts  
February 11, 2022

We have served as the auditor of one or more investment companies in the Putnam Investments family of funds since at least 1957. We have not been able to determine the specific year we began serving as auditor.

## The fund's portfolio 12/31/21

COMMON STOCKS (97.3%)*	Shares	Value
<b>Aerospace and defense (2.3%)</b>		
Aerojet Rocketdyne Holdings, Inc.	18,800	\$879,088
Maxar Technologies, Inc. <sup>5</sup>	40,800	1,204,824
Vectrus, Inc. †	28,358	1,297,946
		<b>3,381,858</b>
<b>Air freight and logistics (0.9%)</b>		
Radiant Logistics, Inc. †	182,080	1,327,363
		<b>1,327,363</b>
<b>Airlines (1.5%)</b>		
Allegiant Travel Co. †	6,220	1,163,389
Sun Country Airlines Holdings, Inc. †	37,105	1,011,111
		<b>2,174,500</b>
<b>Auto components (0.7%)</b>		
Patrick Industries, Inc.	13,151	1,061,154
		<b>1,061,154</b>
<b>Banks (17.7%)</b>		
Ameris Bancorp	28,460	1,413,893
Bancorp, Inc. (The) †	51,840	1,312,070
Berkshire Hills Bancorp, Inc.	42,520	1,208,844
Coastal Financial Corp./WA †	28,363	1,435,735
ConnectOne Bancorp, Inc.	46,209	1,511,496
CrossFirst Bankshares, Inc. †	93,840	1,464,842
Equity Bancshares, Inc. Class A	30,100	1,021,293
First Bancshares, Inc. (The)	27,380	1,057,416
First Foundation, Inc.	45,200	1,123,672
Five Star Bancorp	51,518	1,545,540
Lakeland Bancorp, Inc.	78,260	1,486,157
Metropolitan Bank Holding Corp. †	13,584	1,447,104
OFB Bancorp (Puerto Rico)	58,800	1,561,728
Origin Bancorp, Inc.	27,600	1,184,592
Preferred Bank	18,860	1,353,959
Professional Holding Corp. Class A †	40,989	785,349
QCR Holdings, Inc.	21,478	1,202,768
Southern First Bancshares, Inc. †	18,944	1,183,811
UMB Financial Corp.	12,000	1,273,320
Univest Financial Corp.	47,120	1,409,830
		<b>25,983,419</b>
<b>Building products (0.9%)</b>		
Quanex Building Products Corp.	52,886	1,310,515
		<b>1,310,515</b>
<b>Chemicals (2.1%)</b>		
Olin Corp.	24,980	1,436,850
Tronox Holdings PLC Class A (United Kingdom)	69,500	1,670,085
		<b>3,106,935</b>
<b>Commercial services and supplies (4.5%)</b>		
ACCO Brands Corp.	180,400	1,490,104
Aris Water Solution, Inc. Class A †	107,947	1,397,914
Clean Harbors, Inc. †	13,740	1,370,840
Deluxe Corp.	37,700	1,210,547
MillerKnoll, Inc.	30,500	1,195,295
		<b>6,664,700</b>
<b>Communications equipment (0.8%)</b>		
Ribbon Communications, Inc. †	189,400	1,145,870
		<b>1,145,870</b>
<b>Construction and engineering (2.4%)</b>		
API Group Corp. 144A †	28,600	737,022
Sterling Construction Co., Inc. †	41,957	1,103,469
WillScot Mobile Mini Holdings Corp. †	42,392	1,731,289
		<b>3,571,780</b>

COMMON STOCKS (97.3%)* cont.	Shares	Value
<b>Containers and packaging (0.9%)</b>		
Silgan Holdings, Inc.	29,638	\$1,269,692
		<b>1,269,692</b>
<b>Diversified consumer services (1.2%)</b>		
Universal Technical Institute, Inc. †	215,405	1,684,467
		<b>1,684,467</b>
<b>Electrical equipment (1.7%)</b>		
LSI Industries, Inc.	158,700	1,088,682
nVent Electric PLC (United Kingdom)	35,800	1,360,400
		<b>2,449,082</b>
<b>Electronic equipment, instruments, and components (0.9%)</b>		
Jabil, Inc.	18,827	1,324,479
		<b>1,324,479</b>
<b>Energy equipment and services (1.0%)</b>		
Newpark Resources, Inc. †	514,137	1,511,563
		<b>1,511,563</b>
<b>Entertainment (1.0%)</b>		
Lions Gate Entertainment Corp. Class A † <sup>5</sup>	92,284	1,535,606
		<b>1,535,606</b>
<b>Equity real estate investment trusts (REITs) (6.7%)</b>		
Alpine Income Property Trust, Inc. <sup>R</sup>	72,152	1,445,926
Apple Hospitality REIT, Inc. <sup>R</sup>	82,400	1,330,760
Diversified Healthcare Trust <sup>R</sup>	384,828	1,189,119
EPR Properties <sup>R</sup>	26,460	1,256,585
Global Medical REIT, Inc. <sup>R</sup>	70,240	1,246,760
RLJ Lodging Trust <sup>R</sup>	84,640	1,179,035
Spirit Realty Capital, Inc. <sup>R</sup>	22,159	1,067,842
Xenia Hotels & Resorts, Inc. † <sup>R</sup>	64,980	1,176,788
		<b>9,892,815</b>
<b>Food and staples retail (0.9%)</b>		
Andersons, Inc. (The)	34,400	1,331,624
		<b>1,331,624</b>
<b>Gas utilities (0.8%)</b>		
ONE Gas, Inc.	14,700	1,140,573
		<b>1,140,573</b>
<b>Health-care equipment and supplies (1.0%)</b>		
Lantheus Holdings, Inc. †	49,640	1,434,100
		<b>1,434,100</b>
<b>Health-care providers and services (5.5%)</b>		
Acadia Healthcare Co., Inc. †	26,205	1,590,644
Aveanna Healthcare Holdings, Inc. †	192,800	1,426,720
Brookdale Senior Living, Inc. †	249,046	1,285,077
Option Care Health, Inc. †	48,000	1,365,120
RadNet, Inc. †	37,220	1,120,694
Tivity Health, Inc. †	49,140	1,299,261
		<b>8,087,516</b>
<b>Hotels, restaurants, and leisure (0.7%)</b>		
Brinker International, Inc. † <sup>5</sup>	27,700	1,013,543
		<b>1,013,543</b>
<b>Household durables (0.6%)</b>		
Hooker Furniture Corp.	36,200	842,736
		<b>842,736</b>
<b>Insurance (1.8%)</b>		
Argo Group International Holdings, Ltd. (Bermuda)	25,960	1,508,536
Heritage Insurance Holdings, Inc.	181,180	1,065,338
		<b>2,573,874</b>
<b>Interactive media and services (0.7%)</b>		
Ziff Davis, Inc. † <sup>5</sup>	9,500	1,053,170
		<b>1,053,170</b>
<b>Internet and direct marketing retail (0.7%)</b>		
RumbleON, Inc. Class B † <sup>5</sup>	25,500	1,058,760
		<b>1,058,760</b>

