Invest for income with flexibility in changing markets

Q2 | 17

Putnam multi-sector income funds

Diverse opportunities.
Flexible risk allocations.
Bottom-up approach.

An active approach can seek to reduce unattractive risks in fixed-income markets

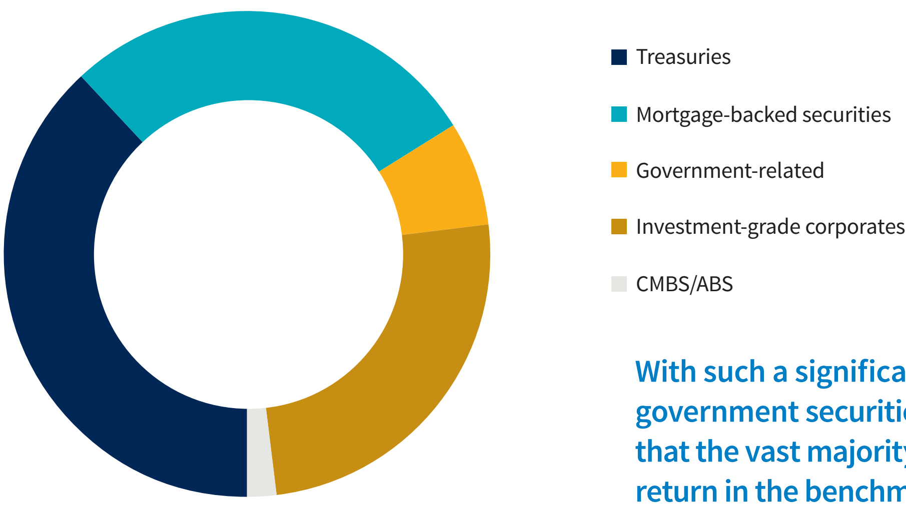
Today's benchmark-oriented strategies are built on low-yielding, rate-sensitive securities.

The Bloomberg Barclays U.S. Aggregate Bond Index, the bellwether proxy for the bond markets in the United States, serves as the basis for trillions of dollars worth of fixed-income portfolios. But after years of soaring government debts and massive expansions of government balance sheets, approximately 75% of the benchmark is now composed of government-backed securities.

The risks inherent in such an unbalanced portfolio are significant: Price changes in government-linked debt are driven primarily by interest rates, and today's historically low yields offer little income to offset price volatility caused by even modest rate increases.

Nearly 75% of the benchmark is government-backed.

