

# Putnam Variable Trust

6|30|11

Semiannual report

Putnam VT  
Voyager Fund



# Message from the Trustees

Dear Fellow Shareholder:

In early August, equity markets around the world were rocked by indications of slowing economic growth and worsening debt issues in Europe and the United States. Significantly, Standard & Poor's downgraded U.S. sovereign debt to AA+ from AAA on August 5. While Putnam's investment team believes the downgrade will have limited immediate impact on the real economy, it is important to recognize that market volatility has risen in the near term.

Long-term investors are wise to seek the counsel of their financial advisors during volatile times and to remember that market volatility historically has served as an opportunity for nimble managers to both guard against risk and pursue new opportunities. We believe that many investment opportunities still exist today, and that Putnam's active, research-intensive investment approach offers shareholders a potential advantage in this environment.

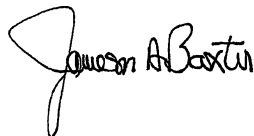
We would like to thank John A. Hill, who has served as Chairman of the Trustees since 2000 and who continues on as a Trustee, for his service. We are pleased to announce that Jameson A. Baxter is the new Chair, having served as Vice Chair since 2005 and a Trustee since 1994. Ms. Baxter is President of Baxter Associates, Inc., a private investment firm, and Chair of the Mutual Fund Directors Forum. In addition, she serves as Chair Emeritus of the Board of Trustees of Mount Holyoke College, Director of the Adirondack Land Trust, and Trustee of the Nature Conservancy's Adirondack Chapter.

Lastly, we would like to take this opportunity to welcome new shareholders to the fund and to thank all of our investors for your continued confidence in Putnam.

Respectfully yours,



Robert L. Reynolds  
President and Chief Executive Officer  
Putnam Investments



Jameson A. Baxter  
Chair, Board of Trustees

August 9, 2011

## Performance summary (as of 6/30/11)

### Investment objective

Capital appreciation

**Net asset value** June 30, 2011

**Class IA: \$38.47**

**Class IB: \$38.24**

### Total return at net asset value

(as of 6/30/11)†	Class IA shares*	Class IB shares†	Russell 1000 Growth Index
6 months	-0.95%	-1.09%	6.83%
1 year	29.09	28.75	35.01
5 years	44.43	42.64	29.65
Annualized	7.63	7.36	5.33
10 years	28.67	25.49	24.80
Annualized	2.55	2.30	2.24
Life	850.43	809.18	688.98
Annualized	10.10	9.89	9.22

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

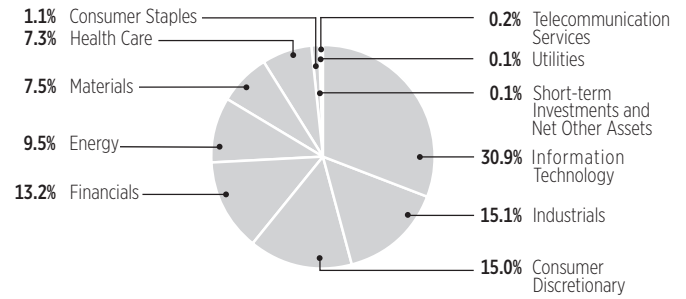
\* Class inception date: February 1, 1988.

† Class inception date: April 30, 1998.

‡ Performance benefited from receipt of an Enron class action settlement pertaining to investments made prior to 2002.

**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. 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. Performance of class IB shares before their inception is derived from the historical performance of class IA shares, adjusted to reflect the higher operating expenses applicable to such shares. 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



Portfolio holdings and allocations may vary over time. Allocations are represented as a percentage of net assets as of 6/30/11. Due to rounding, percentages may not equal 100%. Summary information may differ from the portfolio schedule included in the financial statements due to the inclusion of derivative securities and the exclusion of as-of trades, if any, and the use of different classifications of securities for presentation purposes.

## Report from your fund's manager

### The stock market declined in recent months. What has driven this negative performance?

Investor belief in the endurance of the recovery has been shaken due to a combination of China raising interest rates, oil prices briefly hitting \$120 per barrel earlier in the year, uncertainty around the coming end of the Federal Reserve's \$600 billion stimulus program, renewed concerns about sovereign debt, and, more recently, S&P's downgrade of U.S. debt.

### Why has the fund's performance lagged its benchmark index?

While the approach I have taken has not changed, it did lead to underperformance during the first half of this year, and I believe there are three reasons for this. First, the market has dramatically shifted its view of the economic recovery based on the events I just mentioned. As a result, consumer staples stocks sharply outperformed consumer cyclical stocks, which tend to benefit when economic growth is stronger. I continue to maintain that we are in an economic recovery, albeit a slow recovery, and that the combination of growth and valuations of cyclical stocks is compelling. But that stance in the portfolio hurt performance this year.

The second set of factors that detracted from performance were the macro shocks to the economy. The fund had some direct Japanese exposure at the time of the earthquake. Specifically, the fund has exposure to automobile stocks and several technology positions, which have been negatively affected by the supply-chain disruptions following the quake. The high price of oil up until May had an effect on the oil and airline stocks in the portfolio.

Finally, some stock-specific returns hurt the fund during the year. These include out-of-benchmark positions in U.K. mining company Vedanta Resources, Goldman Sachs, and OfficeMax, as well as an overweight position in Hewlett-Packard.

### Have recent market events altered the fund's positioning?

No. Our fundamental, bottom-up stock-selection process has led us to a number of cyclically oriented companies that are growing earnings but that we believe are trading at attractive multiples. Second, we believe that the economy is likely in a near-term soft patch, which is not surprising in light of recent external shocks.

While risks remain in the global economy and capital markets, I believe that every one of the macro variables that were a drag on stocks in the first half — a spike in oil prices, supply disruptions in Japan, etc. — is likely to improve in the second half. In Japan, for example, we believe that the second half of the year should see not only the resumption of economic activity, but the added activity associated with rebuilding damaged infrastructure. Auto production, which was down sharply in the second quarter, is expected to be up just as sharply in the third quarter. In addition, the fund addresses risk through options, to hedge against changes in values of securities; total return swaps, to gain exposures to certain sectors and industries; and forward currency contracts, to hedge foreign exchange risk.

I also believe that the U.S. economy will continue to grow modestly and that earnings for U.S. companies will continue to grow at mid-teen rates in 2011 and 2012.

### Have recent market events changed equity valuations?

Yes. Losses since April have made valuations more compelling, in my estimation, pushing the price of the S&P 500 Index to 14.5 times trailing 12-month earnings, compared with an average of 20.5 times earnings since 1991, according to Bloomberg. Meanwhile, U.S. corporations continue to generate near-record profits. One of the reasons I am optimistic about the second half of the year is that today's negative sentiment can provide a catalyst for change in psychology if investors refocus on the evidence of record earnings rather than the fear of another recession.

### Is the fund's portfolio essentially positioned for a strong economy?

I do not believe so. Throughout my career, I have strived to find stocks that represent better-than-average growth potential but are trading at below-average cost. As a result of recent market performance, I believe the portfolio — which is diversified across multiple sectors and companies — now exhibits some of the most compelling growth and valuation metrics of my career. The valuation side of this equation can help act as a buffer during periods when prices are falling.

*The views expressed in this report are exclusively those of Putnam Management. 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.*

**Consider these risks before investing:** Investments in small and/or midsize companies increase the risk of greater price fluctuations. Growth investing targets companies with above-average earnings growth that may be subject to price volatility if earnings expectations are not met. Current and future portfolio holdings are subject to risk.

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## Your fund's manager



Portfolio Manager **Nick C. Thakore** is Co-Head of U.S. Equities at Putnam. He joined Putnam in 2008 and has been in the investment industry since 1993.

Your fund's manager may also manage 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 first two columns in the following table show the expenses you would have paid on a \$1,000 investment in your fund from January 1, 2011, to June 30, 2011. 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 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.

	Expenses and value for a \$1,000 investment, assuming actual returns for the 6 months ended 6/30/11		Expenses and value for a \$1,000 investment, assuming a hypothetical 5% annualized return for the 6 months ended 6/30/11	
	Class IA	Class IB	Class IA	Class IB
Expenses paid per \$1,000*	\$3.55	\$4.78	\$3.61	\$4.86
Ending value (after expenses)	\$990.50	\$989.10	\$1,021.22	\$1,019.98
Annualized expense ratio	0.72%	0.97%	0.72%	0.97%

\*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 6/30/11. The expense ratio may differ for each share class. Expenses 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; and then dividing that result by the number of days in the year.

