

# Prospectus

April 30, 2009

## Putnam Variable Trust Class IA and IB Shares

### Value Fund

Putnam VT Small Cap Value Fund

This prospectus explains what you should know about Putnam VT Small Cap Value Fund, one of the funds of Putnam Variable Trust (the "Trust"), which offers shares of beneficial interest in separate investment portfolios for purchase by separate accounts of various insurance companies. Please read it carefully. Certain shares of other funds of the Trust are offered through other prospectuses.

Putnam Investment Management, LLC (Putnam Management), which has managed mutual funds since 1937, manages the fund. These securities have not been approved or disapproved by the Securities and Exchange Commission nor has the Commission passed upon the accuracy or adequacy of this prospectus. Any statement to the contrary is a crime.

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# Fund summary

## GOAL

The fund seeks capital appreciation.

## MAIN INVESTMENT STRATEGIES — VALUE STOCKS

We invest mainly in common stocks of U.S. companies, with a focus on value stocks. Value stocks are those that we believe are currently undervalued by the market. If we are correct and other investors recognize the value of the company, the price of its stock may rise. Under normal circumstances, we invest at least 80% of the fund's net assets in small companies of a size similar to those in the Russell 2000 Value Index.

## MAIN RISKS

The main risks that could adversely affect the value of the fund's shares and the total return on your investment include:

- ▶ **Equity risk** — the risk that the stock price of one or more of the companies in the fund's portfolio will fall, or will fail to rise. Many factors can adversely affect a stock's performance, including both general financial market conditions and factors related to a specific company or industry. This risk is generally greater for small and midsize companies, which tend to be more vulnerable to adverse developments.
- ▶ **Market risk** — the risk that movements in financial markets will adversely affect the price of the fund's investments, regardless of how well the companies in which we invest perform. The market as a whole may not favor the types of investments we make.

You can lose money by investing in the fund. The fund may not achieve its goal, and is not intended as a complete investment program. An investment in the fund is not a deposit in a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

## INVESTOR PROFILE

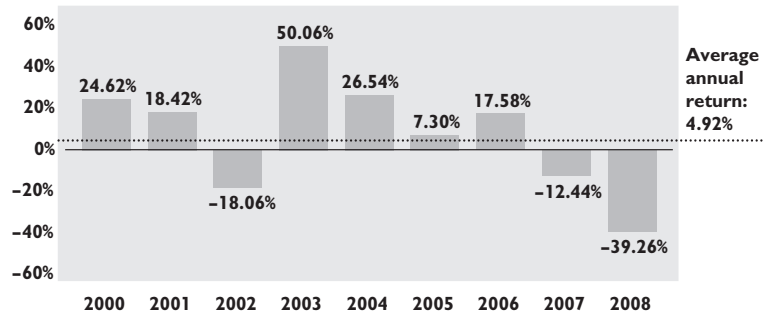
This fund is designed for investors seeking capital appreciation and who are willing to wait out short-term market fluctuations. The fund discourages short-term trading activity. It should not be your sole investment. However, the fund may be appropriate as part of a portfolio of funds with different investment strategies, such as growth, blend, value, and income. Ask your financial representative for details.

## PAST PERFORMANCE

The performance information below gives some indication of the risks and potential rewards associated with an investment in the fund and why a long term investment horizon is important. The bar chart shows calendar year returns and the average annual total return over the life of the fund for the fund's class IA shares.

## CALENDAR YEAR TOTAL RETURNS FOR CLASS IA SHARES

### Annual performance of IA shares at NAV



- ▶ Year-to-date performance through 3/31/09 was -17.87%.
- ▶ In the fund's best calendar quarter during this period (Q2 03), a \$1,000 investment would have grown 23.92% to \$1,239.
- ▶ In the fund's worst calendar quarter during this period (Q4 08), a \$1,000 investment would have declined 28.70% to \$713.

The returns above and the average annual total returns below do not reflect insurance-related charges or expenses. If they did, performance would be less than that shown. Although this information can be valuable, it is important to remember that past performance is not necessarily an indication of future results.

## Average Annual Total Returns

(for periods ending 12/31/08)

	Past 1 year	Past 5 years	Since inception (4/30/99)
<b>Class IA</b>	-39.26%	-3.22%	4.94%
<b>Class IB</b>	-39.39%	-3.46%	4.70%
<b>Russell 2000 Value Index</b> (no deduction for fees or expenses)	-28.92%	0.27%	6.48%

The fund's performance for portions of the periods benefited from Putnam Management's agreement to limit the fund's expenses. The fund's performance is compared to the Russell 2000 Value Index, an unmanaged index of those companies in the Russell 2000 Index chosen for their value orientation.