<b>COMMON STOCKS (97.3%)* cont.</b>	<b>Shares</b>	<b>Value</b>
<b>IT Services (3.8%)</b>		
Hackett Group, Inc. (The)	91,100	\$1,870,283
IBEX, Ltd. †	83,590	1,077,475
Limelight Networks, Inc. †	383,500	1,315,405
Unisys Corp. †	60,040	1,235,023
		<b>5,498,186</b>
<b>Leisure products (1.8%)</b>		
Vista Outdoor, Inc. †	57,068	2,629,123
		<b>2,629,123</b>
<b>Machinery (3.3%)</b>		
Columbus McKinnon Corp./NY	27,559	1,274,879
Crane Co.	14,040	1,428,289
Hillenbrand, Inc.	18,100	941,019
Mayville Engineering Co., Inc. †	79,616	1,187,075
		<b>4,831,262</b>
<b>Metals and mining (4.1%)</b>		
Alamos Gold, Inc. Class A (Canada) <sup>S</sup>	139,880	1,075,677
Commercial Metals Co.	38,300	1,389,907
Ferroglobe Representation & Warranty Insurance Trust †	102,740	—
Haynes International, Inc.	34,256	1,381,544
Major Drilling Group International, Inc. (Canada) †	242,480	1,583,371
Olympic Steel, Inc.	26,597	625,030
		<b>6,055,529</b>
<b>Mortgage real estate investment trusts (REITs) (2.1%)</b>		
Ladder Capital Corp. <sup>R</sup>	130,212	1,561,242
New Residential Investment Corp. <sup>R</sup>	142,380	1,524,890
		<b>3,086,132</b>
<b>Multi-utilities (0.8%)</b>		
Unitil Corp.	25,280	1,162,627
		<b>1,162,627</b>
<b>Multiline retail (1.1%)</b>		
Franchise Group, Inc.	31,339	1,634,642
		<b>1,634,642</b>
<b>Oil, gas, and consumable fuels (4.2%)</b>		
CNX Resources Corp. †	117,420	1,614,525
Magnolia Oil & Gas Corp. Class A <sup>S</sup>	118,785	2,241,473
SM Energy Co.	80,340	2,368,423
		<b>6,224,421</b>
<b>Pharmaceuticals (1.0%)</b>		
Antares Pharma, Inc. †	315,120	1,124,978
Atea Pharmaceuticals, Inc. † <sup>S</sup>	38,471	343,931
		<b>1,468,909</b>
<b>Professional services (1.2%)</b>		
ICF International, Inc.	16,540	1,696,177
		<b>1,696,177</b>
<b>Semiconductors and semiconductor equipment (2.0%)</b>		
Photronics, Inc. †	79,380	1,496,313
Rambus, Inc. †	48,240	1,417,774
		<b>2,914,087</b>
<b>Software (1.0%)</b>		
Verra Mobility Corp. †	93,838	1,447,920
		<b>1,447,920</b>
<b>Specialty retail (1.6%)</b>		
Citi Trends, Inc. †	14,177	1,343,271
Zumiez, Inc. †	19,580	939,644
		<b>2,282,915</b>

<b>COMMON STOCKS (97.3%)* cont.</b>	<b>Shares</b>	<b>Value</b>
<b>Technology hardware, storage, and peripherals (0.9%)</b>		
Super Micro Computer, Inc. †	30,700	\$1,349,265
		<b>1,349,265</b>
<b>Textiles, apparel, and luxury goods (1.2%)</b>		
Unifi, Inc. †	76,564	1,772,457
		<b>1,772,457</b>
<b>Thriffs and mortgage finance (3.0%)</b>		
Bridgewater Bancshares, Inc. †	70,180	1,241,484
Premier Financial Corp.	44,546	1,376,917
Walker & Dunlop, Inc.	11,640	1,756,243
		<b>4,374,644</b>
<b>Tobacco (1.0%)</b>		
Turning Point Brands, Inc. <sup>S</sup>	39,100	1,477,198
		<b>1,477,198</b>
<b>Trading companies and distributors (3.3%)</b>		
Custom Truck One Source, Inc. †	166,400	1,331,200
Karat Packaging, Inc. †	44,102	891,301
MRC Global, Inc. †	178,520	1,228,218
Titan Machinery, Inc. †	41,320	1,392,071
		<b>4,842,790</b>
<b>Total common stocks (cost \$118,210,225)</b>		<b>\$142,679,978</b>
<b>INVESTMENT COMPANIES (2.0%)*</b>		
PennantPark Investment Corp.	201,280	\$1,394,870
Saratoga Investment Corp.	7,460	219,175
Trinity Capital, Inc.	76,465	1,344,255
		<b>\$2,958,300</b>
<b>SHORT-TERM INVESTMENTS (5.6%)*</b>		
Putnam Cash Collateral Pool, LLC 0.12% <sup>d</sup>	7,233,470	\$7,233,470
Putnam Short Term Investment Fund Class P 0.13% <sup>L</sup>	1,014,103	1,014,103
		<b>\$8,247,573</b>
<b>Total short-term investments (cost \$8,247,573)</b>		<b>\$8,247,573</b>
<b>Total investments (cost \$128,887,149)</b>		<b>\$153,885,851</b>

#### Notes to the fund's portfolio

Unless noted otherwise, the notes to the fund's portfolio are for the close of the fund's reporting period, which ran from January 1, 2021 through December 31, 2021 (the reporting period). Within the following notes to the portfolio, references to "Putnam Management" represent Putnam Investment Management, LLC, the fund's manager, an indirect wholly-owned subsidiary of Putnam Investments, LLC and references to "ASC 820" represent Accounting Standards Codification 820 *Fair Value Measurements and Disclosures*.

\* Percentages indicated are based on net assets of \$146,622,694.

† This security is non-income-producing.

<sup>d</sup> Affiliated company. See Notes 1 and 5 to the financial statements regarding securities lending. The rate quoted in the security description is the annualized 7-day yield of the fund at the close of the reporting period.

<sup>L</sup> Affiliated company (Note 5). The rate quoted in the security description is the annualized 7-day yield of the fund at the close of the reporting period.

<sup>R</sup> Real Estate Investment Trust.

<sup>S</sup> Security on loan, in part or in entirety, at the close of the reporting period (Note 1).

144A after the name of an issuer represents securities exempt from registration under Rule 144A of the Securities Act of 1933, as amended. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers.

ASC 820 establishes a three-level hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of the fund's investments. The three levels are defined as follows:

Level 1: Valuations based on quoted prices for identical securities in active markets.

Level 2: Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3: Valuations based on inputs that are unobservable and significant to the fair value measurement.

The following is a summary of the inputs used to value the fund's net assets as of the close of the reporting period:

Investments in securities:	Valuation inputs		
	Level 1	Level 2	Level 3
Common stocks*:			
Communication services	\$2,588,776	\$—	\$—
Consumer discretionary	13,979,797	—	—
Consumer staples	2,808,822	—	—
Energy	7,735,984	—	—
Financials	36,018,069	—	—
Health care	10,990,525	—	—
Industrials	32,250,027	—	—
Information technology	13,679,807	—	—
Materials	10,432,156	—	—
Real estate	9,892,815	—	—
Utilities	2,303,200	—	—
<b>Total common stocks</b>	<b>142,679,978</b>	<b>—</b>	<b>—</b>
Investment companies	2,958,300	—	—
Short-term investments	—	8,247,573	—
<b>Totals by level</b>	<b>\$145,638,278</b>	<b>\$8,247,573</b>	<b>\$—</b>

\* Common stock classifications are presented at the sector level, which may differ from the fund's portfolio presentation.

At the start and close of the reporting period, Level 3 investments in securities represented less than 1% of the fund's net assets and were not considered a significant portion of the fund's portfolio.