## The fund's portfolio 6/30/11 (Unaudited)

COMMON STOCKS (95.8%)*	Shares	Value
<b>Aerospace and defense (2.2%)</b>		
Embraer SA ADR (Brazil)	97,100	\$2,988,738
GeoEye, Inc. †	38,220	1,429,428
Honeywell International, Inc.	44,000	2,621,960
Northrop Grumman Corp.	36,100	2,503,535
Precision Castparts Corp.	74,200	12,217,030
		<b>21,760,691</b>
<b>Airlines (2.2%)</b>		
Delta Air Lines, Inc. †	829,417	7,605,754
United Continental Holdings, Inc. † S	311,612	7,051,780
US Airways Group, Inc. † S	856,976	7,635,656
		<b>22,293,190</b>
<b>Automobiles (1.8%)</b>		
Fiat SpA (Italy)	203,872	2,240,888
General Motors Co. † S	116,501	3,536,970
Nissan Motor Co., Ltd. (Japan)	454,600	4,774,134
Porsche Automobil Holding SE (Preference) (Germany)	63,219	5,021,131
Volkswagen AG (Preference) (Germany)	11,600	2,397,630
		<b>17,970,753</b>
<b>Biotechnology (2.1%)</b>		
Celgene Corp. †	149,900	9,041,968
Cubist Pharmaceuticals, Inc. †	7,300	262,727
Dendreon Corp. † S	61,400	2,421,616
Human Genome Sciences, Inc. † S	273,700	6,716,598
United Therapeutics Corp. † S	41,200	2,270,120
		<b>20,713,029</b>
<b>Capital markets (2.6%)</b>		
Blackstone Group LP (The)	155,937	2,582,317
Goldman Sachs Group, Inc. (The)	81,466	10,842,310
KKR & Co. LP	295,957	4,830,018
Morgan Stanley	107,300	2,468,973
State Street Corp.	116,397	5,248,341
		<b>25,971,959</b>
<b>Chemicals (2.0%)</b>		
Celanese Corp. Ser. A	47,500	2,532,225
Dow Chemical Co. (The)	95,000	3,420,000
Huntsman Corp.	213,700	4,028,245
LyondellBasell Industries NV Class A (Netherlands)	148,300	5,712,516
Monsanto Co.	46,100	3,344,094
Potash Corp. of Saskatchewan, Inc. (Canada)	25,500	1,453,245
		<b>20,490,325</b>
<b>Commercial banks (1.8%)</b>		
China Construction Bank Corp. (China)	1,283,000	1,067,830
Comerica, Inc. S	91,800	3,173,526
Fifth Third Bancorp	120,600	1,537,650
First Horizon National Corp.	139,300	1,328,922
Industrial and Commercial Bank of China, Ltd. (China) †	1,919,000	1,469,309
Popular, Inc. (Puerto Rico) †	542,100	1,496,196
Wells Fargo & Co.	296,400	8,316,984
		<b>18,390,417</b>
<b>Communications equipment (4.4%)</b>		
Alcatel-Lucent ADR (France) † S	220,100	1,269,977
Cisco Systems, Inc.	698,893	10,909,720
F5 Networks, Inc. † S	8,800	970,200
Juniper Networks, Inc. †	32,600	1,026,900
Qualcomm, Inc.	521,891	29,638,190
Sycamore Networks, Inc. †	38,800	862,912
		<b>44,677,899</b>

COMMON STOCKS (95.8%)* cont.	Shares	Value
<b>Computers and peripherals (11.5%)</b>		
Apple, Inc. †	219,200	\$73,578,864
EMC Corp. †	315,400	8,689,270
Hewlett-Packard Co.	400,700	14,585,480
SanDisk Corp. †	300,800	12,483,200
Seagate Technology	152,977	2,472,108
Western Digital Corp. †	92,977	3,382,503
		<b>115,191,425</b>
<b>Construction and engineering (1.0%)</b>		
Aecom Technology Corp. † S	78,000	2,132,520
KBR, Inc.	90,900	3,426,021
KEPCO Engineering & Construction Co., Inc. (South Korea)	72,731	4,105,797
		<b>9,664,338</b>
<b>Consumer finance (0.1%)</b>		
Air Lease Corp. 144A F	34,828	803,674
		<b>803,674</b>
<b>Containers and packaging (0.3%)</b>		
Rock-Tenn Co. Class A	38,837	2,576,447
		<b>2,576,447</b>
<b>Diversified consumer services (0.1%)</b>		
Apollo Group, Inc. Class A †	32,671	1,427,069
		<b>1,427,069</b>
<b>Diversified financial services (0.7%)</b>		
Bank of America Corp.	184,745	2,024,805
Citigroup, Inc.	24,900	1,036,836
CME Group, Inc.	4,500	1,312,155
JPMorgan Chase & Co.	61,200	2,505,528
		<b>6,879,324</b>
<b>Diversified telecommunication services (0.2%)</b>		
Verizon Communications, Inc.	45,000	1,675,350
		<b>1,675,350</b>
<b>Electrical equipment (1.4%)</b>		
China Ming Yang Wind Power Group, Ltd. ADS (China) † S	131,192	825,198
Cooper Industries PLC	41,700	2,488,239
Emerson Electric Co.	81,700	4,595,625
GrafTech International, Ltd. † S	288,200	5,841,814
		<b>13,750,876</b>
<b>Electronic equipment, instruments, and components (1.5%)</b>		
Corning, Inc.	532,700	9,668,505
KEMET Corp. †	197,500	2,822,275
TE Connectivity, Ltd. (Switzerland)	69,300	2,547,468
		<b>15,038,248</b>
<b>Energy equipment and services (3.7%)</b>		
National Oilwell Varco, Inc.	188,400	14,734,764
Schlumberger, Ltd.	262,341	22,666,262
		<b>37,401,026</b>
<b>Food products (0.3%)</b>		
Mead Johnson Nutrition Co. Class A	15,200	1,026,760
Zhongpin, Inc. (China) † S	234,600	2,458,608
		<b>3,485,368</b>
<b>Health-care equipment and supplies (0.7%)</b>		
Baxter International, Inc.	96,400	5,754,116
China Medical Technologies, Inc. ADR (China) † S	189,800	1,463,358
		<b>7,217,474</b>
<b>Health-care providers and services (1.8%)</b>		
Aetna, Inc.	155,700	6,864,813
CIGNA Corp.	60,500	3,111,515
Express Scripts, Inc. †	85,424	4,611,188
Lincare Holdings, Inc. S	103,100	3,017,737
		<b>17,605,253</b>
<b>Health-care technology (0.3%)</b>		
SXC Health Solutions Corp. (Canada) †	49,029	2,888,789
		<b>2,888,789</b>

<b>COMMON STOCKS (95.8%)* cont.</b>	<b>Shares</b>	<b>Value</b>
<b>Hotels, restaurants, and leisure (1.1%)</b>		
Carnival Corp.	27,700	\$1,042,351
Home Inns & Hotels Management, Inc. ADR (China) †	25,004	951,152
Las Vegas Sands Corp. †	115,800	4,887,918
Starbucks Corp.	111,900	4,418,931
		<b>11,300,352</b>
<b>Household durables (0.9%)</b>		
NVR, Inc. † S	2,200	1,596,056
PDG Realty SA Empreendimentos e Participacoes (Brazil) †	742,900	4,183,408
Pulte Group, Inc. † S	158,700	1,215,642
Skyworth Digital Holdings, Ltd. (China)	1,760,000	1,061,310
SodaStream International, Ltd. (Israel) †	11,894	723,274
		<b>8,779,690</b>
<b>Household products (0.2%)</b>		
Procter & Gamble Co. (The)	33,400	2,123,238
		<b>2,123,238</b>
<b>Independent power producers and energy traders (0.1%)</b>		
China Power New Energy Development Co., Ltd. (China) †	9,370,000	629,720
China WindPower Group, Ltd. (China) †	7,500,000	656,842
		<b>1,286,562</b>
<b>Industrial conglomerates (2.4%)</b>		
General Electric Co.	636,200	11,998,732
Tyco International, Ltd.	246,100	12,164,723
		<b>24,163,455</b>
<b>Insurance (4.0%)</b>		
Aflac, Inc.	58,454	2,728,633
Assured Guaranty, Ltd. (Bermuda) S	1,283,200	20,928,992
Hartford Financial Services Group, Inc. (The)	462,224	12,188,847
MBIA, Inc. † S	279,338	2,427,447
Ping An Insurance (Group) Co. of China, Ltd. (China)	163,500	1,704,990
		<b>39,978,909</b>
<b>Internet and catalog retail (0.5%)</b>		
Priceline.com, Inc. †	10,800	5,528,844
		<b>5,528,844</b>
<b>Internet software and services (2.4%)</b>		
Baidu, Inc. ADR (China) †	31,900	4,470,147
Google, Inc. Class A †	33,906	17,169,320
Mail.ru Group, Ltd. 144A GDR (Russia)	69,552	2,310,517
		<b>23,949,984</b>
<b>IT Services (2.3%)</b>		
Accenture PLC Class A	18,500	1,117,770
Cognizant Technology Solutions Corp. †	29,300	2,148,862
Mastercard, Inc. Class A	3,500	1,054,690
Unisys Corp. †	589,767	15,157,012
Visa, Inc. Class A S	38,293	3,226,568
		<b>22,704,902</b>
<b>Leisure equipment and products (0.6%)</b>		
Brunswick Corp.	80,300	1,638,120
Hasbro, Inc.	104,700	4,599,471
		<b>6,237,591</b>
<b>Life sciences tools and services (0.9%)</b>		
Sequenom, Inc. † S	493,558	3,726,363
Thermo Fisher Scientific, Inc. †	88,100	5,672,759
		<b>9,399,122</b>
<b>Machinery (5.5%)</b>		
Cummins, Inc.	72,900	7,544,421
Deere & Co.	91,100	7,511,195
Eaton Corp.	41,300	2,124,885
Ingersoll-Rand PLC	170,000	7,719,700
Meritor, Inc. †	404,872	6,494,147
Parker Hannifin Corp.	199,200	17,876,208