## COSTS ASSOCIATED WITH YOUR INVESTMENT

All mutual funds pay ongoing fees for investment management and other services. These charges, expressed as a percentage of fund assets, are known as the Total Annual Fund Operating Expenses. This table summarizes the fees and expenses you may pay if you invest in the fund. Expenses are based on the fund's last fiscal year.

## Total Annual Fund Operating Expenses

(expenses that are deducted from fund assets)

	Management Fees	Distribution and Service Fees (12b-1)	Other Expenses	Acquired Fund Operating Expenses*	Total Annual Fund Operating Expenses
<b>Class IA</b>	0.80%	N/A	0.12%	0.08%	1.00%
<b>Class IB</b>	0.80%	0.25%	0.12%	0.08%	1.25%

\* Estimate of expenses attributable to the fund's investments in other investment companies, based on the total annual fund operating expenses of such companies as reported in their most recent shareholder reports (net of any applicable expense limitations). These indirect expenses will vary from time to time depending on the fund's investments in other investment companies and their operating expenses.

### How do these fees and expenses look in dollar terms?

This example takes the annual operating expenses for each share class and translates them into dollar amounts, showing the cumulative effect of these costs over time. This helps you more easily compare the cost of investing in the fund to the cost of investing in other mutual funds. The example makes certain assumptions. It assumes that you invest \$10,000 in the fund for the time periods shown and then redeem all your shares at the end of those periods. It also assumes a 5% return on your investment each year and that the fund's operating expenses remain the same. The example is hypothetical; your actual costs and returns may be higher or lower.

#### EXAMPLE: Annual operating expenses on a \$10,000 investment over time

	1 year	3 years	5 years	10 years
<b>Class IA</b>	\$102	\$319	\$553	\$1,226
<b>Class IB</b>	\$127	\$397	\$687	\$1,517

The fees and expenses information above does not reflect insurance-related charges or expenses. If it did, expenses would be higher than those shown.

## What are the fund's main investment strategies and related risks?

We generally manage the fund in a style similar to Putnam Small Cap Value Fund in the retail Putnam family of funds that we also manage and whose shares are generally offered to the public. However, the counterpart fund will not have identical portfolio holdings or investment results, since we may employ different investment practices and invest in different securities for it.

This section contains greater detail on the fund's main investment strategies and the related risks you would face as a fund shareholder. It is important to keep in mind that risk and reward generally go hand in hand; the higher the potential reward, the greater the risk. As mentioned in the fund summary, we pursue the fund's goal by investing mainly in value stocks. We may consider, among other factors, a company's valuation, financial strength, competitive position in its industry, projected future earnings, cash flows and dividends when deciding whether to buy or sell investments.

► **Common stocks.** Common stock represents an ownership interest in a company. The value of a company's stock may fall as a result of factors directly relating to that company, such as decisions made by its management or lower demand for the company's products or services. A stock's value may also fall because of factors affecting not just the company, but also companies in the same industry or in a number of different industries, such as increases in production costs. From time to time, the fund may invest a significant portion of its assets in companies in one or more related industries or sectors, such as the financial sector, which would make the fund more vulnerable to adverse developments affecting those industries or sectors. The value of a company's stock may also be affected by changes in financial markets that are relatively unrelated to the company or its industry, such as changes in interest rates or currency exchange rates. In addition, a company's stock generally pays dividends only after the company invests in its own business and makes required payments to holders of its bonds and other debt. For this reason, the value of a company's stock will usually react more strongly than its bonds and other debt to actual or perceived changes in the company's financial condition or prospects. Stocks of smaller companies may be more vulnerable to adverse developments than those of larger companies.

Value stocks — Companies whose stock we believe is undervalued by the market may have experienced adverse business developments or may be subject to special risks that have caused their stocks to be out of favor. If our assessment of a company's prospects is wrong, or if other investors do not similarly recognize the value of the company, then the price of the company's stock may fall or may not approach the value that we have placed on it.

► **Small companies.** These companies, some of which may have a market capitalization of less than \$1 billion, are more likely than larger companies to have limited product lines, markets or financial resources, or to depend on a small, inexperienced management group. Stocks of these

companies often trade less frequently and in limited volume, and their prices may fluctuate more than stocks of larger companies. Stocks of small companies may therefore be more vulnerable to adverse developments than those of larger companies. The fund invests mostly in companies of a size similar to those in the Russell 2000 Value Index. As of March 31, 2009, the index was composed of companies having a market capitalization of between \$3 million and \$3 billion.