## Statement of assets and liabilities

12/31/21

### Assets

Investment in securities, at value, including \$7,091,989 of securities on loan (Note 1):	
Unaffiliated issuers (identified cost \$120,639,576)	\$145,638,278
Affiliated issuers (identified cost \$8,247,573) (Notes 1 and 5)	8,247,573
Dividends, interest and other receivables	264,666
Receivable for shares of the fund sold	633,177
Receivable for investments sold	444,931
<b>Total assets</b>	<b>155,228,625</b>

### Liabilities

Payable for investments purchased	843,127
Payable for shares of the fund repurchased	280,100
Payable for compensation of Manager (Note 2)	74,079
Payable for custodian fees (Note 2)	7,632
Payable for investor servicing fees (Note 2)	17,135
Payable for Trustee compensation and expenses (Note 2)	85,566
Payable for administrative services (Note 2)	1,573
Payable for distribution fees (Note 2)	20,041
Collateral on securities loaned, at value (Note 1)	7,233,470
Other accrued expenses	43,208
<b>Total liabilities</b>	<b>8,605,931</b>
<b>Net assets</b>	<b>\$146,622,694</b>

### Represented by

Paid-in capital (Unlimited shares authorized) (Notes 1 and 4)	\$107,664,914
Total distributable earnings (Note 1)	38,957,780
<b>Total — Representing net assets applicable to capital shares outstanding</b>	<b>\$146,622,694</b>

### Computation of net asset value Class IA

Net assets	\$49,168,699
Number of shares outstanding	3,472,685
Net asset value, offering price and redemption price per share (net assets divided by number of shares outstanding)	\$14.16

### Computation of net asset value Class IB

Net assets	\$97,453,995
Number of shares outstanding	7,012,030
Net asset value, offering price and redemption price per share (net assets divided by number of shares outstanding)	\$13.90

The accompanying notes are an integral part of these financial statements.

## Statement of operations

Year ended 12/31/21

### Investment income

Dividends (net of foreign tax of \$4,200)	\$1,836,351
Interest (including interest income of \$933 from investments in affiliated issuers) (Note 5)	968
Securities lending (net of expenses) (Notes 1 and 5)	7,341
<b>Total investment income</b>	<b>1,844,660</b>

### Expenses

Compensation of Manager (Note 2)	873,240
Investor servicing fees (Note 2)	100,033
Custodian fees (Note 2)	26,968
Trustee compensation and expenses (Note 2)	5,665
Distribution fees (Note 2)	236,676
Administrative services (Note 2)	3,634
Other	58,153
<b>Total expenses</b>	<b>1,304,369</b>
Expense reduction (Note 2)	(36)
<b>Net expenses</b>	<b>1,304,333</b>
<b>Net investment income</b>	<b>540,327</b>

### Realized and unrealized gain (loss)

<b>Net realized gain (loss) on:</b>	
Securities from unaffiliated issuers (Notes 1 and 3)	41,540,010
Foreign currency transactions (Note 1)	(90)
Written options (Note 1)	39,875
<b>Total net realized gain</b>	<b>41,579,795</b>
<b>Change in net unrealized appreciation (depreciation) on:</b>	
Securities from unaffiliated issuers	3,142,496
Assets and liabilities in foreign currencies	(5)
<b>Total change in net unrealized appreciation</b>	<b>3,142,491</b>
<b>Net gain on investments</b>	<b>44,722,286</b>
<b>Net increase in net assets resulting from operations</b>	<b>\$45,262,613</b>

## Statement of changes in net assets

	Year ended 12/31/21	Year ended 12/31/20
<b>Increase (decrease) in net assets</b>		
<b>Operations:</b>		
Net investment income	\$540,327	\$1,134,021
Net realized gain (loss) on investments and foreign currency transactions	41,579,795	(10,071,019)
Change in net unrealized appreciation of investments and assets and liabilities in foreign currencies	3,142,491	14,084,857
<b>Net increase in net assets resulting from operations</b>	<b>45,262,613</b>	<b>5,147,859</b>
Distributions to shareholders (Note 1):		
From ordinary income		
Net investment income		
Class IA	(422,047)	(432,081)
Class IB	(708,959)	(701,871)
Decrease from capital share transactions (Note 4)	(16,712,604)	(8,319,600)
<b>Total increase (decrease) in net assets</b>	<b>27,419,003</b>	<b>(4,305,693)</b>
<b>Net assets:</b>		
Beginning of year	119,203,691	123,509,384
<b>End of year</b>	<b>\$146,622,694</b>	<b>\$119,203,691</b>

The accompanying notes are an integral part of these financial statements.

## Financial highlights (For a common share outstanding throughout the period)

Period ended	INVESTMENT OPERATIONS:				LESS DISTRIBUTIONS:				RATIOS AND SUPPLEMENTAL DATA:				
	Net asset value, beginning of period	Net investment income (loss) <sup>a</sup>	Net realized and unrealized gain (loss) on investments	Total from investment operations	From net investment income	From net realized gain on investments	Total distributions	Net asset value, end of period	Total return at net asset value (%) <sup>b,c</sup>	Net assets, end of period (in thousands)	Ratio of expenses to average net assets (%) <sup>c,d</sup>	Ratio of net investment income (loss) to average net assets (%)	Portfolio turnover (%)
<b>Class IA</b>													
12/31/21	\$10.18	.07	4.02	4.09	(.11)	—	(.11)	\$14.16	40.37	\$49,169	.75	.54	92
12/31/20	9.96	.11	.22	.33	(.11)	—	(.11)	10.18	4.12	38,990	.80	1.32	119
12/31/19	9.05	.13	1.94	2.07	(.12)	(1.04)	(1.16)	9.96	24.12	40,671	.80	1.34	164
12/31/18	16.41	.18	(2.62)	(2.44)	(.11)	(4.81)	(4.92)	9.05	(19.42)	38,310	.85	1.51	561
12/31/17	15.94	.10	1.15	1.25	(.15)	(.63)	(.78)	16.41	8.15	55,886	.82	.66	398
<b>Class IB</b>													
12/31/21	\$10.01	.04	3.94	3.98	(.09)	—	(.09)	\$13.90	39.90	\$97,454	1.00	.29	92
12/31/20	9.77	.08	.25	.33	(.09)	—	(.09)	10.01	3.96	80,214	1.05	1.07	119
12/31/19	8.89	.10	1.91	2.01	(.09)	(1.04)	(1.13)	9.77	23.82	82,839	1.05	1.09	164
12/31/18	16.20	.15	(2.59)	(2.44)	(.06)	(4.81)	(4.87)	8.89	(19.66)	74,196	1.10	1.26	561
12/31/17	15.75	.06	1.13	1.19	(.11)	(.63)	(.74)	16.20	7.87	104,031	1.07	.41	398

<sup>a</sup> Per share net investment income (loss) has been determined on the basis of the weighted average number of shares outstanding during the period.

<sup>b</sup> Total return assumes dividend reinvestment.

<sup>c</sup> The charges and expenses at the insurance company separate account level are not reflected.

<sup>d</sup> Includes amounts paid through expense offset and brokerage/service arrangements, if any (Note 2). Also excludes acquired fund fees and expenses, if any.

The accompanying notes are an integral part of these financial statements.