<b>COMMON STOCKS (95.8%)* cont.</b>	<b>Shares</b>	<b>Value</b>
<b>Machinery cont.</b>		
Tata Motors, Ltd. (India)	124,372	\$2,785,580
Timken Co.	71,300	3,593,520
		<b>55,649,656</b>
<b>Media (2.7%)</b>		
Comcast Corp. Class A	460,412	11,666,840
DIRECTV Class A †	35,985	1,828,758
Gannett Co., Inc. S	161,700	2,315,544
Interpublic Group of Companies, Inc. (The)	314,700	3,933,750
Liberty Media Corp. — Capital Ser. A †	6,447	552,830
News Corp. Class A	161,600	2,860,320
News Corp. Class B S	55,600	1,005,248
Walt Disney Co. (The)	72,900	2,846,016
		<b>27,009,306</b>
<b>Metals and mining (4.5%)</b>		
Cliffs Natural Resources, Inc. S	52,400	4,844,380
First Quantum Minerals, Ltd. (Canada)	8,400	1,225,892
Freeport-McMoRan Copper & Gold, Inc. Class B	154,620	8,179,398
Nucor Corp. S	53,300	2,197,026
Rio Tinto PLC (United Kingdom)	51,002	3,679,965
Teck Resources, Ltd. Class B (Canada)	110,300	5,611,443
U.S. Steel Corp. S	34,600	1,592,984
Vedanta Resources PLC (United Kingdom)	547,499	18,421,366
		<b>45,752,454</b>
<b>Multiline retail (1.0%)</b>		
Kohl's Corp.	79,794	3,990,498
Target Corp.	129,100	6,056,081
		<b>10,046,579</b>
<b>Office electronics (0.9%)</b>		
Xerox Corp.	900,400	9,373,164
		<b>9,373,164</b>
<b>Oil, gas, and consumable fuels (5.7%)</b>		
Anadarko Petroleum Corp.	14,700	1,128,372
Apache Corp.	75,330	9,294,969
BG Group PLC (United Kingdom)	113,631	2,581,714
Brigham Exploration Co. † S	88,300	2,642,819
Cairn Energy PLC (United Kingdom) †	779,488	5,195,293
Chevron Corp.	23,200	2,385,888
CONSOL Energy, Inc.	20,800	1,008,384
Hess Corp.	97,700	7,304,052
Noble Energy, Inc.	98,900	8,864,407
Occidental Petroleum Corp.	111,000	11,548,440
Petroleo Brasileiro SA ADR (Brazil)	169,200	5,729,112
		<b>57,683,450</b>
<b>Paper and forest products (0.5%)</b>		
International Paper Co.	155,700	4,642,974
		<b>4,642,974</b>
<b>Pharmaceuticals (1.5%)</b>		
Abbott Laboratories	22,900	1,204,998
Alapis Hldg. Industrial and Commercial SA of Pharmaceutical Chemical Products (Greece)	144,606	100,785
Auxilium Pharmaceuticals, Inc. † S	188,800	3,700,480
Elan Corp. PLC ADR (Ireland) †	369,700	4,203,489
Jazz Pharmaceuticals, Inc. † S	33,943	1,131,999
Johnson & Johnson	8,105	539,145
Pfizer, Inc.	86,638	1,784,743
Sanofi (France)	1,918	154,397
Sanofi CVR (France) †	455,000	1,096,550
Teva Pharmaceutical Industries, Ltd. ADR (Israel)	27,226	1,312,838
		<b>15,229,424</b>

COMMON STOCKS (95.8%)* cont.	Shares	Value
<b>Real estate investment trusts (REITs) (0.1%)</b>		
CreXus Investment Corp. <b>R</b>	85,500	\$949,905
		<b>949,905</b>
<b>Real estate management and development (0.9%)</b>		
BR Malls Participacoes SA (Brazil)	367,822	4,206,171
CB Richard Ellis Group, Inc. Class A <sup>†</sup>	182,800	4,590,108
		<b>8,796,279</b>
<b>Semiconductors and semiconductor equipment (4.3%)</b>		
Cymer, Inc. <sup>†</sup>	33,900	1,678,389
First Solar, Inc. <sup>† S</sup>	140,617	18,599,411
Lam Research Corp. <sup>†</sup>	69,300	3,068,604
Marvell Technology Group, Ltd. <sup>†</sup>	1,117,702	16,502,870
Micron Technology, Inc. <sup>† S</sup>	511,700	3,827,516
		<b>43,676,790</b>
<b>Software (3.7%)</b>		
CA, Inc.	131,300	2,998,892
Longtop Financial Technologies Ltd. ADR (Hong Kong) <sup>† F S</sup>	149,623	448,869
Microsoft Corp.	200,700	5,218,200
Nintendo Co., Ltd. (Japan)	10,000	1,884,027
Oracle Corp.	607,500	19,992,825
Perfect World Co., Ltd. ADR (China) <sup>†</sup>	17,765	333,271
Salesforce.com, Inc. <sup>† S</sup>	18,750	2,793,375
Synchronoss Technologies, Inc. <sup>† S</sup>	66,600	2,113,218
VMware, Inc. Class A <sup>† S</sup>	10,600	1,062,438
		<b>36,845,115</b>
<b>Specialty retail (4.3%)</b>		
Abercrombie & Fitch Co. Class A <sup>S</sup>	49,400	3,305,848
Bed Bath & Beyond, Inc. <sup>†</sup>	88,400	5,159,908
Best Buy Co., Inc. <sup>S</sup>	212,600	6,677,766
hhgregg, Inc. <sup>† S</sup>	199,896	2,678,606
Lowe's Cos., Inc.	498,900	11,629,359
Office Depot, Inc. <sup>†</sup>	1,117,262	4,714,846
OfficeMax, Inc. <sup>† S</sup>	533,362	4,186,892
Staples, Inc.	204,700	3,234,260
Williams-Sonoma, Inc.	39,300	1,434,057
		<b>43,021,542</b>
<b>Textiles, apparel, and luxury goods (1.1%)</b>		
Hanesbrands, Inc. <sup>† S</sup>	269,900	7,705,645
Pandora A/S (Denmark) <sup>S</sup>	112,669	3,544,381
		<b>11,250,026</b>
<b>Tobacco (0.5%)</b>		
Philip Morris International, Inc.	80,331	5,363,701
		<b>5,363,701</b>
<b>Trading companies and distributors (0.5%)</b>		
United Rentals, Inc. <sup>† S</sup>	191,900	4,874,260
		<b>4,874,260</b>
<b>Total common stocks (cost \$846,983,921)</b>		<b>\$963,490,198</b>

WARRANTS (2.7%)* <sup>†</sup>	Expiration date	Strike price	Warrants	Value
Bank of America Corp. <b>W</b>	10/28/18	\$30.79	\$2,820,462	\$4,907,604
Citigroup, Inc.	1/4/19	106.10	2,966,751	2,050,025
Ford Motor Co.	1/1/13	9.20	598,224	3,134,694
General Motors Co.	7/10/16	10.00	34,110	729,954
Hartford Financial Services Group, Inc. (The) <b>W</b>	6/26/19	9.773	\$159,592	2,855,101
JPMorgan Chase & Co. <b>W</b>	10/28/18	42.42	550,007	7,408,594
Wells Fargo & Co. <b>W</b>	10/28/18	34.01	\$611,600	5,693,996
<b>Total warrants (cost \$26,459,072)</b>				<b>\$26,779,968</b>