Composition of the Bloomberg Barclays U.S. Aggregate Bond Index, 6/30/17



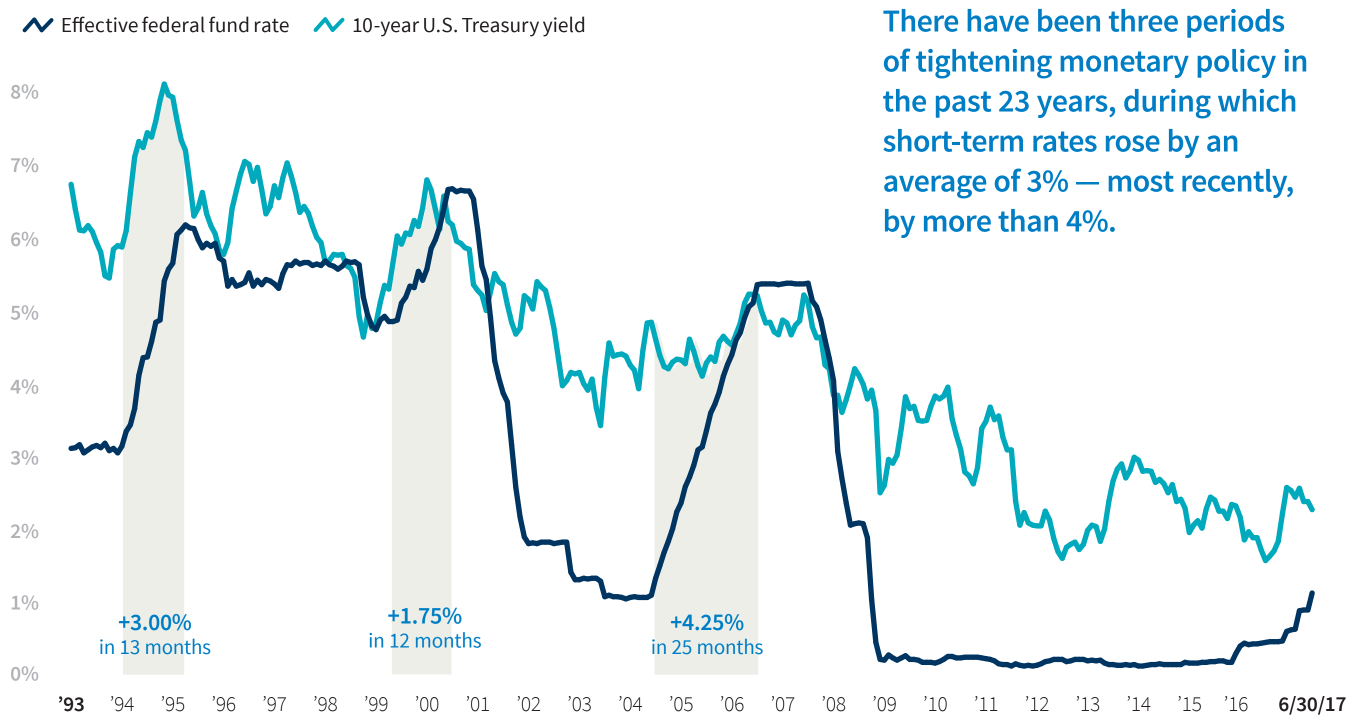
With such a significant tilt toward government securities, it is no surprise that the vast majority of the risk and return in the benchmark is linked to changes in interest rates.

Sources: Bloomberg, Putnam Research, 6/30/17. A bond's price can fluctuate for a number of reasons. Changes in interest rates, market liquidity, default risk, and prepayment risk can all affect a bond's price. Interest rates and bond prices typically move in opposite directions. Putnam's analysis of historical data indicates that as of 6/30/17, the majority of the price changes in the securities that make up the Bloomberg Barclays U.S. Aggregate Bond Index were caused by interest-rate movements.

Investors cannot depend on declining interest rates to drive future returns.

For more than 20 years, declining interest rates have driven bond prices higher across a range of sectors. Any strategy that relies on this trend continuing could be a risky proposition.

The end of an era of falling interest rates?



Sources: U.S. Department of the Treasury, U.S. Federal Reserve, as of 6/30/17. Past performance is not indicative of future results.

Duration risk is high for benchmark-oriented strategies.

A bond's price sensitivity to changes in interest rates is estimated by its "duration," which is measured in years. For every 1% change in rates, a bond's price is expected to move 1% in the opposite direction per year of duration.

	Duration (years)*	Yield†	If rates rise 1% Approximate price change	If rates rise 2% Approximate price change
2-year Treasury	1.97	1.38%	-1.97%	-3.94%
10-year Treasury‡	8.84	2.30%	-8.84%	-17.68%
BBG Barclays U.S. Aggregate Bond Index§	6.01	2.55%	-6.01%	-12.02%
S&P/LSTA Leveraged Loan Index**	0.24	5.08%	-0.24%	-0.48%

* Modified adjusted duration.

† Yield to worst.

‡ 2-year Treasury represented by the Bloomberg Barclays 2-year U.S. Treasury Bellwether Index. 10-year Treasury represented by the Bloomberg Barclays 10-year U.S. Treasury Bellwether Index.

§ Bloomberg Barclays U.S. Aggregate Bond Index is an unmanaged index of U.S. investment-grade fixed-income securities. You cannot invest directly in an index.

** S&P/LSTA Leveraged Loan Index (LLI) is an unmanaged index of U.S. leveraged loans.

For illustrative purposes only. Performance of Putnam funds will differ.