## Notes to financial statements 12/31/21

Within the following Notes to financial statements, references to “State Street” represent State Street Bank and Trust Company, references to “the SEC” represent the Securities and Exchange Commission, references to “Putnam Management” represent Putnam Investment Management, LLC, the fund’s manager, an indirect wholly-owned subsidiary of Putnam Investments, LLC and references to “OTC”, if any, represent over-the-counter. Unless otherwise noted, the “reporting period” represents the period from January 1, 2021 through December 31, 2021.

Putnam VT Small Cap Value Fund (the fund) is a diversified series of Putnam Variable Trust (the Trust), a Massachusetts business trust registered under the Investment Company Act of 1940, as amended, as an open-end management investment company. The goal of the fund is to seek capital appreciation. The fund invests mainly in common stocks of small U.S. companies, with a focus on value stocks. Value stocks are issued by companies that Putnam Management believes are currently undervalued by the market. If Putnam Management is correct and other investors ultimately recognize the value of the company, the price of its stock may rise. Under normal circumstances, Putnam Management invests at least 80% of the fund’s net assets in companies of a size similar to those in the Russell 2000 Value Index. This policy may be changed only after 60 days’ notice to shareholders. As of March 31, 2021, the index was composed of companies having market capitalizations of between approximately \$67.7 million and \$18.2 billion. Putnam Management may consider, among other factors, a company’s valuation, financial strength, growth potential, competitive position in its industry, projected future earnings, cash flows and dividends when deciding whether to buy or sell investments.

The fund offers class IA and class IB shares of beneficial interest. Class IA shares are offered at net asset value and are not subject to a distribution fee. Class IB shares are offered at net asset value and pay an ongoing distribution fee, which is identified in Note 2.

In the normal course of business, the fund enters into contracts that may include agreements to indemnify another party under given circumstances. The fund’s maximum exposure under these arrangements is unknown as this would involve future claims that may be, but have not yet been, made against the fund. However, the fund’s management team expects the risk of material loss to be remote.

The fund has entered into contractual arrangements with an investment adviser, administrator, distributor, shareholder servicing agent and custodian, who each provide services to the fund. Unless expressly stated otherwise, shareholders are not parties to, or intended beneficiaries of these contractual arrangements, and these contractual arrangements are not intended to create any shareholder right to enforce them against the service providers or to seek any remedy under them against the service providers, either directly or on behalf of the fund.

Under the fund’s Amended and Restated Agreement and Declaration of Trust, any claims asserted against or on behalf of the Putnam Funds, including claims against Trustees and Officers, must be brought in state and federal courts located within the Commonwealth of Massachusetts.

### Note 1 — Significant accounting policies

The following is a summary of significant accounting policies consistently followed by the fund in the preparation of its financial statements. The preparation of financial statements is in conformity with accounting principles generally accepted in the United States of America and requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities in the financial statements and the reported amounts of increases and decreases in net assets from operations. Actual results could differ from those estimates. Subsequent events after the Statement of assets and liabilities date through the date that the financial statements were issued have been evaluated in the preparation of the financial statements.

Investment income, realized and unrealized gains and losses and expenses of the fund are borne pro-rata based on the relative net assets of each class to the total net assets of the fund, except that each class bears expenses unique to that class (including the distribution fees applicable to such classes). Each class votes as a class only with respect to its own distribution plan or other matters on which a class vote is required by law or determined by the Trustees. If the fund were liquidated, shares of each class would receive their pro-rata share of the net assets of the fund. In addition, the Trustees declare separate dividends on each class of shares.

**Security valuation** Portfolio securities and other investments are valued using policies and procedures adopted by the Board of Trustees. The Trustees have

formed a Pricing Committee to oversee the implementation of these procedures and have delegated responsibility for valuing the fund’s assets in accordance with these procedures to Putnam Management. Putnam Management has established an internal Valuation Committee that is responsible for making fair value determinations, evaluating the effectiveness of the pricing policies of the fund and reporting to the Pricing Committee.

Investments for which market quotations are readily available are valued at the last reported sales price on their principal exchange, or official closing price for certain markets, and are classified as Level 1 securities under Accounting Standards Codification 820 *Fair Value Measurements and Disclosures* (ASC 820). If no sales are reported, as in the case of some securities that are traded OTC, a security is valued at its last reported bid price and is generally categorized as a Level 2 security.

Investments in open-end investment companies (excluding exchange-traded funds), if any, which can be classified as Level 1 or Level 2 securities, are valued based on their net asset value. The net asset value of such investment companies equals the total value of their assets less their liabilities and divided by the number of their outstanding shares.

Many securities markets and exchanges outside the U.S. close prior to the scheduled close of the New York Stock Exchange and therefore the closing prices for securities in such markets or on such exchanges may not fully reflect events that occur after such close but before the scheduled close of the New York Stock Exchange. Accordingly, on certain days, the fund will fair value certain foreign equity securities taking into account multiple factors including movements in the U.S. securities markets, currency valuations and comparisons to the valuation of American Depository Receipts, exchange-traded funds and futures contracts. The foreign equity securities, which would generally be classified as Level 1 securities, will be transferred to Level 2 of the fair value hierarchy when they are valued at fair value. The number of days on which fair value prices will be used will depend on market activity and it is possible that fair value prices will be used by the fund to a significant extent. Securities quoted in foreign currencies, if any, are translated into U.S. dollars at the current exchange rate.

To the extent a pricing service or dealer is unable to value a security or provides a valuation that Putnam Management does not believe accurately reflects the security’s fair value, the security will be valued at fair value by Putnam Management in accordance with policies and procedures approved by the Trustees. Certain investments, including certain restricted and illiquid securities and derivatives, are also valued at fair value following procedures approved by the Trustees. These valuations consider such factors as significant market or specific security events such as interest rate or credit quality changes, various relationships with other securities, discount rates, U.S. Treasury, U.S. swap and credit yields, index levels, convexity exposures, recovery rates, sales and other multiples and resale restrictions. These securities are classified as Level 2 or as Level 3 depending on the priority of the significant inputs.

To assess the continuing appropriateness of fair valuations, the Valuation Committee reviews and affirms the reasonableness of such valuations on a regular basis after considering all relevant information that is reasonably available. Such valuations and procedures are reviewed periodically by the Trustees. The fair value of securities is generally determined as the amount that the fund could reasonably expect to realize from an orderly disposition of such securities over a reasonable period of time. By its nature, a fair value price is a good faith estimate of the value of a security in a current sale and does not reflect an actual market price, which may be different by a material amount.

**Security transactions and related investment income** Security transactions are recorded on the trade date (the date the order to buy or sell is executed). Gains or losses on securities sold are determined on the identified cost basis.

Interest income, net of any applicable withholding taxes, if any, is recorded on the accrual basis. Dividend income, net of any applicable withholding taxes, is recognized on the ex-dividend date except that certain dividends from foreign securities, if any, are recognized as soon as the fund is informed of the ex-dividend date. Non-cash dividends, if any, are recorded at the fair value of the securities received. Dividends representing a return of capital or capital gains, if any, are reflected as a reduction of cost and/or as a realized gain.