PURCHASED OPTIONS OUTSTANDING (1.2%)*	Expiration date/ strike price	Contract amount	Value
Apple, Inc. \$339.92, General Electric Co. \$19.61, National Oilwell Varco, Inc. \$67.04 (Call) <b>woc</b>	Jul-11/\$105.00	16,904,188	\$10,143
Apple, Inc. \$339.92, Parker Hannifin Corp. \$86.29, Schlumberger, Ltd. \$83.44 (Call) <b>woc</b>	Jul-11/105.00	10,574,131	1,057
Apple, Inc. (Call)	Aug-11/320.00	33,570	756,980
Best Buy Co., Inc. (Call)	Jan-12/32.50	298,669	680,756
Best Buy Co., Inc. (Call)	Jan-12/35.00	438,411	608,471
Best Buy Co., Inc. (Call)	Jan-12/32.50	91,422	207,856
Cisco Systems, Inc. (Call)	Dec-11/19.00	1,411,661	360,981
Cisco Systems, Inc. (Call)	Sep-11/16.00	663,890	432,160
Cisco Systems, Inc. (Call)	Sep-11/19.00	852,162	72,954
Financial Select Sector SPDR Fund (Call)	Sep-11/19.00	411,916	3,873
Financial Select Sector SPDR Fund (Call)	Jul-11/18.00	2,891,001	12,836
First Solar, Inc. (Call)	Jul-11/135.00	45,560	117,854
Ford Motor Co. (Call)	Jul-11/15.00	785,999	27,769
General Electric Co. (Call)	Dec-11/20.00	426,422	279,903
General Electric Co. (Call)	Aug-11/20.00	392,431	62,467
General Electric Co. (Call)	Aug-11/21.00	850,455	34,597
Goldman Sachs Group, Inc. (Call)	Jan-12/155.00	312,276	959,062
Hewlett-Packard Co. (Call)	Dec-11/38.00	413,420	765,075
Hewlett-Packard Co. (Call)	Aug-11/47.50	353,734	5,985
Hewlett-Packard Co. (Call)	Aug-11/47.50	109,890	1,859
iShares Russell 2000 Index Fund (Call)	Aug-11/49.00	309,585	12,931
JPMorgan Chase & Co. (Call)	Jan-12/50.00	396,303	182,287
JPMorgan Chase & Co. (Call)	Jan-12/50.00	165,397	76,078
JPMorgan Chase & Co. (Call)	Dec-11/46.00	846,912	842,964
Marvell Technology Group, Ltd. (Call)	Aug-11/17.00	766,292	127,358
OfficeMax, Inc. (Call)	Aug-11/13.00	170,848	12,964
OfficeMax, Inc. (Call)	Aug-11/14.00	148,564	7,165
Oil Services HOLDRS Trust (Call)	Aug-11/150.00	104,155	714,935
Powershares QQQ Trust (Call)	Aug-11/60.00	1,148,819	270,662
Powershares QQQ Trust (Call)	Aug-11/60.00	638,266	143,891
Powershares QQQ Trust (Call)	Aug-11/63.00	875,032	15,059
Powershares QQQ Trust (Call)	Jul-11/61.00	464,292	4,197
Powershares QQQ Trust (Call)	Jul-11/61.00	443,508	4,009
Powershares QQQ Trust (Call)	Jul-11/63.00	1,177,358	3,426
Powershares QQQ Trust (Call)	Aug-11/65.00	512,300	5,123
Qualcomm, Inc. (Call)	Jan-12/60.00	437,418	1,321,658
SPDR Dow Jones Industrial Average ETF Trust (Call)	Jul-11/132.00	852,670	3,863
SPDR S&P 500 ETF Trust (Call)	Jul-11/137.00	1,727,704	484,638
SPDR S&P 500 ETF Trust (Call)	Jul-11/137.00	660,620	185,311
SPDR S&P 500 ETF Trust (Call)	Jul-11/136.00	320,114	42,838
SPDR S&P 500 ETF Trust (Call)	Jul-11/138.00	873,485	27,489
SPDR S&P 500 ETF Trust (Call)	Jul-11/141.00	600,881	8,280
SPDR S&P 500 ETF Trust (Call)	Jul-11/145.00	813,330	3,774
SPDR S&P 500 ETF Trust (Call)	Jul-11/148.00	980,346	2,127
SPDR S&P 500 ETF Trust (Put)	Jul-11/124.00	283,308	28
SPDR S&P 500 ETF Trust (Put)	Jul-11/124.00	291,520	3
State Street Corp. (Call)	Jan-12/50.00	767,016	1,357,772
SunTrust Banks, Inc. (Call)	Jul-11/40.00	864,951	86
SunTrust Banks, Inc. (Call)	Jul-11/37.00	363,956	35
Wells Fargo & Co. \$28.52, General Electric Co. \$20.35, Hewlett-Packard Co. \$41.40 (Call) <b>woc</b>	Jul-11/105.00	18,607,954	2

<b>PURCHASED OPTIONS OUTSTANDING (1.2%)* cont.</b>	<b>Expiration date/ strike price</b>	<b>Contract amount</b>	<b>Value</b>
Wells Fargo & Co. (Call)	Jan-12/\$35.00	779,207	\$244,811
Wells Fargo & Co. (Call)	Dec-11/31.00	430,215	432,831
Wells Fargo & Co. (Call)	Dec-11/31.00	389,609	391,978
<b>Total purchased options outstanding (cost \$15,452,269)</b>			<b>\$12,333,211</b>
<b>INVESTMENT COMPANIES (0.4%)*</b>		<b>Shares</b>	<b>Value</b>
SPDR S&P Homebuilders ETF <sup>S</sup>		211,700	\$3,821,185
<b>Total investment companies (cost \$3,223,426)</b>			<b>\$3,821,185</b>
<b>CONVERTIBLE PREFERRED STOCKS (0.1%)*</b>		<b>Shares</b>	<b>Value</b>
Unisys Corp. Ser. A, 6.25% cv. pfd.		11,675	\$903,353
<b>Total convertible preferred stocks (cost \$1,167,500)</b>			<b>\$903,353</b>
<b>U.S. TREASURY OBLIGATIONS (—%)*</b>		<b>Principal amount</b>	<b>Value</b>
U.S. Treasury Bonds 5 1/4s, November 15, 2028 <sup>†</sup>		\$167,000	\$193,408
U.S. Treasury Inflation Protected Securities 2 3/8s, January 15, 2017 <sup>†</sup>		52,394	60,412
<b>Total U.S. treasury obligations (cost \$253,820)</b>			<b>\$253,820</b>
<b>SHORT-TERM INVESTMENTS (10.5%)*</b>		<b>Principal amount/shares</b>	<b>Value</b>
U.S. Treasury Bills zero %, November 17, 2011 <sup>†</sup>		\$1,290,000	\$1,289,613
Putnam Cash Collateral Pool, LLC 0.17% <sup>‡</sup>		101,198,635	101,198,635
Putnam Money Market Liquidity Fund 0.04% <sup>e</sup>		67,634	67,634
SSgA Prime Money Market Fund 0.03% <sup>†P</sup>		3,369,000	3,369,000
<b>Total short-term investments (cost \$105,924,882)</b>			<b>\$105,924,882</b>
<b>Total investments (cost \$999,464,890)</b>			<b>\$1,113,506,617</b>

#### Key to holding's abbreviations

ADR	American Depositary Receipts
ADS	American Depositary Shares
CVR	Contingent Value Rights
ETF	Exchange Traded Fund
GDR	Global Depositary Receipts
SPDR	S&P Depositary Receipts

#### FORWARD CURRENCY CONTRACTS at 6/30/11 (aggregate face value \$86,185,730) (Unaudited)

<b>Counterparty</b>	<b>Currency</b>	<b>Contract type</b>	<b>Delivery date</b>	<b>Value</b>	<b>Aggregate face value</b>	<b>Unrealized appreciation/ (depreciation)</b>
<b>Barclays Bank PLC</b>						
	Danish Krone	Sell	7/21/11	\$4,161,352	\$4,190,269	\$28,917
<b>Credit Suisse AG</b>						
	Euro	Sell	8/17/11	17,520,434	17,191,215	(329,219)
	Japanese Yen	Sell	8/17/11	13,019,586	12,956,801	(62,785)
<b>UBS AG</b>						
	Brazilian Real	Sell	8/17/11	7,376,209	7,357,310	(18,899)
	British Pound	Sell	8/17/11	34,189,644	33,998,161	(191,483)
	Canadian Dollar	Sell	8/17/11	10,740,347	10,491,974	(248,373)
<b>Total</b>						<b>\$(821,842)</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, 2011 through June 30, 2011 (the reporting period).

\* Percentages indicated are based on net assets of \$1,005,906,449.

† Non-income-producing security.

<sup>d</sup> See Note 1 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>e</sup> See Note 6 to the financial statements regarding investments in Putnam Money Market Liquidity Fund. The rate quoted in the security description is the annualized 7-day yield of the fund at the close of the reporting period.

<sup>F</sup> Is valued at fair value following procedures approved by the Trustees. Securities may be classified as Level 2 or Level 3 for Accounting Standards Codification ASC 820 *Fair Value Measurements and Disclosures* (ASC 820) based on the securities' valuation inputs. At the close of the reporting period, fair value pricing was also used for certain foreign securities in the portfolio (Note 1).

<sup>†</sup> Security purchased with cash or security received, that was pledged to the fund for collateral on certain derivatives contracts (Note 1).

<sup>P</sup> 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.

<sup>W</sup> Warrants issued to the U.S. Treasury under the Troubled Asset Relief Program (TARP).

<sup>woc</sup> Represents a worst-of-call-option that is a basket of common stocks. All mature on the option's expiration date but have different underliers. At expiration, only one settles and this is chosen in the issuer's favor.

At the close of the reporting period, the fund maintained liquid assets totaling \$109.078 to cover certain derivatives contracts.

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

ADR, ADS, or GDR after the name of a foreign holding represents ownership of foreign securities on deposit with a custodian bank.

**WRITTEN OPTIONS OUTSTANDING  
at 6/30/11 (premiums received  
\$5,132,762) (Unaudited)**

	Contract amount	Expiration date/ strike price	Value
Apple, Inc. (Call)	33,570	Aug-11/\$350.00	\$221,115
Best Buy Co., Inc. (Call)	737,080	Jan-12/37.50	592,686
Best Buy Co., Inc. (Call)	91,422	Jan-12/37.50	71,013
Cisco Systems, Inc. (Call)	1,411,661	Dec-11/21.00	153,273
Cisco Systems, Inc. (Call)	663,890	Sep-11/18.00	106,034
Cisco Systems, Inc. (Call)	852,162	Sep-11/20.00	34,133
Fist Solar, Inc. (Call)	45,560	Jul-11/145.00	21,485
Ford Motor Co. (Call)	785,999	Jul-11/16.00	6,838
General Electric Co. (Call)	426,422	Dec11/22.00	89,122
Goldman Sachs Group, Inc. (The) (Call)	312,276	Jan-12/160.00	698,217
Hewlett-Packard Co. (Call)	413,420	Dec-11/40.00	483,123

