

EFFECTIVE September 8, 2022, THIS LETTER IS WITHDRAWN.
Please consult the following web page for more information:
<https://www.sec.gov/divisions/investment/im-modified-withdrawn-staff-statements>.

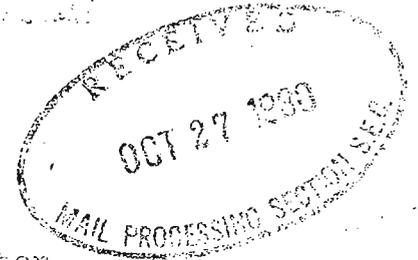
ROPES & GRAY
225 FRANKLIN STREET
BOSTON 02110

CABLE ADDRESS: ROPGRALOR
TELEX NUMBER: 940519

AREA CODE 617 423-6100

| | |
|---------------------|---|
| Act | ICA-40 |
| Section | 22(d) |
| Title | Investment Company Act of 1940; Section 22(d) and Rules 2a-4 and 22(c)(1) |
| Public Availability | 2/23/81 October 22, 1980 |

Securities and Exchange Commission
Division of Investment Management
500 North Capitol Street
Washington, D. C. 20549



Attention: Joel H. Goldberg, Associate Director
Stanley B. Judd, Assistant Chief Counsel

Re: The Putnam Growth Fund
Putnam International Equities Fund, Inc.

Gentlemen: --

The purpose of this letter is to request confirmation by the staff of the Securities and Exchange Commission that it will not recommend action by the Commission under Section 22(d) of the Investment Company Act of 1940 (the "1940 Act") and Rules 22(c)(1) and 2a-4 under the 1940 Act if The Putnam Growth Fund and Putnam International Equities Fund, Inc. value their assets invested in securities of companies principally traded in foreign companies in accordance with the procedures outlined below.

FACTS:

The Putnam Growth Fund ("Putnam Growth") is a Massachusetts business trust which is registered under the 1940 Act as an open-end management company which had assets as of September 30, 1980 of approximately \$690 million. The investment objective of Putnam Growth is to seek long-term growth of capital with current income as a secondary consideration. Under most conditions, common stocks have constituted a substantial majority of the Fund's investments. As of September 30, 1980, Putnam Growth had approximately \$48 million, or 7%, invested in securities of issuers whose securities are primarily traded in foreign countries. As of that date, approximately 3% of the Fund's total assets were

October 22, 1980

invested in securities of companies whose securities are principally traded on the Tokyo Stock Exchange. The Fund may invest up to 20% of its assets in securities of foreign issuers although to date the Fund has never invested in the aggregate more than 10% of its assets in such securities. Putnam Growth is owned by approximately 85,000 shareholders.

Putnam International Equities Fund, Inc. ("Putnam Equities") is a Massachusetts corporation which is registered under the Act as an open-end management company with assets as of September 30, 1980 of approximately \$42 million. The investment objective of Putnam Equities is to seek capital appreciation by investing its assets primarily in common stocks. Up to 70% of Putnam Equities' assets may be invested from time to time in securities principally traded in foreign markets. As of September 30, 1980, investments of the Fund could be geographically divided as follows:

| | |
|---------------|-------|
| Australia | 6.4% |
| England | 2.4% |
| Germany | 9.2% |
| Hong Kong | 4.2% |
| Japan | 26.4% |
| South Africa | 6.9% |
| Switzerland | 2.9% |
| Netherlands | 4.6% |
| United States | 37.0% |

Putnam Equities is owned by approximately 13,000 shareholders.

Both Putnam Growth and Putnam Equities currently value their assets at 4:00 p.m. each day on which the New York Stock Exchange is open for trading. Securities which are principally traded in foreign countries are valued as of 4:00 p.m. New York time using as a basis for this valuation the next preceding closing values for such securities on the stock exchanges where such securities are principally traded. For many foreign securities there are American Depository Receipts ("ADRs") which reflect ownership in the underlying foreign security. Such ADRs are traded in the U.S. in the over-the-counter market and are valued daily as of approximately 4:00 p.m. New York time.* Where such ADRs exist and are actively traded, the Funds use such ADRs to value the underlying foreign security whether or not they in fact own the ADRs.

Both Putnam Growth and Putnam Equities are sold only in the United States. In the case of orders for purchases and

*As of September 30, 1980, approximately one-third of Putnam Growth's foreign investments and one-quarter of Putnam Equities' foreign investments reflect ownership by the Funds of ADRs.