**Foreign currency translation** The accounting records of the fund are maintained in U.S. dollars. The fair value of foreign securities, currency holdings, and other assets and liabilities is recorded in the books and records of the fund after translation to U.S. dollars based on the exchange rates on that day. The cost of

each security is determined using historical exchange rates. Income and withholding taxes are translated at prevailing exchange rates when earned or incurred. The fund does not isolate that portion of realized or unrealized gains or losses resulting from changes in the foreign exchange rate on investments from fluctuations arising from changes in the market prices of the securities. Such gains and losses are included with the net realized and unrealized gain or loss on investments. Net realized gains and losses on foreign currency transactions represent net realized exchange gains or losses on disposition of foreign currencies, currency gains and losses realized between the trade and settlement dates on securities transactions and the difference between the amount of investment income and foreign withholding taxes recorded on the fund's books and the U.S. dollar equivalent amounts actually received or paid. Net unrealized appreciation and depreciation of assets and liabilities in foreign currencies arise from changes in the value of assets and liabilities other than investments at the period end, resulting from changes in the exchange rate.

**Options contracts** The fund uses options contracts to hedge against changes in values of securities it owns, owned or expects to own, to generate additional income for the portfolio, to enhance returns on securities owned and to manage downside risks.

The potential risk to the fund is that the change in value of options contracts may not correspond to the change in value of the hedged instruments. In addition, losses may arise from changes in the value of the underlying instruments if there is an illiquid secondary market for the contracts, if interest or exchange rates move unexpectedly or if the counterparty to the contract is unable to perform. Realized gains and losses on purchased options are included in realized gains and losses on investment securities. If a written call option is exercised, the premium originally received is recorded as an addition to sales proceeds. If a written put option is exercised, the premium originally received is recorded as a reduction to the cost of investments.

Exchange-traded options are valued at the last sale price or, if no sales are reported, the last bid price for purchased options and the last ask price for written options. OTC traded options are valued using prices supplied by dealers.

Options on swaps are similar to options on securities except that the premium paid or received is to buy or grant the right to enter into a previously agreed upon interest rate or credit default contract. Forward premium swap option contracts include premiums that have extended settlement dates. The delayed settlement of the premiums is factored into the daily valuation of the option contracts. In the case of interest rate cap and floor contracts, in return for a premium, ongoing payments between two parties are based on interest rates exceeding a specified rate, in the case of a cap contract, or falling below a specified rate in the case of a floor contract.

Written option contracts outstanding at period end, if any, are listed after the fund's portfolio.

**Securities lending** The fund may lend securities, through its agent, to qualified borrowers in order to earn additional income. The loans are collateralized by cash in an amount at least equal to the fair value of the securities loaned. The fair value of securities loaned is determined daily and any additional required collateral is allocated to the fund on the next business day. The remaining maturities of the securities lending transactions are considered overnight and continuous. The risk of borrower default will be borne by the fund's agent; the fund will bear the risk of loss with respect to the investment of the cash collateral. Income from securities lending, net of expenses, is included in investment income on the Statement of operations. Cash collateral is invested in Putnam Cash Collateral Pool, LLC, a limited liability company managed by an affiliate of Putnam Management. Investments in Putnam Cash Collateral Pool, LLC are valued at its closing net asset value each business day. There are no management fees charged to Putnam Cash Collateral Pool, LLC. At the close of the reporting period, the fund received cash collateral of \$7,233,470 and the value of securities loaned amounted to \$7,091,989.

**Interfund lending** The fund, along with other Putnam funds, may participate in an interfund lending program pursuant to an exemptive order issued by the SEC. This program allows the fund to borrow from or lend to other Putnam funds that permit such transactions. Interfund lending transactions are subject to each fund's investment policies and borrowing and lending limits. Interest earned or paid on the interfund lending transaction will be based on the average of certain current market rates. During the reporting period, the fund did not utilize the program.

**Lines of credit** The fund participates, along with other Putnam funds, in a \$317.5 million unsecured committed line of credit and a \$235.5 million unsecured uncommitted line of credit, both provided by State Street. Borrowings may be made for temporary or emergency purposes, including the funding of shareholder

redemption requests and trade settlements. Interest is charged to the fund based on the fund's borrowing at a rate equal to 1.25% plus the higher of (1) the Federal Funds rate and (2) the Overnight Bank Funding Rate for the committed line of credit and 1.30% plus the higher of (1) the Federal Funds rate and (2) the Overnight Bank Funding Rate for the uncommitted line of credit. A closing fee equal to 0.04% of the committed line of credit and 0.04% of the uncommitted line of credit has been paid by the participating funds. In addition, a commitment fee of 0.21% per annum on any unutilized portion of the committed line of credit is allocated to the participating funds based on their relative net assets and paid quarterly. During the reporting period, the fund had no borrowings against these arrangements.

**Federal taxes** It is the policy of the fund to distribute all of its taxable income within the prescribed time period and otherwise comply with the provisions of the Internal Revenue Code of 1986, as amended (the Code), applicable to regulated investment companies.

The fund is subject to the provisions of Accounting Standards Codification 740 *Income Taxes* (ASC 740). ASC 740 sets forth a minimum threshold for financial statement recognition of the benefit of a tax position taken or expected to be taken in a tax return. The fund did not have a liability to record for any unrecognized tax benefits in the accompanying financial statements. No provision has been made for federal taxes on income, capital gains or unrealized appreciation on securities held nor for excise tax on income and capital gains. Each of the fund's federal tax returns for the prior three fiscal years remains subject to examination by the Internal Revenue Service.

The fund may also be subject to taxes imposed by governments of countries in which it invests. Such taxes are generally based on either income or gains earned or repatriated. The fund accrues and applies such taxes to net investment income, net realized gains and net unrealized gains as income and/or capital gains are earned. In some cases, the fund may be entitled to reclaim all or a portion of such taxes, and such reclaim amounts, if any, are reflected as an asset on the fund's books. In many cases, however, the fund may not receive such amounts for an extended period of time, depending on the country of investment.

Under the Regulated Investment Company Modernization Act of 2010, the fund will be permitted to carry forward capital losses incurred for an unlimited period and the carry forwards will retain their character as either short-term or long-term capital losses. At December 31, 2021, the fund had the following capital loss carryovers available, to the extent allowed by the Code, to offset future net capital gain, if any:

Loss carryover		
Short-term	Long-term	Total
\$1,502,085	\$—	\$1,502,085

**Distributions to shareholders** Distributions to shareholders from net investment income are recorded by the fund on the ex-dividend date. Distributions from capital gains, if any, are recorded on the ex-dividend date and paid at least annually. The amount and character of income and gains to be distributed are determined in accordance with income tax regulations, which may differ from generally accepted accounting principles. These differences include temporary and/or permanent differences from losses on wash sale transactions, nontaxable dividends and from partnership income. Reclassifications are made to the fund's capital accounts to reflect income and gains available for distribution (or available capital loss carryovers) under income tax regulations. At the close of the reporting period, the fund reclassified \$155,231 to decrease undistributed net investment income, \$277 to decrease paid-in capital and \$155,508 to increase accumulated net realized gain.

Tax cost of investments includes adjustments to net unrealized appreciation (depreciation) which may not necessarily be final tax cost basis adjustments, but closely approximate the tax basis unrealized gains and losses that may be realized and distributed to shareholders. The tax basis components of distributable earnings and the federal tax cost as of the close of the reporting period were as follows:

Unrealized appreciation	\$29,015,957
Unrealized depreciation	(6,055,918)
Net unrealized appreciation	22,960,039
Undistributed ordinary income	231,689
Undistributed short-term gain	7,653,696
Undistributed long-term gain	9,614,439
Capital loss carryforward	(1,502,085)
Cost for federal income tax purposes	\$130,925,812

**Expenses of the Trust** Expenses directly charged or attributable to any fund will be paid from the assets of that fund. Generally, expenses of the Trust will be allocated among and charged to the assets of each fund on a basis that the Trustees deem fair and equitable, which may be based on the relative assets of each fund or the nature of the services performed and relative applicability to each fund.