**WRITTEN OPTIONS OUTSTANDING  
at 6/30/11 (premiums received  
\$5,132,762) (Unaudited) cont.**

	Contract amount	Expiration date/ strike price	Value
Hewlett-Packard Co. (Call)	353,734	Aug-11/\$52.50	\$2,490
Hewlett-Packard Co. (Call)	109,890	Aug-11/52.50	774
JPMorgan Chase & Co. (Call)	846,912	Dec-11/48.00	518,012
Oil Services HOLDERS Trust (Call)	104,155	Aug-11/160.00	251,896
Qualcomm, Inc. (Call)	437,418	Jan-12/65.00	660,108
State Street Corp. (Call)	767,016	Jan-12/55.00	534,917
SunTrust Banks, Inc. (Call)	363,956	Jul-11/40.00	12
SunTrust Banks, Inc. (Call)	864,951	Jul-11/45.00	6
Wells Fargo & Co. (Call)	389,609	Dec-11/33.00	205,959
Wells Fargo & Co. (Call)	430,215	Dec-11/33.00	227,425
<b>Total</b>			<b>\$4,878,638</b>

**TOTAL RETURN SWAP CONTRACTS OUTSTANDING at 6/30/11 (Unaudited)**

Swap counterparty	Notional amount	Upfront premium received (paid)	Termination date	Fixed payments received (paid) by fund per annum	Total return received or paid by fund	Unrealized appreciation/ (depreciation)
<b>Goldman Sachs International</b>						
baskets	27,082	\$-	4/9/12	(1 month USD-LIBOR-BBA plus 40 bps)	A basket (GSCBPBAT) of common stocks	\$102,505
<b>Total</b>						<b>\$102,505</b>

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:			
Consumer discretionary	\$136,736,308	\$5,835,444	\$—
Consumer staples	10,972,307	—	—
Energy	95,084,476	—	—
Financials	96,724,664	4,242,129	803,674
Health care	73,053,091	—	—
Industrials	145,265,089	6,891,377	—
Information technology	309,124,631	1,884,027	448,869
Materials	73,462,200	—	—
Telecommunication services	1,675,350	—	—
Utilities	—	1,286,562	—
<b>Total common stocks</b>	<b>942,098,116</b>	<b>20,139,539</b>	<b>1,252,543</b>
Convertible preferred stocks	—	903,353	—
Investment companies	3,821,185	—	—
Purchased options outstanding	—	12,333,211	—
U.S. Treasury Obligations	—	253,820	—
Warrants	26,779,968	—	—
Short-term investments	3,436,634	102,488,248	—
<b>Totals by level</b>	<b>\$976,135,903</b>	<b>\$136,118,171</b>	<b>\$1,252,543</b>

Other financial instruments:	Valuation inputs		
	Level 1	Level 2	Level 3
Forward currency contracts	\$—	\$(821,842)	\$—
Written options	—	(4,878,638)	—
Total return swap contracts	—	102,505	—
<b>Totals by level</b>	<b>\$—</b>	<b>\$(5,597,975)</b>	<b>\$—</b>

At the start and/or close of the reporting period, Level 3 investments in securities were not considered a significant portion of the fund's portfolio.

## Statement of assets and liabilities

6/30/11 (Unaudited)

### Assets

Investment in securities, at value, including \$99,166,418 of securities on loan (Note 1):	
Unaffiliated issuers (identified cost \$898,198,621)	\$1,012,240,348
Affiliated issuers (identified cost \$101,266,269) (Notes 1 and 6)	101,266,269
Foreign currency (cost \$2,729,678) (Note 1)	2,728,814
Dividends, interest and other receivables	1,557,888
Receivable for shares of the fund sold	196,867
Receivable for investments sold	21,391,413
Receivable for investor servicing fees (Note 2)	25,776
Unrealized appreciation on swap contracts (Note 1)	102,505
Unrealized appreciation on forward currency contracts (Note 1)	28,917
<b>Total assets</b>	<b>1,139,538,797</b>

### Liabilities

Payable to custodian	2,517,085
Payable for investments purchased	18,011,159
Payable for shares of the fund repurchased	193,753
Payable for compensation of Manager (Note 2)	451,758
Payable for custodian fees (Note 2)	53,237
Payable for Trustee compensation and expenses (Note 2)	365,500
Payable for administrative services (Note 2)	5,596
Payable for distribution fees (Note 2)	49,458
Unrealized depreciation on forward currency contracts (Note 1)	850,759
Written options outstanding, at value (premiums received \$5,132,762) (Notes 1 and 3)	4,878,638
Collateral on securities loaned, at value (Note 1)	101,198,635
Collateral on certain derivative contracts, at value (Note 1)	4,912,433
Other accrued expenses	144,337
<b>Total liabilities</b>	<b>133,632,348</b>
<b>Net assets</b>	<b>\$1,005,906,449</b>

### Represented by

Paid-in capital (Unlimited shares authorized) (Notes 1 and 4)	\$1,214,786,052
Undistributed net investment income (Note 1)	2,308,117
Accumulated net realized loss on investments and foreign currency transactions (Note 1)	(324,759,145)
Net unrealized appreciation of investments and assets and liabilities in foreign currencies	113,571,425
<b>Total — Representing net assets applicable to capital shares outstanding</b>	<b>\$1,005,906,449</b>

### Computation of net asset value Class IA

Net assets	\$759,211,063
Number of shares outstanding	19,736,516
Net asset value, offering price and redemption price per share (net assets divided by number of shares outstanding)	\$38.47

### Computation of net asset value Class IB

Net assets	\$246,695,386
Number of shares outstanding	6,450,782
Net asset value, offering price and redemption price per share (net assets divided by number of shares outstanding)	\$38.24

## Statement of operations

Six months ended 6/30/11 (Unaudited)

### Investment income

Dividends (net of foreign tax of \$123,033)	\$5,434,355
Interest (including interest income of \$7,403 from investments in affiliated issuers) (Note 6)	8,999
Securities lending (Note 1)	444,931
<b>Total investment income</b>	<b>5,888,285</b>

### Expenses

Compensation of Manager (Note 2)	2,980,041
Investor servicing fees (Note 2)	542,510
Custodian fees (Note 2)	50,361
Trustee compensation and expenses (Note 2)	38,816
Administrative services (Note 2)	16,828
Distribution fees — Class IB (Note 2)	323,427
Other	197,633
<b>Total expenses</b>	<b>4,149,616</b>

Expense reduction (Note 2) (230,533)

**Net expenses** **3,919,083**

**Net investment income** **1,969,202**

Net realized gain on investments (Notes 1 and 3) 83,876,312

Net realized gain on swap contracts (Note 1) 1,572,118

Net realized loss on foreign currency transactions (Note 1) (3,079,941)

Net realized gain on written options (Notes 1 and 3) 1,794,152

Net unrealized depreciation of assets and liabilities in foreign currencies during the period (106,194)

Net unrealized depreciation of investments, swap contracts, and written options during the period (95,076,529)

**Net loss on investments** **(11,020,082)**

**Net decrease in net assets resulting from operations** **\$(9,050,880)**

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

## Statement of changes in net assets

	Six months ended 6/30/11*	Year ended 12/31/10
<b>Increase (decrease) in net assets</b>		
<b>Operations:</b>		
Net investment income	\$1,969,202	\$4,645,555
Net realized gain on investments and foreign currency transactions	84,162,641	198,104,892
Net unrealized depreciation of investments and assets and liabilities in foreign currencies	(95,182,723)	(6,225,830)
<b>Net increase (decrease) in net assets resulting from operations</b>	<b>(9,050,880)</b>	<b>196,524,617</b>
Distributions to shareholders (Note 1):		
From ordinary income		
Net investment income		
Class IA	(1,926,194)	(11,554,788)
Class IB	—	(3,278,912)
Increase in capital from settlement payments (Note 7)	403	—
Decrease from capital share transactions (Note 4)	(66,539,663)	(142,612,872)
<b>Total increase (decrease) in net assets</b>	<b>(77,516,334)</b>	<b>39,078,045</b>
<b>Net assets:</b>		
Beginning of period	1,083,422,783	1,044,344,738
<b>End of period</b> (including undistributed net investment income of \$2,308,117 and \$2,265,109, respectively)	<b>\$1,005,906,449</b>	<b>\$1,083,422,783</b>

\* Unaudited.

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	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</sup>	Ratio of net investment income (loss) to average net assets (%)	Portfolio turnover (%)
<b>Class IA</b>													
6/30/11 <sup>†</sup>	\$38.93	.08	(.45)	(.37)	(.09)	(.09)	— <sup>e,j</sup>	\$38.47	(.95) <sup>*</sup>	\$759,211	.36 <sup>*</sup>	.21 <sup>*</sup>	93 <sup>*</sup>
12/31/10	32.61	.18	6.64	6.82	(.50)	(.50)	—	38.93	21.08	825,963	.72	.51	182
12/31/09	20.14	.20	12.56	12.76	(.29)	(.29)	—	32.61	64.30	788,498	.76	.81	202
12/31/08	31.99	.21	(11.98) <sup>g,h</sup>	(11.77)	(.08)	(.08)	— <sup>e,i</sup>	20.14	(36.87) <sup>g</sup>	566,749	.72 <sup>f</sup>	.80 <sup>f</sup>	119
12/31/07	30.25	.07	1.68	1.75	(.01)	(.01)	—	31.99	5.79	1,148,269	.67 <sup>f</sup>	.21 <sup>f</sup>	52
12/31/06	28.72	.02	1.62	1.64	(.11)	(.11)	—	30.25	5.71	1,438,858	.66 <sup>f</sup>	.08 <sup>f</sup>	62
<b>Class IB</b>													
6/30/11 <sup>†</sup>	\$38.66	.04	(.46)	(.42)	—	—	— <sup>e,j</sup>	\$38.24	(1.09) <sup>*</sup>	\$246,695	.48 <sup>*</sup>	.09 <sup>*</sup>	93 <sup>*</sup>
12/31/10	32.40	.09	6.60	6.69	(.43)	(.43)	—	38.66	20.80	257,459	.97	.26	182
12/31/09	19.98	.14	12.49	12.63	(.21)	(.21)	—	32.40	63.90	255,847	1.01	.55	202
12/31/08	31.73	.14	(11.89) <sup>g,h</sup>	(11.75)	—	—	— <sup>e,i</sup>	19.98	(37.03) <sup>g</sup>	167,492	.97 <sup>f</sup>	.54 <sup>f</sup>	119
12/31/07	30.07	(.01)	1.67	1.66	—	—	—	31.73	5.52	345,347	.92 <sup>f</sup>	(.04) <sup>f</sup>	52
12/31/06	28.55	(.05)	1.60	1.55	(.03)	(.03)	—	30.07	5.43	421,488	.91 <sup>f</sup>	(.17) <sup>f</sup>	62

\* Not annualized.