- ▶ **Foreign investments.** We may invest in foreign investments. Foreign investments involve certain special risks. For example, their values may decline in response to changes in currency exchange rates, unfavorable political and legal developments, unreliable or untimely information, and economic and financial instability. In addition, the liquidity of these investments may be more limited than for most U.S. investments, which means we may at times be unable to sell them at desirable prices. Foreign settlement procedures may also involve additional risks. These risks are generally greater in the case of developing (also known as emerging) markets, which typically have less developed legal and financial systems.

Certain of these risks may also apply to some extent to U.S.-traded investments that are denominated in foreign currencies, investments in U.S. companies that are traded in foreign markets, or investments in U.S. companies that have significant foreign operations.

- ▶ **Derivatives.** We may engage in a variety of transactions involving derivatives, such as futures, options, warrants and swap contracts. Derivatives are financial instruments whose value depends upon, or is derived from, the value of something else, such as one or more underlying investments, pools of investments, indexes or currencies. We may make use of “short” derivatives positions, the values of which move in the opposite direction from the price of the underlying investment, pool of investments, index or currency. We may use derivatives both for hedging and non-hedging purposes, including as a substitute for a direct investment in the securities of one or more issuers. However, we may also choose not to use derivatives, based on our evaluation of market conditions or the availability of suitable derivatives. Investments in derivatives may be applied toward meeting a requirement to invest in a particular kind of investment if the derivatives have economic characteristics similar to that investment.

Derivatives involve special risks and may result in losses. The successful use of derivatives depends on our ability to manage these sophisticated instruments. Some derivatives are “leveraged,” which means that they provide the fund with investment exposure greater than the value of

the fund’s investment in the derivatives. As a result, these derivatives may magnify or otherwise increase investment losses to the fund. The risk of loss from certain short derivatives positions is theoretically unlimited. The prices of derivatives may move in unexpected ways due to the use of leverage or other factors, especially in unusual market conditions, and may result in increased volatility.

Other risks arise from the potential inability to terminate or sell derivatives positions. A liquid secondary market may not always exist for the fund’s derivatives positions at any time. In fact, many over-the-counter instruments (investments not traded on an exchange) will not be liquid. Over-the-counter instruments also involve the risk that the other party to the derivatives transaction will not meet its obligations. For further information about the risks of derivatives, see the Trust’s statement of additional information (SAI).

- ▶ **Other investments.** In addition to the main investment strategies described above, we may make other types of investments, such as investments in preferred stocks, convertible securities and debt instruments. The fund may also loan its portfolio securities to earn additional income. These practices may be subject to other risks, as described in the SAI.
- ▶ **Alternative strategies.** Under normal market conditions, we keep the fund’s portfolio fully invested, with minimal cash holdings. However, at times we may judge that market conditions make pursuing the fund’s usual investment strategies inconsistent with the best interests of its shareholders. We then may temporarily use alternative strategies that are mainly designed to limit losses. However, we may choose not to use these strategies for a variety of reasons, even in very volatile market conditions. These strategies may cause the fund to miss out on investment opportunities, and may prevent the fund from achieving its goal.
- ▶ **Changes in policies.** The Trustees may change the fund’s goal, investment strategies and other policies without shareholder approval, except as otherwise indicated.
- ▶ **Portfolio transactions and portfolio turnover rate.** The fund’s daily transactions on stock exchanges, commodities markets and futures markets involve costs that are reflected in its total return but not in the Total Annual Fund Operating Expenses. For example, the fund paid \$1,010,561 in brokerage commissions during the last fiscal year, representing 0.28% of the fund’s average net assets. Of this amount, \$399,515, representing 0.11% of the fund’s average net assets, was paid to brokers who also provided research services. Additional information regarding Putnam Management’s brokerage selection procedures is included in the SAI.

Combining the brokerage commissions paid by the fund during the last fiscal year (as a percentage of the fund's average net assets) with the fund's Total Annual Fund Operating Expenses ratio for class IA shares results in a "combined cost ratio" of 1.28% of the fund's average net assets for class IA shares for the last fiscal year. The combined cost ratio does not reflect insurance-related charges or expenses. If it did, the ratio would be higher than that shown.

Because different types of funds use different trading procedures, investors should exercise caution when comparing brokerage commissions and combined cost ratios for different types of funds. For example, while brokerage commissions represent one component of the fund's transaction costs, they do not reflect any undisclosed amount of profit or "mark-up" included in the price paid by the fund for principal transactions (transactions made directly with a dealer or other counterparty), including most fixed income securities and certain derivatives. In addition, brokerage commissions do not reflect other elements of transaction costs, including the extent to which the fund's purchase and sale transactions may change the market price for an investment (the "market impact").