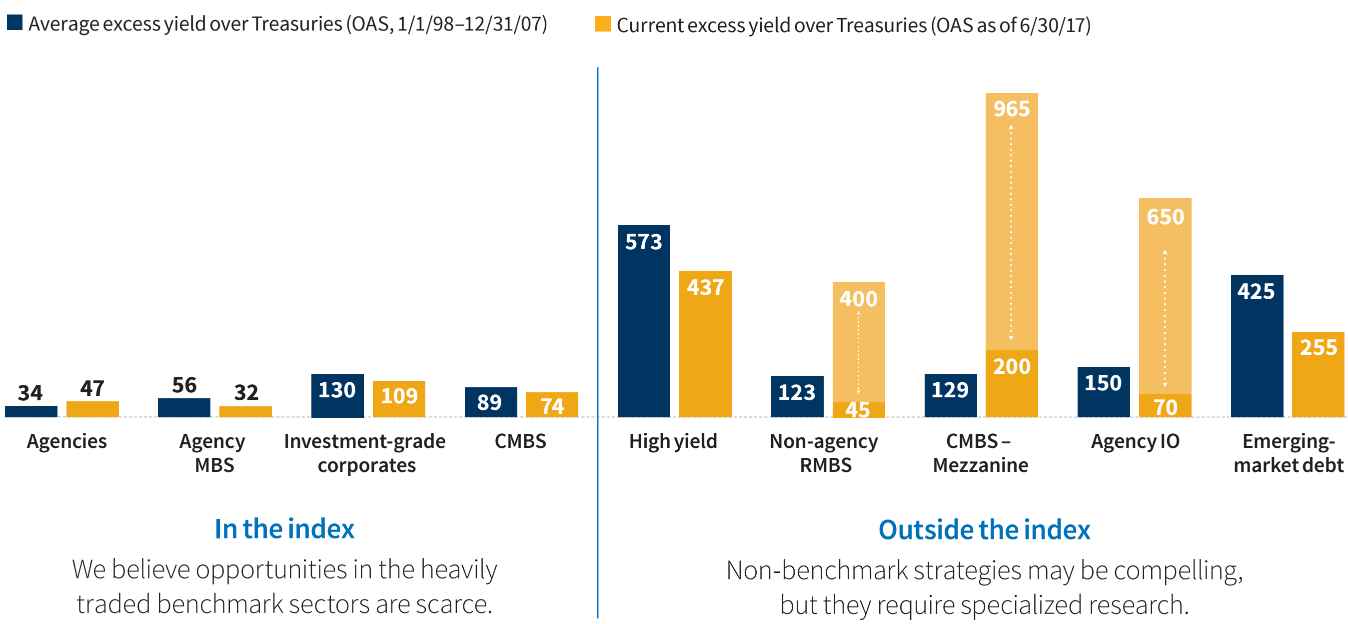
Putnam funds actively pursue a broader opportunity set

A more comprehensive view of risks leads to a broader range of opportunities.

Duration, or interest-rate sensitivity, is just one of the risks inherent in fixed-income investing. Prepayments, credit, and liquidity risk can also play a role in determining a security's value. By actively working to determine which risks are worth taking and when, Putnam is able to tap into the potential investment opportunities from a much broader range of sectors, including a number of areas beyond the benchmark index. This active management driven by both fundamental and quantitative research is the hallmark of Putnam's fixed income funds.

We believe many of today's most attractive opportunities lie outside the index.

Sectors with yields higher than their historical norms may offer compelling investment opportunities.



Sources: Bloomberg, Putnam, as of 6/30/17.

Data is provided for informational use only. Past performance is no guarantee of future results. All spreads are in basis points and measure option-adjusted yield spread relative to comparable maturity U.S. Treasuries with the exception of non-agency RMBS and mezzanine CMBS, which are loss-adjusted spreads to swaps calculated using Putnam's projected assumptions on defaults and severities, and agency IO, which is calculated using assumptions derived from Putnam's proprietary prepayment model. Agencies are represented by Bloomberg Barclays U.S. Agency Index. Agency MBS are represented by Bloomberg Barclays U.S. Mortgage Backed Securities Index. Investment-grade corporates are represented by Bloomberg Barclays U.S. Corporate Index. High yield is represented by JPMorgan Developed High Yield Index. CMBS is represented by both agency and non-agency CMBS that are eligible for inclusion in the Bloomberg Barclays U.S. Aggregate Bond Index; mezzanine CMBS is represented by the same index using the AA, A, and BBB components. Average OAS for Mezzanine CMBS is for the 2000–2007 time period. Emerging-market debt is represented by the Bloomberg Barclays EM Hard Currency Aggregate Index. Non-agency RMBS is estimated using average market level of a sample of below-investment-grade securities backed by various types of non-agency mortgage collateral (excluding prime securities). Mezzanine CMBS is estimated from an average spread among baskets of Putnam-monitored new issue and seasoned mezzanine securities, as well as a synthetic (CMBX) index. Agency IO is estimated from a basket of Putnam-monitored interest-only (IO) and inverse IO securities. Option-adjusted spread (OAS) measures the yield over duration equivalent Treasuries for securities with different embedded options.