† Unaudited.

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

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

<sup>d</sup> Includes amounts paid through expense offset arrangements and/or brokerage/service arrangements (Note 2).

<sup>e</sup> Amount represents less than \$0.01 per share.

<sup>f</sup> 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 each class reflect a reduction of the following amounts:

	Percentage of average net assets
December 31, 2008	<0.01%
December 31, 2007	<0.01
December 31, 2006	<0.01

<sup>g</sup> Reflects a non-recurring litigation payment received by the fund from Enron Corporation which amounted to \$0.13 per share outstanding as of December 29, 2008. This payment resulted in an increase to total returns of 0.41% for the year ended December 31, 2008.

<sup>h</sup> Reflects a non-recurring reimbursement pursuant to a settlement between the Securities and Exchange Commission (the SEC) and Knight Securities, L.P. which amounted to \$0.02 per share.

<sup>i</sup> Reflects a non-recurring reimbursal from Putnam Management related to restitution payments in connection with a distribution plan approved by the SEC, which amounted to less than \$0.01 per share based on the weighted average number of shares outstanding for the year ended December 31, 2008.

<sup>j</sup> Reflects a non-recurring reimbursal related to short-term trading related lawsuits, which amounted to less than \$0.01 per share outstanding on May 11, 2011 (Note 7).

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

## Notes to financial statements 6/30/11 (Unaudited)

### Note 1 — Significant accounting policies

Putnam VT Voyager Fund (the fund) is a diversified series of Putnam Variable Trust (the Trust), a Massachusetts business trust, which is registered under the Investment Company Act of 1940, as amended, as an open-end management investment company. The fund seeks capital appreciation by investing in common stocks of midsize and large U.S. companies with a focus on growth stocks.

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.

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.

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 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. Unless otherwise noted, the "reporting period" represents the period from January 1, 2011 through June 30, 2011.

**A) Security valuation** 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. If no sales are reported — as in the case of some securities traded over-the-counter — a security is valued at its last reported bid price and is generally categorized as a Level 2 security.

Many securities markets and exchanges outside the U.S. close prior to the 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 close of the New York Stock Exchange. Accordingly, on certain days, the fund will fair value 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. These securities, which will generally represent a transfer from a Level 1 to a Level 2 security, will be classified as Level 2. 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. At the close of the reporting period, fair value pricing was used for certain foreign securities in the portfolio. 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 Investment Management, LLC (Putnam Management), the fund's manager, an indirect wholly-owned subsidiary of Putnam Investments, LLC, does not believe accurately reflects the security's fair value, the security will be valued at fair value by Putnam Management. 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 and recovery rates. These securities are classified as Level 2 or as Level 3 depending on the priority of the significant inputs.

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.

**B) 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 is recorded on the accrual basis. Dividend income, net of 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 market 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.

All premiums/discounts are amortized/accreted on a yield-to-maturity basis.

**C) Foreign currency translation** The accounting records of the fund are maintained in U.S. dollars. The market 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 closed forward currency contracts, 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 open forward currency contracts and assets and liabilities other than investments at the period end, resulting from changes in the exchange rate. Investments in foreign securities involve certain risks, including those related to economic instability, unfavorable political developments, and currency fluctuations, not present with domestic investments. The fund may 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.

**D) Options contracts** The fund uses options contracts to hedge against changes in values of securities it owns, owned or expects to own. 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. Options traded over-the-counter are valued using prices

supplied by dealers. Written option contracts outstanding at period end, if any, are listed after the fund's portfolio. See Note 3 for the volume of written options contracts activity for the reporting period. The fund had an average contract amount of approximately 96,900,000 on purchased options contracts for the reporting period.

**E) Forward currency contracts** The fund buys and sells forward currency contracts, which are agreements between two parties to buy and sell currencies at a set price on a future date. These contracts are used to hedge foreign exchange risk. The U.S. dollar value of forward currency contracts is determined using current forward currency exchange rates supplied by a quotation service. The market value of the contract will fluctuate with changes in currency exchange rates. The contract is marked to market daily and the change in market value is recorded as an unrealized gain or loss. When the contract is closed, the fund records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed. The fund could be exposed to risk if the value of the currency changes unfavorably, if the counterparties to the contracts are unable to meet the terms of their contracts or if the fund is unable to enter into a closing position. Risks may exceed amounts recognized on the Statement of assets and liabilities. Forward currency contracts outstanding at period end, if any, are listed after the fund's portfolio. Outstanding contracts on forward currency contracts at the close of the reporting period are indicative of the volume of activity during the reporting period.

**F) Total return swap contracts** The fund entered into total return swap contracts, which are arrangements to exchange a market linked return for a periodic payment, both based on a notional principal amount to gain exposure to specific sectors/industries. To the extent that the total return of the security, index or other financial measure underlying the transaction exceeds or falls short of the offsetting interest rate obligation, the fund will receive a payment from or make a payment to the counterparty. Total return swap contracts are marked to market daily based upon quotations from an independent pricing service or market makers and the change, if any, is recorded as an unrealized gain or loss. Payments received or made are recorded as realized gains or losses. Certain total return swap contracts may include extended effective dates. Payments related to these swap contracts are accrued based on the terms of the contract. The fund could be exposed to credit or market risk due to unfavorable changes in the fluctuation of interest rates or in the price of the underlying security or index, the possibility that there is no liquid market for these agreements or that the counterparty may default on its obligation to perform. The fund's maximum risk of loss from counterparty risk is the fair value of the contract. This risk may be mitigated by having a master netting arrangement between the fund and the counterparty. Risk of loss may exceed amounts recognized on the Statement of assets and liabilities. Total return swap contracts outstanding at period end, if any, are listed after the fund's portfolio. The fund had an average notional amount of approximately \$3,600,000 on total return swap contracts for the reporting period.

**G) Master agreements** The fund is a party to ISDA (International Swap and Derivatives Association, Inc.) Master Agreements (Master Agreements) with certain counterparties that govern over-the-counter derivative and foreign exchange contracts entered into from time to time. The Master Agreements may contain provisions regarding, among other things, the parties' general obligations, representations, agreements, collateral requirements, events of default and early termination. With respect to certain counterparties, in accordance with the terms of the Master Agreements, collateral posted to the fund is held in a segregated account by the fund's custodian and with respect to those amounts which can be sold or repledged, are presented in the fund's portfolio. Collateral posted to the fund which cannot be sold or repledged totaled \$2,020,872 at the close of the reporting period. Collateral pledged by the fund is segregated by the fund's custodian and identified in the fund's portfolio. Collateral can be in the form of cash or debt securities issued by the U.S. Government or related agencies or other securities as agreed to by the fund and the applicable counterparty. Collateral requirements are determined based on the fund's net position with each counterparty. Termination events applicable to the fund may occur upon a decline in the fund's net assets below a specified threshold over a certain period of time. Termination events applicable to counterparties may occur upon a decline in the counterparty's long-term and short-term credit ratings below a specified level. In each case, upon occurrence, the other party may elect to terminate early and cause settlement of all derivative and foreign exchange contracts outstanding, including the payment of any losses and costs resulting from such early termination, as reasonably

determined by the terminating party. Any decision by one or more of the fund's counterparties to elect early termination could impact the fund's future derivative activity.

At the close of the reporting period, the fund had net liability position of \$392,005 on derivative contracts subject to the Master Agreements. There was no collateral posted by the fund.

**H) 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 market value of the securities loaned. The market value of securities loaned is determined daily and any additional required collateral is allocated to the fund on the next business day. 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 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 by Putnam Cash Collateral Pool, LLC. At the close of the reporting period, the value of securities loaned amounted to \$99,166,418. The fund received cash collateral of \$101,198,635.

**I) Interfund lending** The fund, along with other Putnam funds, may participate in an interfund lending program pursuant to an exemptive order issued by the Securities and Exchange Commission (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.

**J) Line of credit** The fund participates, along with other Putnam funds, in a \$285 million unsecured committed line of credit and a \$165 million unsecured uncommitted line of credit, both provided by State Street Bank and Trust Company (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 the Federal Funds rate plus 1.25% for the committed line of credit and the Federal Funds rate plus 1.30% for the uncommitted line of credit. A closing fee equal to 0.03% of the committed line of credit and \$100,000 for the uncommitted line of credit has been paid by the participating funds. In addition, a commitment fee of 0.15% 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.