Another factor in transaction costs is the fund's portfolio turnover rate, which measures how frequently the fund buys and sells investments. A portfolio turnover rate of 100%, for example, would mean that the fund sold and replaced securities valued at 100% of the fund's assets within a one-year period. Funds with high turnover may be more likely to realize capital gains that must be distributed to shareholders as taxable income. High turnover may also cause a fund to pay more brokerage commissions and other transaction costs, which may detract from performance. The fund's portfolio turnover rate and the amount of brokerage commissions it pays will vary over time based on market conditions. The fund's portfolio turnover rate for the past five fiscal years is set forth in the *Financial Highlights* at the end of this prospectus.

- **Portfolio holdings.** The SAI includes a description of the fund's policies with respect to the disclosure of its portfolio holdings. For more specific information on the fund's portfolio, you may visit the Putnam Investments website, [www.putnam.com/individual](http://www.putnam.com/individual), and click on *Annuities*. The fund's top 10 holdings and related portfolio information may be viewed monthly beginning approximately 15 days after the end of each month, and full portfolio holdings of the fund may be viewed beginning on the last business day of the month after the end of each calendar quarter. This information will remain available on the

website until the fund files a Form N-CSR or N-Q with the Securities and Exchange Commission (SEC) for the period that includes the date of the information, after which such information can be found on the SEC's website at <http://www.sec.gov>.

## Who oversees and manages the fund?

### THE FUND'S TRUSTEES

As a shareholder of a mutual fund, you have certain rights and protections, including representation by a Board of Trustees. The Putnam Funds' Board of Trustees oversees the general conduct of the fund's business and represents the interests of the Putnam fund shareholders. The Putnam Funds' Board of Trustees includes Trustees who are elected by shareholder vote at least once every five years and at least 75% of whom are independent (not an officer of the fund or affiliated with Putnam Management).

The Trustees periodically review the fund's investment performance and the quality of other services such as administration, custody, and investor services. At least annually, the Trustees review the fees paid to Putnam Management and its affiliates for providing or overseeing these services, as well as the overall level of the fund's operating expenses. In carrying out their responsibilities, the Trustees are assisted by an administrative staff, auditors and legal counsel that are selected by the Trustees and are independent of Putnam Management and its affiliates.

### Contacting the fund's Trustees

Address correspondence to:  
The Putnam Funds Trustees  
One Post Office Square  
Boston, MA 02109

### THE FUND'S INVESTMENT MANAGER

The Trustees have retained Putnam Management to be the fund's investment manager, responsible for making investment decisions for the fund and managing the fund's other affairs and business. The basis for the Trustees' approval of the Trust's management contract described below is discussed in the Trust's annual report to shareholders dated December 31, 2008. The fund pays Putnam Management a quarterly management fee for these services based on the fund's average net assets. The fund paid Putnam Management a management fee (after applicable waivers) of 0.80% of average net assets for the fund's last fiscal year. Putnam Management's address is One Post Office Square, Boston, MA 02109.

- **Portfolio managers.** The officers of Putnam Management identified below are primarily responsible for the day-to-day management of the fund's portfolio.

Portfolio Managers	Joined Fund	Employer	Positions Over Past Five Years
Edward Shadek, Jr.	1999	Putnam Management 1997 – Present	Head of Small/Mid Cap Equities
Eric Harthun	2008	Putnam Management 2000 – Present	Portfolio Manager Previously, Senior Analyst

- **Other funds managed by the fund's portfolio managers; compensation.** As of the fund's fiscal year end, Mr. Harthun also served as a portfolio manager of Putnam Convertible Income-Growth Trust, Putnam High Income Securities Fund and Putnam Small Cap Value Fund. Mr. Shadek, Jr. also served as a portfolio manager of Putnam Small Cap Value Fund. Messrs. Shadek and Harthun may also manage other accounts and variable trust funds managed by Putnam Management or an affiliate. The SAI provides additional information about other accounts managed by these individuals, as well as information about the structure of and methods used to determine their compensation.

## How to buy and sell fund shares

The Trust has an underwriting agreement relating to the fund with Putnam Retail Management, One Post Office Square, Boston, Massachusetts 02109. Putnam Retail Management presently offers shares of the fund continuously to separate accounts of various insurers. The underwriting agreement presently provides that Putnam Retail Management accepts orders for shares at net asset value and no sales commission or load is charged.

Shares are sold or redeemed at the net asset value per share next determined after receipt of an order. Orders for purchases or sales of shares of the fund must be received by Putnam Retail Management before the close of regular trading on the New York Stock Exchange (NYSE) in order to receive that day's net asset value. No fee is charged to a separate account when it redeems fund shares.