Re: GRAY

Sec. 10b-10 and Exchange
Commission

-3-

October 22, 1980

sales through dealers, the applicable public offering price will be the net asset value determined as of the close of the New York Stock Exchange on the date the order was placed plus the applicable sales charge but only if the order is received by the dealer prior to the close of the Exchange and transmitted to the Funds' distributor prior to its close of business that date - normally 5:00 p.m. Boston time.

Both Putnam Growth and Putnam Equities are managed pursuant to contracts with The Putnam Management Company, Inc. which also acts as investment adviser to eleven other open-end and one closed end investment companies. The pricing of the Funds' portfolios is done by Putnam Administrative Services Company, Inc. acting as agent for The Putnam Management Company, Inc.

The offices of Putnam Growth, Putnam Equities, The Putnam Management Company, Inc. and Putnam Administrative Services Company are not open for business on Saturday. No fund business is transacted on that day and there are no personnel regularly present to process orders to purchase shares or to determine prices of portfolio securities and make other calculations necessary to determine net asset value. To the extent necessary, investment matters on such days relating to foreign securities are generally followed by portfolio managers from their own homes. Mail addressed to the Funds or their shareholder servicing agent or principal underwriter at the street address is picked up Monday through Friday at a central post office in Boston and processed on those days. A clerical person picks up box mail each Saturday but the letters are not opened until Monday nor is there personnel present to open such mail on Saturday.

DISCUSSION:

In response to comments of the Commission's staff in connection with certain registration statements of open-end investment companies which have recently or will soon become effective and in light of the response of the Commission's staff to the "no action letter" of Nomura Capital Fund of Japan and Nomura Index Fund of Japan of November 6, 1979 (the "Nomura Letter"), Putnam Growth and Putnam Equities have reviewed their pricing policies with respect to foreign securities. Such review has been made not only with respect to the practice of not pricing securities which are traded in the Japanese market on those Saturdays on which the Japanese Stock Exchange is open for trading but also generally with respect to the manner in

which each Fund normally values its foreign securities on a regular business day. While each Fund believes that its procedures are appropriate and fair to all investors, we believe it is appropriate in light of the Nomura Letter to seek the views of the Commission's staff as to the current procedures followed by these two Funds.

Rule 22c-1(a) and (b) provides in part:

"(a) No registered investment company issuing any redeemable security ... shall sell, redeem, or repurchase any such security except at a price based on the current net asset value of such security which is next computed after receipt of a tender of such security for redemption or of an order to purchase or sell such security; ..."

"(b) For the purposes of this rule, (1) the current net asset value of any such security shall be computed (i) no less frequently than once daily on each day (other than a day during which no such security was tendered for redemption and no order to purchase or sell such security was received by the investment company) in which there is a sufficient degree of trading in the investment company's portfolio securities that the current net asset value of the investment company's redeemable securities might be materially affected by changes in the value of the portfolio securities, and (ii) at such specific time during the day as determined by a majority of the board of directors of the investment company no less frequently than annually; ..."

Rule 2a-4 under the Act provides in part:

"(a) The current net asset value of any redeemable security issued by a registered investment company used in computing periodically the current price for the purpose of distribution, redemption, and repurchase means an amount which reflects calculations, whether or not recorded in the books of account, made substantially in accordance with the following, with estimates used where necessary or appropriate:

(1) Portfolio securities with respect to which market quotations are readily available shall be valued at current market value, and other securities and assets shall be valued at fair value as determined in good faith by the board of directors of the registered company. ..."
(Emphasis supplied)

As described above, Putnam Growth and Putnam Equities, at the time of their daily computation of net asset value at 4:00 p.m. New York time, utilize for purposes of determining the proper security value of portfolio investments traded principally in foreign countries the market values for such securities as of the close of trading on the principal exchanges where such securities are traded as of a time earlier in the day. For example, with respect to securities traded on the London Stock Exchange, trading has ceased as of 10:00 a.m. New York time and there are no current market quotations as of 4:00 p.m. New York time except those market quotations which are available from earlier in the day at the close of business of the London Stock Exchange. For this reason, Putnam Growth and Putnam Equities have used such earlier values for purposes of estimating the value of such securities as of 4:00 p.m. New York time.