**K) 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. It is also the intention of the fund to distribute an amount sufficient to avoid imposition of any excise tax under Section 4982 of the Code. The fund is subject to the provisions of Accounting Standards Codification ASC 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.

At December 31, 2010, the fund had a capital loss carryover of \$390,600,317 available to the extent allowed by the Code to offset future net capital gain, if any. The amounts of the carryovers and the expiration dates are:

Loss carryover	Expiration
\$236,200,756	12/31/11
154,399,561	12/31/16

Under the recently enacted Regulated Investment Company Modernization Act of 2010, the fund will be permitted to carry forward capital losses incurred in taxable years beginning after December 22, 2010 for an unlimited period.

However, any losses incurred during those future years will be required to be utilized prior to the losses incurred in pre-enactment tax years. As a result of this ordering rule, pre-enactment capital loss carryforwards may be more likely to expire unused. Additionally, post-enactment capital losses that are carried forward will retain their character as either short-term or long-term capital losses rather than being considered all short-term as under previous law.

**L) 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. Dividend sources are estimated at the time of declaration. Actual results may vary. Any non-taxable return of capital cannot be determined until final tax calculations are completed after the end of the fund's fiscal year. 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.

**M) 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.

**N) 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 group of insurance companies.

**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 most open-end funds, as defined in the fund's management contract, sponsored by Putnam Management. Such annual rates may vary as follows:

0.710%	of the first \$5 billion,
0.660%	of the next \$5 billion,
0.610%	of the next \$10 billion,
0.560%	of the next \$10 billion,
0.510%	of the next \$50 billion,
0.490%	of the next \$50 billion,
0.480%	of the next \$100 billion,
0.475%	of any excess thereafter.

Putnam Management has contractually agreed, through June 30, 2012 to waive fees 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 and payments under the fund's investor servicing contract, investment management contract and distribution plans, 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. Putnam Management pays 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 0.10% of the

fund's average net assets. The amounts incurred for investor servicing agent functions during the reporting period are included in Investor servicing fees in the Statement of operations.

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. The fund also reduced expenses through brokerage/service arrangements. For the reporting period, the fund's expenses were not reduced under the expense offset arrangements and were reduced by \$230,533 under the brokerage/service arrangements.

Each independent Trustee of the fund receives an annual Trustee fee, of which \$609, 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, a wholly-owned subsidiary of Putnam Investments, LLC and Putnam Retail Management GP, Inc., 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.

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

During the reporting period, cost of purchases and proceeds from sales of investment securities other than short-term investments aggregated \$993,366,854 and \$1,058,455,991, respectively. There were no purchases or proceeds from sales of long-term U.S. government securities.

Written option transactions during the reporting period are summarized as follows:

		Contract amounts	Premiums received
Written options outstanding at the beginning of the reporting period	USD	2,549,155	\$2,021,473
	JPY	5,692,347	334,040
Options opened	USD	35,148,444	9,794,613
	EUR	51,643	7,114
Options exercised	USD	—	—
	USD	(12,737,162)	(2,835,436)
Options expired	JPY	(5,692,347)	(334,040)
	USD	(14,519,119)	(3,847,888)
Options closed	EUR	(51,643)	(7,114)
	USD	10,441,318	\$5,132,762
Written options outstanding at end of the reporting period	USD		

## Note 4 — Capital shares

At the close of the reporting period, there was 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			
	Six months ended 6/30/11		Year ended 12/31/10		Six months ended 6/30/11		Year ended 12/31/10	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount
Shares sold	31,784	\$1,277,409	64,273	\$2,142,250	541,250	\$21,470,048	\$595,901	\$20,118,005
Shares issued in connection with reinvestment of distributions	47,725	1,926,194	331,558	11,554,788	—	—	94,575	3,278,912
	79,509	3,203,603	395,831	13,697,038	541,250	21,470,048	690,476	23,396,917
Shares repurchased	(1,559,763)	(61,751,516)	(3,361,140)	(114,652,123)	(749,943)	(29,461,798)	(1,926,594)	(65,054,704)
<b>Net decrease</b>	<b>(1,480,254)</b>	<b>\$(58,547,913)</b>	<b>(2,965,309)</b>	<b>\$(100,955,085)</b>	<b>(208,693)</b>	<b>\$(7,991,750)</b>	<b>\$(1,236,118)</b>	<b>\$(41,657,787)</b>

## Note 5 — Summary of derivative activity

The following is a summary of the market values of derivative instruments as of the close of the reporting period:

### Market values of derivative instruments as of the close of the reporting period

Derivatives not accounted for as hedging instruments under ASC 815	Asset derivatives		Liability derivatives	
	Statement of assets and liabilities location	Market value	Statement of assets and liabilities location	Market value
	Foreign exchange contracts	Receivables	\$28,917	Payables
Equity contracts	Investments, Receivables	39,215,684	Payables	4,878,638
<b>Total</b>		<b>\$39,244,601</b>		<b>\$5,729,397</b>

The following is a summary of realized and change in unrealized gains or losses of derivative instruments on the Statement of operations for the reporting period (see 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	Options	Warrants	Forward currency contracts	Swaps	Total
Foreign exchange contracts	\$—	\$—	\$(2,845,850)	\$—	\$(2,845,850)
Equity contracts	(3,305,773)	1,009,280	—	1,572,118	\$(724,375)
<b>Total</b>	<b>\$(3,305,773)</b>	<b>\$1,009,280</b>	<b>\$(2,845,850)</b>	<b>\$1,572,118</b>	<b>\$(3,570,225)</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	Options	Warrants	Forward currency contracts	Swaps	Total
Foreign exchange contracts	\$—	\$—	\$(102,147)	\$—	\$(102,147)
Equity contracts	(2,562,011)	(5,171,863)	—	(93,228)	(7,827,102)
<b>Total</b>	<b>\$(2,562,011)</b>	<b>\$(5,171,863)</b>	<b>\$(102,147)</b>	<b>\$(93,228)</b>	<b>\$(7,929,249)</b>

## Note 6 — Investment in Putnam Money Market Liquidity Fund

The fund invested in Putnam Money Market Liquidity Fund, an open-end management investment company managed by Putnam Management. Investments in Putnam Money Market Liquidity Fund are valued at its closing net asset value each business day. Income distributions earned by the fund are recorded as interest income in the Statement of operations and totaled \$7,403 for the reporting period. During the reporting period, cost of purchases and proceeds of sales of investments in Putnam Money Market Liquidity Fund aggregated \$191,031,562 and \$190,963,928, respectively. Management fees charged to Putnam Money Market Liquidity Fund have been waived by Putnam Management.

## Note 7 — Regulatory matters and litigation

In late 2003 and 2004, Putnam Management settled charges brought by the SEC and the Massachusetts Securities Division in connection with excessive short-term trading in Putnam funds. Distribution of payments from Putnam Management to certain open-end Putnam funds and their shareholders is

expected to be completed in the next several months. These allegations and related matters have served as the general basis for certain lawsuits, including purported class action lawsuits against Putnam Management and, in a limited number of cases, some Putnam funds. In May 2011, the fund received a payment of \$403 related to settlement of those lawsuits. This amount is reported in the Increase in capital from settlement payments line on the Statement of changes in net assets. Putnam Management has agreed to bear any costs incurred by the Putnam funds as a result of these matters.

## Note 8 — Market and credit risk

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.

## Trustee approval of management contract

### General conclusions

The Board of Trustees of the Putnam funds oversees the management of each fund and, as required by law, determines annually whether to approve the continuance of your fund's management contract with Putnam Investment Management ("Putnam Management") and the sub-management contract with respect to your fund between Putnam Management and its affiliate, Putnam Investments Limited ("PIL").

The Board of Trustees, with the assistance of its Contract Committee which consists solely of Trustees who are not "interested persons" (as this term is defined in the Investment Company Act of 1940, as amended) of the Putnam funds ("Independent Trustees"), requests and evaluates all information it deems reasonably necessary under the circumstances in connection with its annual contract review. Over the course of several months ending in June 2011, the Contract Committee met on a number of occasions with representatives of Putnam Management, and separately in executive session, to consider the information that Putnam Management provided and other information developed with the assistance of the Board's independent counsel and independent staff. The Contract Committee reviewed and discussed key aspects of this information with all of the Independent Trustees on a number of occasions. At the Trustees' June 17, 2011 meeting, the Contract Committee recommended, and the Independent Trustees approved, the continuance of your fund's management and sub-management contracts, effective July 1, 2011. (Because PIL is an affiliate of Putnam Management and Putnam Management remains fully responsible for all services provided by PIL, the Trustees have not evaluated PIL as a separate entity, and all subsequent references to Putnam Management below should be deemed to include reference to PIL as necessary or appropriate in the context.)

The Independent Trustees' approval was based on the following conclusions:

- That the fee schedule in effect for your fund represented reasonable compensation in light of the nature and quality of the services being provided to the fund, the fees paid by competitive funds, and the costs incurred by Putnam Management in providing services, and
- That the fee schedule represented an appropriate sharing between fund shareholders and Putnam Management of such economies of scale as may exist in the management of the fund at current asset levels.