Putnam introduced new ways of thinking to the investment process, transforming sector research into a diversified portfolio of best ideas.

Successful investing in today's markets requires a broad-based approach, the flexibility to exploit a range of sectors and investment opportunities, and a keen understanding of the complex global interrelationships that drive the markets. That's why Putnam has over 90 fixed-income professionals focusing on key areas from global rates and corporate credit to the mortgage sector. Together, our team offers comprehensive coverage of every aspect of the fixed-income world, based on the broad sources of risk — and opportunities — most likely to drive returns.

Putnam's Fixed Income leaders each have over 28 years of experience.

D. William Kohli
CIO, Fixed Income

Michael V. Salm
Co-Head of Fixed Income

Paul D. Scanlon, CFA
Co-Head of Fixed Income

Putnam offers an integrated approach to diversification and portfolio construction.

SECTOR SPECIALISTS
research investment opportunities while sharing ideas and information, and implement trades, pursuing specific investment opportunities within their budgeted strategy allocations

SENIOR TEAM MEMBERS
evaluate opportunities, formulating investment strategies that offer attractive risk/return profiles

PORTFOLIO CONSTRUCTION TEAM
determines appropriate strategy weightings based on risk composition and specific objectives

Diversification does not guarantee a profit or ensure against loss. It is possible to lose money in a diversified portfolio.

Putnam funds are well-positioned for a changing investment landscape

Our funds are different by design.

Our commitment to research and active management leads our portfolio managers to areas of the market that are often overlooked by other investors, or may be too small for larger funds to invest in effectively. The result is a compelling lineup of fixed-income offerings.

Putnam Diversified Income Trust

A "go anywhere," best ideas portfolio that invests in some sectors not found in traditional benchmarks, with the flexibility to diversify risk allocations including duration positioning

Putnam Global Income Trust

A nimble core offering built to pursue global bond market opportunities

Putnam Income Fund

A high-quality portfolio focused on total return

	Putnam Diversified Income Trust	Lipper Multi Sector Income average	Putnam Global Income Trust	Lipper Global Income average	Putnam Income Fund	Lipper Core Bond average
Assets	$3.5B	$2.2B	$240.7M	$1.1B	$1.6B	$5.4B
30-day SEC yield class Y	4.58%	3.07%	2.17%	1.98%	3.73%	1.92%
Effective duration (years)	1.6	3.9	6.2	5.5	6.3	5.7

Duration measures the sensitivity of bond prices to interest rate changes. A negative duration indicates that a security or fund may be poised to increase in value when interest rates increase.

Putnam Diversified Income Trust (PDVYX)

Annualized total return as of 6/30/17

Class Y shares inception 7/1/96	Net asset value	BBG Barclays U.S. Aggregate Bond Index
1 year	12.57%	-0.31%
3 years	1.34	2.48
5 years	4.71	2.21
10 years	3.96	4.48
Life of fund	6.36	6.30

Total expense ratio: 0.75%
Fund inception: 10/3/88

Putnam Global Income Trust (PGGYX)

Annualized total return as of 6/30/17

Class Y shares inception 10/4/05	Net asset value	BBG Barclays Global Aggregate Bond Index
1 year	2.86%	-2.18%
3 years	0.76	-0.35
5 years	2.73	0.78
10 years	5.41	3.69
Life of fund	6.56	—

Total expense ratio: 0.96%
Fund Inception: 6/1/87

Putnam Income Fund (PNCYX)