This prospectus should be read in conjunction with the prospectus of the separate account of the specific insurance product which accompanies this prospectus.

The fund currently does not foresee any disadvantages to policyowners arising out of the fact that the fund offers its shares to separate accounts of various insurance companies to serve as the investment medium for their variable products.

Nevertheless, the Trustees intend to monitor events in order to identify any material irreconcilable conflicts which may possibly arise, and to determine what action, if any, should be taken in response to such conflicts. If such a conflict were to occur, one or more insurance companies' separate accounts might be required to withdraw their investments in the fund and shares of another fund offered by the Trust may be substituted. This might force the fund to sell portfolio securities at disadvantageous prices. In addition, the Trustees may refuse to sell shares of the fund to any separate account or may suspend or terminate the offering of shares of the fund if such action is required by law or regulatory authority or is in the best interests of the shareholders of the fund. Under unusual circumstances, the Trust may suspend repurchases or postpone payment for up to seven days or longer, as permitted by federal securities law. Redemption proceeds may be paid in securities or other property rather than in cash if Putnam determines it is in the best interest of the fund.

## Distribution Plan and payments to dealers

The Trust has adopted a Distribution Plan with respect to class IB shares to compensate Putnam Retail Management for services provided and expenses incurred by it as principal underwriter of the class IB shares, including the payments to insurance companies and their affiliated dealers mentioned below. The plan provides for payments by the fund to Putnam Retail Management at the annual rate (expressed as a percentage of average net assets) of up to 0.35% on class IB shares. The Trustees currently limit payments on class IB shares to 0.25% of average net assets. Because these fees are paid out of the fund's assets on an ongoing basis, over time these fees will increase the cost of your investment and may cost you more than paying other types of sales charges.

Putnam Retail Management compensates insurance companies (or affiliated broker-dealers) whose separate accounts invest in the Trust through class IB shares for providing services to their contract holders investing in the Trust.

Putnam Retail Management makes quarterly payments to dealers at the annual rate of up to 0.25% of the average net asset value of class IB shares.

Putnam Retail Management may suspend or modify its payments to dealers. The payments are also subject to the continuation of the Distribution Plan, the terms of service agreements between dealers and Putnam Retail Management, and any applicable limits imposed by the Financial Industry Regulatory Authority (FINRA).

In addition to the payments described above with respect to class IB shares, Putnam Retail Management and its affiliates also pay additional compensation to selected insurance companies (or affiliated broker-dealers) to whom shares of the fund are offered (“Record Owners”) and to dealers that sell variable insurance products (“dealers”) in recognition of their marketing and/or administrative services support. These payments may create an incentive for a Record Owner firm, dealer firm or their representatives to recommend or offer shares of the fund or other Putnam funds, or insurance products for which the fund serves as underlying investments, to its customers. These additional payments are made by Putnam Retail Management and its affiliates and do not increase the amounts paid by you or the fund as shown under the heading *Costs associated with your investment* at the front of this prospectus.

These payments to Record Owners and dealers by Putnam Retail Management and its affiliates are generally based on one or more of the following factors: average net assets of the fund attributable to that Record Owner or dealer, sales or net sales of the fund attributable to that Record Owner or dealer, or on the basis of a negotiated lump sum payment for services provided. Payments made by Putnam Retail Management and its affiliates for marketing and/or administrative support services to any one Record Owner or dealer are not expected, with certain limited exceptions, to exceed 0.25% of the average assets of the fund attributable to that Record Owner or dealer on an annual basis. These payments are made for marketing and/or administrative support services provided by Record Owners and dealers, including business planning assistance, educating dealer personnel about the fund and shareholder financial planning needs, placement on the dealer’s preferred or recommended fund list, access to sales meetings, sales representatives and management representatives of the dealer and administrative services performed by the Record Owner or dealer. Putnam Retail Management and its affiliates may make other payments (including payments in connection with educational seminars or conferences) or allow other promotional incentives to Record Owners and dealers to the extent permitted by the SEC and the National Association of Security Dealers, Inc rules (as adopted by FINRA) and by other applicable laws and regulations.

You can find a list of all Record Owners and dealers to which Putnam made marketing and/or administrative support services payments in 2008 in the SAI, which is on file with the SEC and is also available on Putnam’s website at [www.putnam.com/individual](http://www.putnam.com/individual) and click on *Annuities*. You can also find other details in the SAI about the payments made by Putnam Retail Management and its affiliates and the services provided by your Record Owner or dealer. In addition, you can ask your Record Owner or dealer for information about any payments it receives from Putnam Retail Management and its affiliates and any services provided by your Record Owner or dealer.