**Beneficial interest** At the close of the reporting period, insurance companies or their separate accounts were record owners of all but a de minimis number of the shares of the fund. Approximately 39.4% of the fund is owned by accounts of one insurance company.

**Note 2 — Management fee, administrative services and other transactions**

The fund pays Putnam Management a management fee (based on the fund's average net assets and computed and paid monthly) at annual rates that may vary based on the average of the aggregate net assets of all open-end mutual funds sponsored by Putnam Management (excluding net assets of funds that are invested in, or that are invested in by, other Putnam funds to the extent necessary to avoid "double counting" of those assets). Such annual rates may vary as follows:

0.780%	of the first \$5 billion,
0.730%	of the next \$5 billion,
0.680%	of the next \$10 billion,
0.630%	of the next \$10 billion,
0.580%	of the next \$50 billion,
0.560%	of the next \$50 billion,
0.550%	of the next \$100 billion and
0.545%	of any excess thereafter.

For the reporting period, the management fee represented an effective rate (excluding the impact from any expense waivers in effect) of 0.610% of the fund's average net assets.

Putnam Management has contractually agreed, through April 30, 2023, to waive fees and/or reimburse the fund's expenses to the extent necessary to limit the cumulative expenses of the fund, exclusive of brokerage, interest, taxes, investment-related expenses, extraordinary expenses, acquired fund fees and expenses and payments under the fund's investor servicing contract, investment management contract and distribution plan, on a fiscal year-to-date basis to an annual rate of 0.20% of the fund's average net assets over such fiscal year-to-date period. During the reporting period, the fund's expenses were not reduced as a result of this limit.

Putnam Investments Limited (PIL), an affiliate of Putnam Management, is authorized by the Trustees to manage a separate portion of the assets of the fund as determined by Putnam Management from time to time. PIL did not manage any portion of the assets of the fund during the reporting period. If Putnam Management were to engage the services of PIL, Putnam Management would pay a quarterly sub-management fee to PIL for its services at an annual rate of 0.35% of the average net assets of the portion of the fund managed by PIL.

The fund reimburses Putnam Management an allocated amount for the compensation and related expenses of certain officers of the fund and their staff who provide administrative services to the fund. The aggregate amount of all such reimbursements is determined annually by the Trustees.

Custodial functions for the fund's assets are provided by State Street. Custody fees are based on the fund's asset level, the number of its security holdings and transaction volumes.

Putnam Investor Services, Inc., an affiliate of Putnam Management, provides investor servicing agent functions to the fund. Putnam Investor Services, Inc. was paid a monthly fee for investor servicing at an annual rate of 0.07% of the fund's average daily net assets. During the reporting period, the expenses for each class of shares related to investor servicing fees were as follows:

Class IA	\$33,788
Class IB	66,245
Total	\$100,033

The fund has entered into expense offset arrangements with Putnam Investor Services, Inc. and State Street whereby Putnam Investor Services, Inc.'s and State Street's fees are reduced by credits allowed on cash balances. For the reporting period, the fund's expenses were reduced by \$36 under the expense offset arrangements.

Each Independent Trustee of the fund receives an annual Trustee fee, of which \$95, as a quarterly retainer, has been allocated to the fund, and an additional fee for each Trustees meeting attended. Trustees also are reimbursed for expenses they incur relating to their services as Trustees.

The fund has adopted a Trustee Fee Deferral Plan (the Deferral Plan) which allows the Trustees to defer the receipt of all or a portion of Trustees fees payable on or after July 1, 1995. The deferred fees remain invested in certain Putnam funds until distribution in accordance with the Deferral Plan.

The fund has adopted an unfunded noncontributory defined benefit pension plan (the Pension Plan) covering all Trustees of the fund who have served as a Trustee for at least five years and were first elected prior to 2004. Benefits under the Pension Plan are equal to 50% of the Trustee's average annual attendance and retainer fees for the three years ended December 31, 2005. The retirement benefit is payable during a Trustee's lifetime, beginning the year following retirement, for the number of years of service through December 31, 2006. Pension expense for the fund is included in Trustee compensation and expenses in the Statement of operations. Accrued pension liability is included in Payable for Trustee compensation and expenses in the Statement of assets and liabilities. The Trustees have terminated the Pension Plan with respect to any Trustee first elected after 2003.

The fund has adopted a distribution plan (the Plan) with respect to its class IB shares pursuant to Rule 12b-1 under the Investment Company Act of 1940. The purpose of the Plan is to compensate Putnam Retail Management Limited Partnership, an indirect wholly-owned subsidiary of Putnam Investments, LLC, for services provided and expenses incurred in distributing shares of the fund. The Plan provides for payment by the fund to Putnam Retail Management Limited Partnership at an annual rate of up to 0.35% of the average net assets attributable to the fund's class IB shares. The Trustees have approved payment by the fund at an annual rate of 0.25% of the average net assets attributable to the fund's class IB shares. The expenses related to distribution fees during the reporting period are included in Distribution fees in the Statement of operations.

**Note 3 — Purchases and sales of securities**

During the reporting period, the cost of purchases and the proceeds from sales, excluding short-term investments, were as follows:

	Cost of purchases	Proceeds from sales
Investments in securities (Long-term)	\$129,527,782	\$147,767,103
U.S. government securities (Long-term)	—	—
<b>Total</b>	<b>\$129,527,782</b>	<b>\$147,767,103</b>

The fund may purchase or sell investments from or to other Putnam funds in the ordinary course of business, which can reduce the fund's transaction costs, at prices determined in accordance with SEC requirements and policies approved by the Trustees. During the reporting period, purchases or sales of long-term securities from or to other Putnam funds, if any, did not represent more than 5% of the fund's total cost of purchases and/or total proceeds from sales.

#### Note 4 — Capital shares

At the close of the reporting period, there were an unlimited number of shares of beneficial interest authorized. Subscriptions and redemptions are presented at the omnibus level. Transactions in capital shares were as follows:

	Class IA shares				Class IB shares			
	Year ended 12/31/21		Year ended 12/31/20		Year ended 12/31/21		Year ended 12/31/20	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount
Shares sold	881,678	\$11,548,309	458,766	\$3,514,741	1,127,985	\$14,696,095	1,224,186	\$7,732,249
Shares issued in connection with reinvestment of distributions	33,791	422,047	73,608	432,081	57,733	708,959	121,431	701,871
	915,469	11,970,356	532,374	3,946,822	1,185,718	15,405,054	1,345,617	8,434,120
Shares repurchased	(1,271,004)	(16,720,839)	(786,293)	(6,371,834)	(2,190,148)	(27,367,175)	(1,804,478)	(14,328,708)
<b>Net decrease</b>	<b>(355,535)</b>	<b>\$(4,750,483)</b>	<b>(253,919)</b>	<b>\$(2,425,012)</b>	<b>(1,004,430)</b>	<b>\$(11,962,121)</b>	<b>(458,861)</b>	<b>\$(5,894,588)</b>

#### Note 5 — Affiliated transactions

Transactions during the reporting period with any company which is under common ownership or control were as follows:

Name of affiliate	Fair value as of 12/31/20	Purchase cost	Sale proceeds	Investment income	Shares outstanding and fair value as of 12/31/21
<b>Short-term investments</b>					
Putnam Cash Collateral Pool, LLC*	\$7,786,756	\$74,433,514	\$74,986,800	\$7,640	\$7,233,470
Putnam Short Term Investment Fund**	933,987	44,940,704	44,860,588	933	1,014,103
<b>Total Short-term investments</b>	<b>\$8,720,743</b>	<b>\$119,374,218</b>	<b>\$119,847,388</b>	<b>\$8,573</b>	<b>\$8,247,573</b>

\*No management fees are charged to Putnam Cash Collateral Pool, LLC (Note 1). Investment income shown is included in securities lending income on the Statement of operations. There were no realized or unrealized gains or losses during the period.