We believe that the above procedure for valuing such foreign securities is consistent with the requirements of Rule 2a-4(a) under the Act for either of two reasons. First, if one determines that portfolio securities traded in London and for which trading ceased approximately six hours earlier in the day are "portfolio securities with respect to which market quotations are readily available" then one is required to use "current market values" for such securities in computing current net asset value. Since no securities have generally traded in London since 10:00 a.m. New York time, the only current market values available for determining the value of such securities as of 4:00 p.m. New York time are the closing prices on the London Stock Exchange earlier in the day. Pursuant to the provisions of Rule 2a-4, Putnam Growth and Putnam Equities estimate the prices as of 4:00 p.m. New York time utilizing the earlier day London closing values as the basis for such estimates. Second, if one determines that as of 4:00 p.m. New York time the London securities are not "portfolio securities with respect to which market quotations are readily available" one is then required to value such securities "at fair value as determined in good faith by the

board of directors of the registered company". In this case, the Fund would in almost all instances use, for purposes of fair valuation, the closing prices of such London securities of approximately six hours earlier and estimate that as of 4:00 p.m. New York time such values reflect fair value of such securities as of that time. In either case, the valuation made at 4:00 p.m. New York time is being estimated based on market values which reflected closing values as of earlier in the day. Such method would clearly seem to be permissible under Rule 2a-4.

If, however, some extraordinary event were to occur after the close of business on the London Stock Exchange but prior to the close of business on the New York Stock Exchange on the same day and the Funds' officers, to whom authority for pricing the respective Funds has been delegated, determine that such closing prices are no longer a reasonable estimate of such securities values as of 4:00 p.m. New York time, then there would be made a fair value determination of the value of such securities as of 4:00 p.m. using other appropriate indicia of value or valuation of the Funds' overall portfolio would be suspended until early the next morning at which time current portfolio quotations for such London securities could be obtained, with the previous U.S. closing prices used for U.S. securities.

The above valuation procedures of Putnam Growth and Putnam Equities avoid the abuses which forward pricing, as set forth in Rule 22c-1, was intended to limit. For example, an investor who enters an order to purchase shares of either Putnam Growth or Putnam Equities at 3:00 p.m. New York time will not be circumventing the requirement of Rule 22c-1 that such shares be purchased at a price which is next computed after the order is received. This is true even with respect to foreign securities, values for which will be established as of 4:00 p.m. New York time. This is not any less true because the Fund utilizes prices reflecting closing stock exchange values earlier in the day since the determination that such prices continue to be valid is made in fact after the order has been received. In those rare circumstances when the earlier London or other foreign markets' closing values are no longer deemed by the Funds to be accurate as of 4:00 p.m. New York time the Funds procedures for valuation as required by the Act would require that the Funds utilize fair value procedures for arriving at a 4:00 p.m. New York valuation and thus the valuation would continue to be made after the order has been received.

Further, the utilization of 4:00 p.m. New York time as the valuation time not only for Putnam Growth but also for Putnam Equities which may have a majority of its securities traded in countries outside of the United States is appropriate and consistent with the Act and the rules thereunder. As stated in Rule 22c-1, it is required that directors/trustees of each Fund determine the specific time during the day when a fund must value its assets. The utilization by Putnam Equities of 4:00 p.m. New York time is not only consistent with the provisions of Rule 2a-4 for the reasons stated above but also permits the Fund's shareholders to have a net asset value fixed at a time consistent with other mutual funds and which permits the maximum public distribution of such prices. To pick another time, for example 10:00 a.m. New York time (i.e., the close of business on the European markets) would mean that a shareholder who purchased his or her shares at 11:00 a.m. New York time would not be given a value for such purchase until 10:00 a.m. the next day and would not be able to read the price per share received in a newspaper until the following day or two full days after the order was entered. This approach would not seem to be beneficial for shareholders and would tend to underscore the reasonableness of the director's decision that a 4:00 p.m. New York time on the day the order to purchase or sell shares is received is the proper time for valuing Putnam Equities' securities.

With respect to the specific practice of Putnam Equities not to value its securities on Saturday even on those days on which the Japanese Stock Exchange may be open for trading, we believe that the above discussion supports the Fund's practice on this point as well.* While it may be quite appropriate for funds which have substantially all of their securities traded on the Tokyo Stock Exchange to value their securities as of those Saturdays on which that exchange is open for trading, such a practice would present highly unusual problems for a fund such as Putnam Equities.