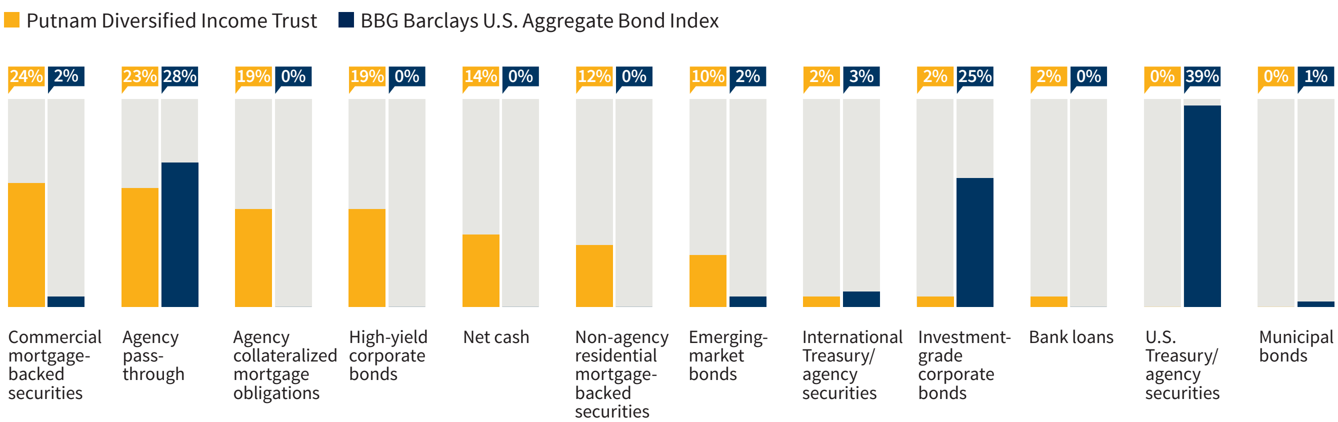
Annualized total return as of 6/30/17

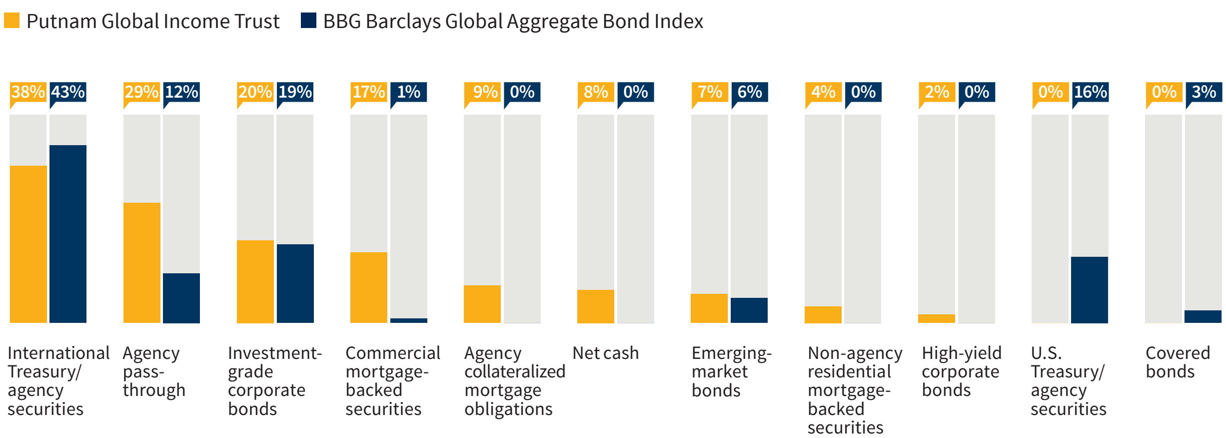
Class Y shares inception 6/16/94	Net asset value	BBG Barclays U.S. Aggregate Bond Index
1 year	4.33%	-0.31%
3 years	1.51	2.48
5 years	3.52	2.21
10 years	5.65	4.48
Life of fund	7.59	—