\*\*Management fees charged to Putnam Short Term Investment Fund have been waived by Putnam Management. There were no realized or unrealized gains or losses during the period.

#### Note 6 — Market, credit and other risks

In the normal course of business, the fund trades financial instruments and enters into financial transactions where risk of potential loss exists due to changes in the market (market risk) or failure of the contracting party to the transaction to perform (credit risk). The fund may be exposed to additional credit risk that an institution or other entity with which the fund has unsettled or open transactions will default. Investments in foreign securities involve certain risks, including those related to economic instability, unfavorable political developments, and currency fluctuations.

Beginning in January 2020, global financial markets have experienced, and may continue to experience, significant volatility resulting from the spread of a virus known as Covid-19. The outbreak of Covid-19 has resulted in travel and border restrictions, quarantines, supply chain disruptions, lower consumer demand, and general market uncertainty. The effects of Covid-19 have adversely affected, and may continue to adversely affect, the global economy, the economies of certain nations, and individual issuers, all of which may negatively impact the fund's performance.

#### Note 7 — Summary of derivative activity

The volume of activity for the reporting period for any derivative type that was held during the period is listed below and was based on an average of the holdings at the end of each fiscal quarter:

Written equity option contracts (contract amount)	\$—*
Warrants (number of warrants)	14,000

\* For the reporting period, there were no holdings at the end of each fiscal quarter and the transactions were considered minimal.

The following is a summary of realized and change in unrealized gains or losses of derivative instruments in the Statement of operations for the reporting period (Note 1):

#### Amount of realized gain or (loss) on derivatives recognized in net gain or (loss) on investments

Derivatives not accounted for as hedging instruments under ASC 815	Warrants	Options	Total
Equity contracts	\$20,838	\$39,875	\$60,713
<b>Total</b>	<b>\$20,838</b>	<b>\$39,875</b>	<b>\$60,713</b>

#### Change in unrealized appreciation or (depreciation) on derivatives recognized in net gain or (loss) on investments

Derivatives not accounted for as hedging instruments under ASC 815	Warrants	Total
Equity contracts	\$8,229	\$8,229
<b>Total</b>	<b>\$8,229</b>	<b>\$8,229</b>

**Federal tax information** (Unaudited)

Pursuant to §852 of the Internal Revenue Code, as amended, the fund hereby designates \$10,575,883 as a capital gain dividend with respect to the taxable year ended December 31, 2021, or, if subsequently determined to be different, the net capital gain of such year.

The fund designated 99.62% of ordinary income distributions as qualifying for the dividends received deduction for corporations.

## About the Trustees

Name	Year of birth	Position held	Principal occupations during past five years	Other directorships	
<b>Independent Trustees</b>					
<b>Liaquat Ahamed</b> Born 1952 Trustee since 2012			Author; won Pulitzer Prize for <i>Lords of Finance: The Bankers Who Broke the World</i> .	Chairman of the Sun Valley Writers Conference, a literary not-for-profit organization, and a Trustee of the Journal of Philosophy.	
<b>Ravi Akhoury</b> Born 1947 Trustee since 2009			Private investor	Director of English Helper, Inc., a private software company; Trustee of the Rubin Museum, serving on the Investment Committee; and previously a Director of RAGE Frameworks, Inc.	
<b>Barbara M. Baumann</b> Born 1955 Trustee since 2010			President of Cross Creek Energy Corporation, a strategic consultant to domestic energy firms and direct investor in energy projects.	Director of Devon Energy Corporation, a publicly traded independent natural gas and oil exploration and production company; Director of National Fuel Gas Company, a publicly traded energy company that engages in the production, gathering, transportation, distribution, and marketing of natural gas; Senior Advisor to the energy private equity firm First Reserve; Director of Ascent Resources, LLC, a private independent exploration and production company; Director of Texas American Resources Company II, a private, independent oil and gas exploration and production company; member of the Finance Committee of the Children's Hospital of Colorado; member of the Investment Committee of the Board of The Denver Foundation; and previously a Director of publicly traded companies Buckeye Partners LP, UNS Energy Corporation, CVR Energy Company, and SM Energy Corporation.	
<b>Katinka Domotorffy</b> Born 1975 Trustee since 2012			Voting member of the Investment Committees of the Anne Ray Foundation and Margaret A. Cargill Foundation, part of the Margaret A. Cargill Philanthropies.	Director of the Great Lakes Science Center and of College Now Greater Cleveland.	
<b>Catharine Bond Hill</b> Born 1954 Trustee since 2017			Managing Director of Ithaca S+R, a not-for-profit service that helps the academic community navigate economic and technological change. From 2006 to 2016, the 10th president of Vassar College.	Director of Yale-NUS College and Trustee of Yale University.	
<b>Paul L. Joskow</b> Born 1947 Trustee since 1997			The Elizabeth and James Killian Professor of Economics, Emeritus at the Massachusetts Institute of Technology (MIT). From 2008 to 2017, the President of the Alfred P. Sloan Foundation, a philanthropic institution focused primarily on research and education on issues related to science, technology, and economic performance.	Vice Chair of the Board of Directors of the Whitehead Institute for Biomedical Research, a non-profit biomedical research institute; a Director of Exelon Corporation, an energy company focused on power services; and a member Emeritus of the Board of Advisors of the Boston Symphony Orchestra.	
<b>Kenneth R. Leibler</b> Born 1949 Trustee since 2006 Vice Chair from 2016 to 2018, and Chair since 2018			Vice Chairman Emeritus of the Board of Trustees of Beth Israel Deaconess Hospital in Boston. Member of the Investment Committee of the Boston Arts Academy Foundation.	Director of Eversource Corporation, which operates New England's largest energy delivery system; previously the Chairman of the Boston Options Exchange, an electronic market place for the trading of listed derivatives securities; previously the Chairman and Chief Executive Officer of the Boston Stock Exchange; and previously the President and Chief Operating Officer of the American Stock Exchange.	
<b>George Putnam, III</b> Born 1951 Trustee since 1984			Chairman of New Generation Research, Inc., a publisher of financial advisory and other research services, and President of New Generation Advisors, LLC, a registered investment adviser to private funds.	Director of The Boston Family Office, LLC, a registered investment adviser; a Trustee of the Gloucester Marine Genomics Institute; previously a Trustee of the Marine Biological Laboratory; and previously a Trustee of Epiphany School.	