So long as a majority of Putnam Equities' portfolio is not traded on the Tokyo Stock Exchange, an attempt to arrive

*As a practical matter, it would be highly unlikely as regards Putnam Growth that the Directors would determine that the amount of trading occurring in Tokyo with respect to securities owned by the Fund would have a material effect on that Fund's net asset value. See Rule 22c-1.

at a Saturday valuation with respect to orders which are deemed to have been received on Saturday would present distortions that far outweigh any possible benefit to be gained. In the first place, since the Tokyo Stock Exchange is generally 14 hours ahead of the New York Stock Exchange, it has, on those Saturdays when it is open for trading, already closed for the day as of 2:00 a.m. New York time. Therefore, as of Saturday morning New York time when conceivably an order could be received by mail, the Tokyo Exchange has already been closed for a substantial period of time. Even if one assumes that it would be appropriate to attempt (utilizing the method of estimating values under Rule 2a-4 described above) to estimate the Japanese portfolio as of 4:00 p.m. New York time on Saturday, the overriding problem is presented by the fact that as described above, a substantial majority of the Funds' portfolio securities have not traded at all on that day. To estimate the value as of Saturday night of a substantial majority of securities based on closing prices on Friday (and with respect to European securities based on substantially earlier prices on Friday) would seem to present serious problems not only with respect to mechanics for such valuation but the very accuracy thereof. On the other hand, since no Saturday trading on the Japanese market can possibly occur after an order has been received on Saturday by the collection of mail on that day, it does not seem inappropriate that such order be treated as an order received on Monday morning. Even if one wished to give a Saturday price to such order to reflect the Japanese portion of the portfolio, it would be necessary to wait until Monday morning to value the remaining portion of the portfolio and thus, with respect to U.S. securities, one would be combining portfolio values determined at least 56 hours apart! Moreover, for a U.S. fund sold only in the U.S., which does not invest a substantial majority or even a majority of its securities in the Japanese market and which has stated in its prospectus that valuations occur only at the close of business on days on which the New York Stock Exchange is open for trading and where orders on Saturday could only be received by mail, it is difficult to perceive that an investor would normally have any expectation of receiving a special Saturday valuation. This is especially true since one would assume that most shareholders who are interested in receiving a particular valuation as of a particular day would rarely trust such timing to the vagaries of the mail service but would rather utilize their dealer or call the Fund's distributor directly. In short, we believe that so long as a substantial majority of portfolio holdings of Putnam Equities are invested in securities which are not traded on Saturday, it is highly appropriate that the

ROPES & GRAY

Securities and Exchange
Commission

-9-

October 22, 1980

Fund continue to follow its practice of computing net asset value only on those days on which the New York Stock Exchange is open for trading.

If you need any additional information in connection with the foregoing, please do not hesitate to contact the undersigned. Also, in the event that you have any difficulty taking the position requested in this letter, I would appreciate the opportunity to discuss this matter with you further at your convenience.

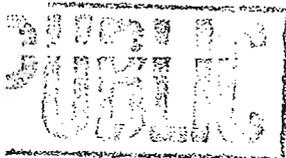
Sincerely yours,



Edward P. Lawrence

EPL:bt

cc: Mr. Richard M. Cutler
Vice Chairman
The Putnam Funds

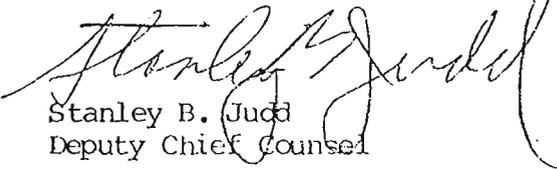


12 3 JAN 1981

RESPONSE OF THE OFFICE OF CHIEF COUNSEL
DIVISION OF INVESTMENT MANAGEMENT

Our Ref. No. 80-327-CC
The Putnam Growth Fund
Putnam International Equities
Fund, Inc.
File Nos. 811-781 and 811-1403

Based on the representations contained in your letter, we would not recommend any action to the Commission under section 22(d) of the Investment Company Act of 1940 (the "1940 Act") or rules 22c-1 and 2a-4 under the 1940 Act if The Putnam Growth Fund and Putnam International Equities Fund, Inc. ("the Funds") value their assets at 4:00 p.m. New York time and use as the values of their portfolio securities which are principally traded on foreign securities exchanges the next preceding closing values of such securities on their respective exchanges except when an event has occurred since the time a value was so established that is likely to have resulted in a change in such value, in which case the fair value of the securities as of 4:00 p.m. New York time will be determined by the consideration of other factors. In addition, based on the representations contained in your letter, we would not recommend any action under the aforementioned provisions if each of the Funds, a substantial majority of whose portfolio securities are not principally traded on Japanese exchanges, does not price its shares for sale or redemption as of those Saturdays that the Japanese exchanges are open for business.



Stanley B. Judd
Deputy Chief Counsel

cc to all regional
1/23/81