## How does the fund price its shares?

The price of the fund’s shares is based on its net asset value (NAV). The NAV per share of each class equals the total value of its assets, less its liabilities, divided by the number of its outstanding shares. Shares are only valued as of the close of regular trading on the NYSE each day the exchange is open.

The fund values its investments for which market quotations are readily available at market value. It values all other investments and assets at their fair value, which may differ from recent market prices. For example, the fund may value a stock at its fair value when the relevant exchange closes early or trading in the stock is suspended. It may also value a stock at fair value if recent transactions in the stock have been very limited or material information about the issuer becomes available after the close of the relevant market.

The fund translates prices for its investments quoted in foreign currencies into U.S. dollars at current exchange rates, which are generally determined as of 3:00 p.m. Eastern time each day the NYSE is open. As a result, changes in the value of those currencies in relation to the U.S. dollar may affect the fund’s NAV. Because foreign markets may be open at different times than the NYSE, the value of the fund’s shares may change on days when shareholders are not able to buy or sell them. Many securities markets and exchanges outside the U.S. close prior to the close of the NYSE 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 close of the NYSE. As a result, the fund has adopted fair value pricing procedures, which, among other things, require the fund to fair value foreign equity securities if there has been a movement in the U.S. market that exceeds a specified threshold that may change from time to time. As noted above, the value determined for an investment using the fund’s fair value pricing procedures may differ from recent market prices for the investment.

## Policy on excessive short-term trading

- **Risks of excessive short-term trading.** The expected tax advantages associated with the insurance products that invest in the fund (such as tax deferral for gains realized from exchanges among the funds) may make the fund more attractive to excessive short-term traders, although other aspects of these products (such as the penalty tax on some withdrawals) may discourage short-term trading. Excessive short-term trading activity may reduce a fund’s performance and harm all fund shareholders by interfering with portfolio

management, increasing the fund's expenses and diluting the fund's net asset value. Depending on the size and frequency of short-term trades in a fund's shares, the fund may experience increased cash volatility, which could require the fund to maintain undesirably large cash positions or buy or sell portfolio securities it would not have bought or sold otherwise. The need to execute additional portfolio transactions due to these cash flows may also increase the fund's brokerage and administrative costs.

When the fund invests in foreign securities, its performance may be adversely impacted and the interests of longer-term shareholders may be diluted as a result of time-zone arbitrage, a short-term trading practice that seeks to exploit changes in the value of the fund's investments that result from events occurring after the close of the foreign markets on which the investments trade, but prior to the later close of trading on the NYSE, the time as of which the fund determines its net asset value. If an arbitrageur is successful, he or she may dilute the interests of other shareholders by trading shares at prices that do not fully reflect their fair value.

Because the fund invests in securities that may trade infrequently or may be more difficult to value, such as securities of smaller companies, it may be susceptible to trading by short-term traders who seek to exploit perceived price inefficiencies in the fund's investments. In addition, the market for these securities may at times show "market momentum," in which positive or negative performance may continue from one day to the next for reasons unrelated to the fundamentals of the issuer. Short-term traders may seek to capture this momentum by trading frequently in the fund's shares, which will reduce the fund's performance and may dilute the interests of other shareholders. Because securities of smaller companies may be less liquid than securities of larger companies, the fund may also be unable to buy or sell these securities at desirable prices when the need arises (for example, in response to volatile cash flows caused by short-term trading). Similar risks may apply if the fund holds other types of less liquid securities, including below investment grade bonds.

- **Fund policies and limitations.** Putnam Management and the fund's Trustees have adopted policies and procedures intended to discourage excessive short-term trading. The fund seeks to discourage excessive short-term trading by imposing short-term trading fees and using fair value pricing procedures to value investments under some circumstances. In addition, Putnam Management monitors activity in those shareholder accounts about which it possesses the necessary information in order to detect excessive short-term trading patterns and takes steps to deter

excessive short-term traders. Fair value pricing may be used to a significant extent with respect to foreign securities. In addition, Putnam Management monitors aggregate cash flows in each insurance company separate account that invests in the funds. If high cash flows relative to the size of the account or other information indicate that excessive short-term trading may be taking place in a particular separate account, Putnam Management will contact the insurance company that maintains accounts for the underlying contract holders and seek to have the insurance company enforce the separate account's policies on excessive short-term trading. As noted below, each insurance company's policies on excessive short-term trading will vary, and some insurance companies may not have adopted specific policies on excessive short-term trading.