These conclusions were based on a comprehensive consideration of all information provided to the Trustees and were not the result of any single factor. Some of the factors that figured particularly in the Trustees' deliberations and how the Trustees considered these factors are described below, although individual Trustees may have evaluated the information presented differently, giving different weights to various factors. It is also important to recognize that the management arrangements for your fund and the other Putnam funds are the result of many years of review and discussion between the Independent Trustees and Putnam Management, that some aspects of the arrangements may receive greater scrutiny in some years than others, and that the Trustees' conclusions may be based, in part, on their consideration of fee arrangements in previous years.

### Management fee schedules and total expenses

The Trustees reviewed the management fee schedules in effect for all Putnam funds, including fee levels and breakpoints. In reviewing management fees, the Trustees generally focus their attention on material changes in circumstances — for example, changes in assets under management or investment style, changes in Putnam Management's

operating costs, or changes in competitive practices in the mutual fund industry — that suggest that consideration of fee changes might be warranted. The Trustees concluded that the circumstances did not warrant changes to the management fee structure of your fund.

Most of the open-end Putnam funds have new management contracts, with new fee schedules reflecting the implementation of more competitive fee levels for many funds, complex-wide breakpoints for the open-end funds, and performance fees for some funds. These new management contracts have been in effect for a little over a year — since January or, for a few funds, February, 2010. The Trustees approved the new management contracts on July 10, 2009, and fund shareholders subsequently approved the contracts by overwhelming majorities of the shares voted.

Because these management contracts had been implemented only recently, the Contract Committee had limited practical experience with the operation of the new fee structures. Under its new management contract, your fund has the benefit of breakpoints in its management fee that provide shareholders with significant economies of scale in the form of reduced fee levels as assets under management in the Putnam family of funds increase. The Contract Committee observed that the complex-wide breakpoints of the open-end funds had only been in place for a short while, and the Trustees will examine the operation of this new breakpoint structure in future years in light of further experience.

As in the past, the Trustees also focused on the competitiveness of each fund's total expense ratio. In order to ensure that expenses of the Putnam funds continue to meet evolving competitive standards, the Trustees and Putnam Management agreed in 2009 to implement certain expense limitations. These expense limitations serve in particular to maintain competitive expense levels for funds with large numbers of small shareholder accounts and funds with relatively small net assets. Most funds, including your fund, had sufficiently low expenses that these expense limitations did not apply. The expense limitations were: (i) a contractual expense limitation applicable to all retail open-end funds of 37.5 basis points on investor servicing fees and expenses and (ii) a contractual expense limitation applicable to all open-end funds of 20 basis points on so-called "other expenses" (i.e., all expenses exclusive of management fees, investor servicing fees, distribution fees, investment-related expenses, interest, taxes, brokerage commissions and extraordinary expenses). Putnam Management's support for these expense limitations was an important factor in the Trustees' decision to approve the continuance of your fund's management and sub-management contracts.

The Trustees reviewed comparative fee and expense information for a custom group of competitive funds selected by Lipper Inc. This comparative information included your fund's percentile ranking for effective management fees and total expenses (excluding any applicable 12b-1 fee), which provides a general indication of your fund's relative standing. In the custom peer group, your fund ranked in the 1st quintile in effective management fees (determined for your fund and the other funds in the custom peer group based on fund asset size and the applicable contractual management fee schedule) and in the 2nd quintile in total expenses (excluding any applicable 12b-1 fees) as of December 31, 2010 (the first quintile representing the least expensive funds and the fifth quintile the most expensive funds). The fee and expense data reported by Lipper as of December 31, 2010 reflected the most recent fiscal year-end data available in Lipper's database at that time.

In connection with their review of the management fees and total expenses of the Putnam funds, the Trustees also reviewed the costs of the services provided and the profits realized by Putnam Management and its affiliates from their contractual relationships with the funds. This information included trends in revenues, expenses and profitability of Putnam Management and its affiliates relating to the investment management, investor servicing and distribution services provided to the funds. In this regard, the Trustees also reviewed an analysis of Putnam Management's revenues, expenses and profitability, allocated on a fund-by-fund basis, with respect to the funds' management, distribution, and investor servicing contracts. For each fund, the analysis presented information about revenues, expenses and profitability for each of the agreements separately and for the agreements taken together on a combined basis. The Trustees concluded that, at current asset levels, the fee schedules in place represented reasonable compensation for the services being provided and represented an appropriate sharing of such economies of scale as may exist in the management of the funds at that time.

The information examined by the Trustees as part of their annual contract review for the Putnam funds has included for many years information regarding fees charged by Putnam Management and its affiliates to institutional clients such as defined benefit pension plans, college endowments, and the like. This information included comparisons of those fees with fees charged to the funds, as well as an assessment of the differences in the services provided to these different types of clients. The Trustees observed that the differences in fee rates between institutional clients and mutual funds are by no means uniform when examined by individual asset sectors, suggesting that differences in the pricing of investment management services to these types of clients may reflect historical competitive forces operating in separate markets. The Trustees considered the fact that in many cases fee rates across different asset classes are higher on average for mutual funds than for institutional clients, as well as the differences between the services that Putnam Management provides to the Putnam funds and those that it provides to its institutional clients. The Trustees did not rely on these comparisons to any significant extent in concluding that the management fees paid by your fund are reasonable.

**Investment performance**

The quality of the investment process provided by Putnam Management represented a major factor in the Trustees' evaluation of the quality of services provided by Putnam Management under your fund's management contract. The Trustees were assisted in their review of the Putnam funds' investment process and performance by the work of several investment oversight committees of the Trustees, which met on a regular basis with the funds' portfolio teams and with the Chief Investment Officer and other members of Putnam Management's Investment Division throughout the year. The Trustees concluded that Putnam Management generally provides a high-quality investment process — based on the experience and skills of the individuals assigned to the management of fund portfolios, the resources made available to them, and in general Putnam Management's ability to attract and retain high-quality personnel — but also recognized that this does not guarantee favorable investment results for every fund in every time period. The Trustees considered the investment performance of each fund over multiple time periods and considered information comparing each fund's performance with various benchmarks and with the performance of competitive funds.

The Committee noted the substantial improvement in the performance of most Putnam funds during the 2009–2010 period and Putnam Management's ongoing efforts to strengthen its investment personnel and processes. The Committee also noted the disappointing investment performance of some funds for periods ended December 31, 2010 and considered information provided by Putnam Management regarding the factors contributing to the underperformance and actions being taken to improve the performance of these particular funds. The Trustees indicated their intention to continue to monitor performance trends to assess the effectiveness of these efforts and to evaluate whether additional actions to address areas of underperformance are warranted.

In the case of your fund, the Trustees considered that its class IA share cumulative total return performance at net asset value was in the following quartiles of its Lipper Inc. peer group (Lipper VP (Underlying Funds) — Large-Cap Growth Funds) for the one-year, three-year and five-year periods ended December 31, 2010 (the first quartile representing the best-performing funds and the fourth quartile the worst-performing funds):

One-year period	Three-year period	Five-year period
1st	1st	1st

Over the one-year, three-year and five-year periods ended December 31, 2010, there were 230, 207 and 185 funds, respectively, in your fund's Lipper peer group. (When considering performance information, shareholders should be mindful that past performance is not a guarantee of future results.)

**Brokerage and soft-dollar allocations; investor servicing**

The Trustees considered various potential benefits that Putnam Management may receive in connection with the services it provides under the management contract with your fund. These include benefits related to brokerage allocation and the use of soft dollars, whereby a portion of the commissions paid by a fund for brokerage may be used to acquire research services that are expected to be useful to Putnam Management in managing the assets of the fund and of other clients. Subject to policies established by the Trustees, soft-dollar credits acquired through these means are used primarily to supplement Putnam Management's internal research efforts. However, the Trustees noted that a portion of available soft-dollar credits continues to be allocated to the payment of fund expenses. The Trustees indicated their continued intent to monitor regulatory developments in this area with the assistance of their Brokerage Committee and also indicated their continued intent to monitor the potential benefits associated with fund brokerage and soft-dollar allocations and trends in industry practices to ensure that the principle of seeking best price and execution remains paramount in the portfolio trading process.

Putnam Management may also receive benefits from payments that the funds make to Putnam Management's affiliates for investor or distribution services. In conjunction with the annual review of your fund's management contract, the Trustees reviewed your fund's investor servicing agreement with Putnam Investor Services, Inc. ("PSERV") and its distributor's contracts and distribution plans with Putnam Retail Management Limited Partnership ("PRM"), both of which are affiliates of Putnam Management. The Trustees concluded that the fees payable by the funds to PSERV and PRM, as applicable, for such services are reasonable in relation to the nature and quality of such services.

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## 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, 2011, are available in the Individual Investors section of putnam.com and on the SEC's website, 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

Each Putnam VT 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-Q. Shareholders may obtain the fund's Forms N-Q on the SEC's website at www.sec.gov. In addition, the fund's Forms N-Q may be reviewed and copied at the SEC's public reference room in Washington, D.C. You may call the SEC at 1-800-SEC-0330 for information about the SEC's website or the operation of the public reference room.

## Fund information

### Investment Manager

Putnam Investment Management, LLC  
One Post Office Square  
Boston, MA 02109

### Investment Sub-Manager

Putnam Investments Limited  
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London, England SW1A 1LD

### Marketing Services

Putnam Retail Management  
One Post Office Square  
Boston, MA 02109

### Investor Servicing Agent

Putnam Investor Services, Inc.  
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Boston, MA 02266-8383  
1-800-225-1581

### Custodian

State Street Bank and Trust Company

### Legal Counsel

Ropes & Gray LLP

### Trustees

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