Name Year of birth Position held	Principal occupations during past five years	Other directorships	
<b>Manoj P. Singh</b> Born 1952 Trustee since 2017	Until 2015, Chief Operating Officer and Global Managing Director at Deloitte Touche Tohmatsu, Ltd., a global professional services organization, serving on the Deloitte U.S. Board of Directors and the boards of Deloitte member firms in China, Mexico, and Southeast Asia.	Director of Abt Associates, a global research firm working in the fields of health, social and environmental policy, and international development; Trustee of Carnegie Mellon University; Director of Pratham USA, an organization dedicated to children's education in India; member of the advisory board of Altimetrik, a business transformation and technology solutions firm; and Director of DXC Technology, a global IT services and consulting company.	
<b>Mona K. Sutphen</b> Born 1967 Trustee since 2020	Senior Advisor at The Vistria Group, a private investment firm focused on middle-market companies in the healthcare, education, and financial services industries. From 2014 to 2018, Partner at Macro Advisory Partners, a global consulting firm.	Director of Unitek Learning, a private nursing and medical services education provider in the United States; Director of Pattern Energy Group LP, a private renewable energy company; previous Director of Pattern Energy, a publicly traded renewable energy company; Board Member, International Rescue Committee; Co-Chair of the Board of Human Rights First; Trustee of Mount Holyoke College; and member of the Advisory Board for the Center on Global Energy Policy at Columbia University's School of International and Public Affairs.	

### Interested Trustee

<b>Robert L. Reynolds*</b> Born 1952 Trustee since 2008 and President and Chief Executive Officer of Putnam Investments since 2008	President and Chief Executive Officer of Putnam Investments; member of Putnam Investments' Board of Directors; and Chair of Great-West Lifeco U.S. LLC. Prior to 2019, also President and Chief Executive Officer of Great-West Financial, a financial services company that provides retirement savings plans, life insurance, and annuity and executive benefits products, and of Great-West Lifeco U.S. LLC, a holding company that owns Putnam Investments and Great-West Financial, and a member of Great-West Financial's Board of Directors.	Director of the Concord Museum; Director of the Dana-Farber Cancer Institute; Director of the U.S. Ski & Snowboard Association Foundation; Chairman of the Boston Advisory Board of the American Ireland Fund; National Council Co-Chairman of the American Enterprise Institute; Executive Committee Member of the Greater Boston Chamber of Commerce; member of the U.S. Chamber of Commerce, Center for Capital Markets Competitiveness; Chairman of the Massachusetts High Technology Council; member of the Chief Executives Club of Boston; member of the Massachusetts General Hospital President's Council; and previously the Chairman of the Massachusetts Competitive Partnership.	
--	---	---	---

\*Mr. Reynolds is an "interested person" (as defined in the Investment Company Act of 1940) of the fund and Putnam Investments. He is President and Chief Executive Officer of Putnam Investments, as well as the President of your fund and each of the other Putnam funds.

The address of each Trustee is 100 Federal Street, Boston, MA 02110.

As of December 31, 2021, there were 100 Putnam funds. All Trustees serve as Trustees of all Putnam funds.

Each Trustee serves for an indefinite term, until his or her resignation, retirement at age 75, removal, or death.

## Officers

In addition to Robert L. Reynolds, the other officers of the fund are shown below:

### **James F. Clark** (Born 1974)

Vice President and Chief Compliance Officer  
Since 2016  
Chief Compliance Officer and Chief Risk Officer, Putnam Investments, and Chief Compliance Officer, Putnam Management

### **Nancy E. Florek** (Born 1957)

Vice President, Director of Proxy Voting and Corporate Governance, Assistant Clerk, and Assistant Treasurer  
Since 2000

### **Michael J. Higgins** (Born 1976)

Vice President, Treasurer, and Clerk  
Since 2010

### **Jonathan S. Horwitz** (Born 1955)

Executive Vice President, Principal Executive Officer, and Compliance Liaison  
Since 2004

### **Richard T. Kircher** (Born 1962)

Vice President and BSA Compliance Officer  
Since 2019  
Assistant Director, Operational Compliance, Putnam Investments and Putnam Retail Management

### **Martin Lemaire** (Born 1984)

Vice President and Derivatives Risk Manager  
Since 2022  
Risk Manager and Risk Analyst, Putnam Investments

### **Susan G. Malloy** (Born 1957)

Vice President and Assistant Treasurer  
Since 2007  
Head of Accounting and Middle Office Services, Putnam Investments and Putnam Management

### **Alan G. McCormack** (Born 1964)

Vice President and Derivatives Risk Manager  
Since 2022  
Head of Quantitative Equities and Risk, Putnam Investments

### **Denere P. Poulack** (Born 1968)

Assistant Vice President, Assistant Clerk, and Assistant Treasurer  
Since 2004

### **Janet C. Smith** (Born 1965)

Vice President, Principal Financial Officer, Principal Accounting Officer, and Assistant Treasurer  
Since 2007  
Head of Fund Administration Services, Putnam Investments and Putnam Management

### **Stephen J. Tate** (Born 1974)

Vice President and Chief Legal Officer  
Since 2021  
General Counsel, Putnam Investments, Putnam Management, and Putnam Retail Management

### **Mark C. Trenchard** (Born 1962)

Vice President  
Since 2002  
Director of Operational Compliance, Putnam Investments and Putnam Retail Management

The principal occupations of the officers for the past five years have been with the employers as shown above, although in some cases they have held different positions with such employers. The address of each officer is 100 Federal Street, Boston, MA 02110.

## Other important information

### Proxy voting

Putnam is committed to managing our mutual funds in the best interests of our shareholders. The Putnam funds' proxy voting guidelines and procedures, as well as information regarding how your fund voted proxies relating to portfolio securities during the 12-month period ended June 30, 2021, are available in the Individual Investors section of putnam.com and on the Securities and Exchange Commission's (SEC) website at [www.sec.gov](http://www.sec.gov). If you have questions about finding forms on the SEC's website, you may call the SEC at 1-800-SEC-0330. You may also obtain the Putnam funds' proxy voting guidelines and procedures at no charge by calling Putnam's Shareholder Services at 1-800-225-1581.

### Fund portfolio holdings

The fund will file a complete schedule of its portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-PORT within 60 days of the end of such fiscal quarter. Shareholders may obtain the fund's Form N-PORT from the SEC's website at [www.sec.gov](http://www.sec.gov).

Prior to its use of Form N-PORT, the fund filed its complete schedule of its portfolio holdings with the SEC on Form N-Q, which is available online at [www.sec.gov](http://www.sec.gov).

## Fund information

### Investment Manager

Putnam Investment Management, LLC  
100 Federal Street  
Boston, MA 02110

### Investment Sub-Advisor

Putnam Investments Limited  
16 St James's Street  
London, England SW1A 1ER

### Marketing Services

Putnam Retail Management  
Limited Partnership  
100 Federal Street  
Boston, MA 02110

### Investor Servicing Agent

Putnam Investments  
Mailing address:  
P.O. Box 219697  
Kansas City, MO 64121-9697  
1-800-225-1581

### Custodian

State Street Bank and Trust Company

### Legal Counsel

Ropes & Gray LLP

### Independent Registered Public Accounting Firm

PricewaterhouseCoopers LLP

### Trustees

Kenneth R. Leibler, *Chair*  
Liaquat Ahamed  
Ravi Akhoury  
Barbara M. Baumann  
Katinka Domotorffy  
Catharine Bond Hill  
Paul L. Joskow  
George Putnam, III  
Robert L. Reynolds  
Manoj P. Singh  
Mona K. Sutphen

The fund's Statement of Additional Information contains additional information about the fund's Trustees and is available without charge upon request by calling 1-800-225-1581.

This Page Intentionally Left Blank

This Page Intentionally Left Blank

This Page Intentionally Left Blank

**Variable Portfolio Funds**

70100 Ameriprise Financial Center  
Minneapolis, MN 55474