As noted above, the fund's shareholders are separate accounts sponsored by various insurance companies. Because Putnam Management currently does not have comprehensive access to trading records of individual contract holders, it is difficult (and in some cases impossible) for Putnam Management to determine if a particular contract holder is engaging in excessive short-term trading. In certain circumstances, there currently are also operational or technological constraints on Putnam Management's ability to monitor trading activity. In addition, even in circumstances when Putnam Management has access to sufficient information to permit a review of trading, its detection methods may not capture all excessive short-term trading.

As a result of these limitations, the fund's ability to monitor and deter excessive short-term trading ultimately depends on the capabilities, policies and cooperation of the insurance companies that sponsor the separate accounts. Some of the separate accounts have adopted transfer fees, limits on exchange activity, or other measures to attempt to address the potential for excessive short-term trading, while other separate accounts currently have not. For more information about any measures applicable to your investment, please see the prospectus of the separate account of the specific insurance product that accompanies this prospectus. The measures used by Putnam Management or a separate account may or may not be effective in deterring excessive short-term trading. In addition, the terms of the particular insurance contract may also limit the ability of the insurance company to address excessive short-term trading. As a result, the fund can give no assurances that market timing and excessive short-term trading will not occur in the fund.

## Fund distributions and taxes

The fund normally distributes any net investment income and any net realized capital gains at least annually. Distributions will be reinvested in additional shares of this fund, unless an election is made on behalf of a separate account to receive some or all of the distributions in cash.

Distributions are reinvested without a sales charge, using the net asset value determined on the ex-dividend date. Distributions on each share are determined in the same manner and are paid in the same amount, regardless of class, except for such differences as are attributable to differential class expenses.

Generally, owners of variable annuity and variable life insurance contracts are not taxed currently on income or gains realized with respect to such contracts. However, some distributions from such contracts may be taxable at ordinary income tax rates. In addition, distributions made to an owner who is younger than 59½ may be subject to a 10% penalty tax. Investors should ask their own tax advisors for more information on their own tax situation, including possible foreign, state or local taxes.

In order for investors to receive the favorable tax treatment available to holders of variable annuity and variable life insurance contracts, the separate accounts underlying such contracts, as well as the funds in which such accounts invest, must meet certain diversification requirements. The fund intends to comply with these requirements. If the fund does not meet such requirements, income allocable to the contracts would be taxable currently to the holders of such contracts. In addition, if the Internal Revenue Service finds an impermissible level of “investor control” over the investment options underlying variable annuity or variable life insurance contracts, the advantageous tax treatment provided in respect to insurance company separate accounts under the Internal Revenue Code of 1986, as amended (the “Code”) will no longer be available. Please see the SAI for further discussion.

The fund intends to qualify as a “regulated investment company” for federal income tax purposes and to meet all other requirements necessary for it to be relieved of federal income taxes on income and gains it distributes to the separate accounts. For information concerning federal income tax consequences for the holders of variable annuity contracts and variable life insurance policies, contract holders should consult the prospectus of the applicable separate account.

The fund’s investments in foreign securities, if any, may be subject to foreign withholding taxes. In that case, the fund’s return on those investments would be decreased. In addition, the fund’s investment in foreign securities or foreign currencies may increase or accelerate the fund’s recognition of ordinary income and may affect the timing or amount of the fund’s distributions.

The fund’s use of derivatives, if any, may affect the amount and timing of distributions to shareholders potentially requiring the fund to liquidate other investments in order to satisfy its distribution requirements.

The foregoing discussion is based on the assumption that the investors in the fund will be insurance company separate accounts. For further information, please see *Taxes* in the SAI.

## Financial highlights

The financial highlights tables are intended to help you understand the fund’s recent financial performance. Certain information reflects financial results for a single fund share. The total returns represent the rate that an investor would have earned or lost on an investment in the fund, assuming reinvestment of all dividends and distributions. Total returns and expense ratios do not reflect insurance-related charges or expenses; if these charges and expenses were reflected, performance would be lower and expenses would be higher. This information has been derived from the fund’s financial statements, which have been audited by PricewaterhouseCoopers LLP. Its report and the fund’s financial statements are included in the fund’s annual report to shareholders, which is available upon request.