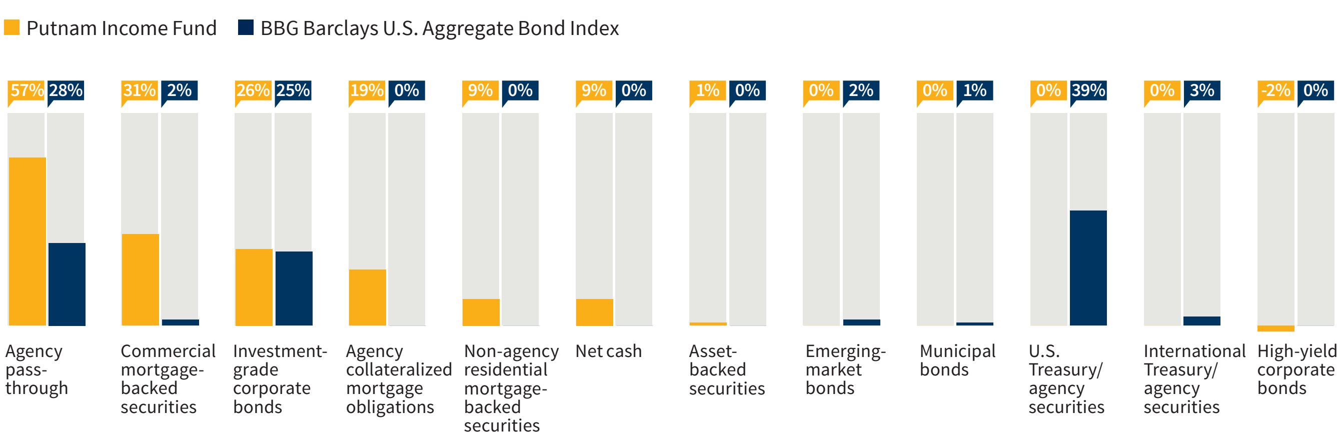
Total expense ratio: 0.62%
Fund inception: 11/1/54

Allocations may not total 100% of net assets because the table includes the notional value of derivatives (the economic value for purposes of calculating periodic payment obligations), in addition to the market value of securities.

Our funds invest in sectors beyond those represented in traditional benchmarks, as we believe some of the most attractive investment opportunities are found outside of the indexes.







Current performance may be lower or higher than the quoted past performance, which cannot guarantee future results. Share price, principal value, and return will vary, and you may have a gain or a loss when you sell your shares. Performance assumes reinvestment of distributions and does not account for taxes. For the most recent month-end performance, please visit putnam.com. Class Y shares before their inception are derived from the historical performance of the fund's inception, which have not been adjusted for the lower expenses; had they, returns would have been higher. For a portion of the periods, this fund may have had expense limitations, without which returns would have been lower. Class Y shares are generally only available for corporate and institutional clients and have no initial sales charge.

Consider these risks before investing: International investing involves currency, economic, and political risks. Emerging-market securities carry illiquidity and volatility risks. Lower-rated bonds may offer higher yields in return for more risk. Funds that invest in government securities are not guaranteed. Mortgage-backed securities are subject to prepayment risk and the risk that they may increase in value less when interest rates decline and decline in value more when interest rates rise. Bond investments are subject to interest-rate risk (the risk of bond prices falling if interest rates rise) and credit risk (the risk of an issuer defaulting on interest or principal payments). Interest-rate risk is greater for longer-term bonds, and credit risk is greater for below investment grade bonds. Risks associated with derivatives include increased investment exposure (which may be considered leverage) and, in the case of over-the-counter instruments, the potential inability to terminate or sell derivatives positions and the potential failure of the other party to the instrument to meet its obligations. Unlike bonds, funds that invest in bonds have fees and expenses. Bond prices may fall or fail to rise over time for several reasons, including general financial market conditions, changing market perceptions of the risk of default, changes in government intervention, and factors related to a specific issuer or industry. These factors may also lead to periods of high volatility and reduced liquidity in the bond markets. You can lose money by investing in the funds.

The following also applies to Putnam Global Income Trust: The fund invests in fewer issuers or concentrates its investments by region or sector, and involves more risk than a fund that invests more broadly. The fund's policy of concentrating on a limited group of industries and the fund's non-diversified status, which means the fund may invest in fewer issuers, can increase the fund's vulnerability to common economic forces and may result in greater losses and volatility.

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