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

INVESTMENT OPERATIONS:				LESS DISTRIBUTIONS:			
Period ended	Net asset value, beginning of period	Net investment income (loss) (a,i)	Net realized and unrealized gain (loss) on investments	Total from investment operations	From net investment income	From net realized gain on investments	From return of capital
<b>Putnam VT Small Cap Value Fund (Class IA)</b>							
December 31, 2008	\$18.96	.21	(6.31)	(6.10)	(.34)	(3.90)	—
December 31, 2007	24.49	.25	(2.85)	(2.60)	(.19)	(2.74)	—
December 31, 2006	23.11	.19	3.74	3.93	(.13)	(2.42)	—
December 31, 2005	22.95	.14(k)	1.41	1.55	(.09)	(1.30)	—
December 31, 2004	18.23	.09	4.73	4.82	(.10)	—	—
<b>Putnam VT Small Cap Value Fund (Class IB)</b>							
December 31, 2008	\$18.76	.18	(6.24)	(6.06)	(.27)	(3.90)	—
December 31, 2007	24.27	.18	(2.81)	(2.63)	(.14)	(2.74)	—
December 31, 2006	22.93	.14	3.70	3.84	(.08)	(2.42)	—
December 31, 2005	22.79	.09(k)	1.39	1.48	(.04)	(1.30)	—
December 31, 2004	18.12	.05	4.69	4.74	(.07)	—	—

- (a) Per share net investment income (loss) has been determined on the basis of the weighted average number of shares outstanding during the period.
- (b) The charges and expenses at the insurance company separate account level are not reflected.
- (c) Total return assumes dividend reinvestment.
- (d) Includes amounts paid through expense offset arrangements and brokerage/service arrangements.
- (i) Reflects an involuntary contractual expense limitation and/or waivers of certain fund expenses in connection with investments in Putnam Prime Money Market Fund in effect during the period. As a result of such limitation and/or waivers, the expenses of the fund's class IA and class IB shares reflect a reduction of the following amounts based on the fund's average net assets:

	<u>12/31/08</u>	<u>12/31/07</u>	<u>12/31/06</u>	<u>12/31/05</u>	<u>12/31/04</u>
Putnam VT Small Cap Value Fund	<0.01%	<0.01%	<0.01%	<0.01%	<0.01%

- (k) Reflects a non-recurring accrual related to Putnam Management's settlement with the SEC regarding brokerage allocation practices, which amounted to the following amounts for the fund based on the fund's weighted average number of shares outstanding and average net assets, respectively, for the year ended December 31, 2005.

	<u>Per share</u>	<u>Percentage of average net assets</u>
Putnam VT Small Cap Value Fund	<\$0.01	0.01%

## RATIOS AND SUPPLEMENTAL DATA:

Total distributions	Non-recurring reimbursements	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>(b,d,i)</sup>	Ratio of net investment income (loss) to average net assets (%) <sup>(l)</sup>	Portfolio turnover (%)
(4.24)	—	\$8.62	(39.26)	\$61,459	.92	1.63	57.69
(2.93)	—	18.96	(12.44)	149,405	.87	1.11	58.64
(2.55)	—	24.49	17.57	251,511	.85	.82	61.25
(1.39)	—	23.11	7.30	291,615	.84	.62 <sup>(k)</sup>	42.50
(.10)	—	22.95	26.54	348,938	.87	.48	39.27
(4.17)	—	\$8.53	(39.39)	\$165,393	1.17	1.40	57.69
(2.88)	—	18.76	(12.67)	326,425	1.12	.78	58.64
(2.50)	—	24.27	17.29	726,489	1.10	.59	61.25
(1.34)	—	22.93	7.03	552,682	1.09	.40 <sup>(k)</sup>	42.50
(.07)	—	22.79	26.22	475,639	1.12	.23	39.27

# For more information about Putnam VT Small Cap Value Fund

The annual and semi-annual reports to shareholders, and the Trust's statement of additional information (SAI), include additional information about the fund. The SAI, and the independent registered public accounting firm's report and the financial statements included in the Trust's most recent annual report to fund shareholders, are incorporated by reference into this prospectus, which means they are part of this prospectus for legal purposes. The Trust's annual report discusses the market conditions and investment strategies that significantly affected the fund's performance during the fund's last fiscal year. You may get free copies of these materials, request other information about any Putnam fund, or make shareholder inquiries, by contacting your financial advisor, by visiting Putnam's website at [www.putnam.com](http://www.putnam.com), or by calling Putnam toll-free at 1-800-225-1581.

You may review and copy information about the fund, including the Trust's SAI, at the Securities and Exchange Commission's Public Reference Room in Washington, D.C. You may call the Commission at 1-202-942-8090 for information about the operation of the Public Reference Room. You may also access reports and other information about the fund on the EDGAR Database on the Commission's website at <http://www.sec.gov>. You may get copies of this information, with payment of a duplication fee, by electronic request at the following E-mail address: [publicinfo@sec.gov](mailto:publicinfo@sec.gov) or by writing the Commission's Public Reference Section, Washington, D.C. 20549-0102. You may need to refer to the Trust's file number.

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