Pursuing strong risk-adjusted returns through active global risk allocation.

Managed by Putnam’s Global Asset Allocation group.

Class A PDREX
Class B PDRBX
Class C PDRFX
Class M PDRTX
Class R PDRRX
Class Y PDRYX

Not FDIC insured
May lose value
No bank guarantee
Global market volatility calls for new investment strategies focused on risk.

In the 1980s and 1990s, it made sense to seek benchmark returns. Since 2000, volatility has increased sharply, creating a need to focus on risk-adjusted returns.

A $10,000 investment in 1980 in U.S. stocks grew to more than $200,000 in 2000, despite three downturns along the way. Two bear markets caused a “lost decade” for stock investors.

Minimizing volatility matters more over time.

The least volatile portfolio outperformed. Cumulative returns: 12/31/99–12/31/14

With today’s market volatility, investors should consider evaluating the effectiveness of a portfolio over a full market cycle. It’s important to consider that outperformance during a market downturn can significantly improve long-term results. That’s why a risk-based strategy can outperform a stock or balanced portfolio over long periods.

With today's market volatility, investors should consider evaluating the effectiveness of a portfolio over a full market cycle. It’s important to consider that outperformance during a market downturn can significantly improve long-term results. That’s why a risk-based strategy can outperform a stock or balanced portfolio over long periods.

Note: 25/75 = 25% S&P 500 Index, 75% Barclays U.S. Aggregate Bond Index, 60/40 = 60% S&P 500 Index, 40% Barclays U.S. Aggregate Bond Index. Past performance is not indicative of future results. Other asset allocations may have had different returns during those time periods.
Putnam Dynamic Risk Allocation Fund represents a new approach to portfolio design.

Putnam's design seeks to improve on traditional balanced and static risk-based strategies.

<table>
<thead>
<tr>
<th>Traditional balanced portfolios are unbalanced in risk</th>
<th>Risk-based strategies are balanced, but static</th>
<th>Putnam’s risk-based strategy is dynamic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds 40% Equities 60%</td>
<td>Equity 25% Rates 25% Inflation 25% Credit 25%</td>
<td>Equity Rates Inflation Credit</td>
</tr>
<tr>
<td>Bonds 10%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Traditional 60% equity/40% bond strategies are unbalanced with 90% equity risk. Equal allocations of 25% to four types of risk provide better balance, but limit opportunities. Dynamic allocations combine risk balance with flexibility to pursue market opportunities.

This improved design allocates risk more effectively in each asset class.

Putnam has a three-step process to pursue better returns for the amount of risk taken.

Static risk parity

1. Strategic risk-based portfolio
   - 50% Equity
   - 25% Rates
   - 25% Inflation
   - 25% Credit

2. Dynamic allocation
   - Equity
   - Rates
   - Inflation
   - Credit

3. Active implementation
   - Equity
   - Rates
   - Inflation
   - Credit

The strategic weightings balance four risks while tilting in favor of equities, which can provide compelling long-term total return potential. A dynamic investment process actively manages portfolio weightings with changing market opportunities and risks. The portfolio combines active strategies to target valuation opportunities and passive strategies in more efficient areas of the market.
Putnam’s global allocation strategy pursues strong risk-adjusted returns by balancing four types of risk.

**Allocation by risk, not assets.**

The fund actively and flexibly balances equity risk with three other risk sources found in traditional and alternative investments worldwide. With this approach, performance comes from a variety of risk sources but does not depend on any single asset class. This gives the portfolio enhanced risk diversification.

**Allocations reflect risk-adjusted return expectations.**

The portfolio managers dynamically adjust the four major risk weightings by considering and comparing important factors influencing each type of risk.

### Risk allocations as of 12/31/14

<table>
<thead>
<tr>
<th>Risk Category</th>
<th>Percentage</th>
<th>Decision Factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity risk</td>
<td>64.15%</td>
<td>Stock valuations, Corporate earnings expectations, Market volatility</td>
</tr>
<tr>
<td>Credit risk</td>
<td>22.31%</td>
<td>Yield spreads of corporate bonds vs. Treasuries, Corporate default rates, Credit rating trends</td>
</tr>
<tr>
<td>Interest-rate risk</td>
<td>-0.20%</td>
<td>Current Treasury yields relative to history, Outlook for inflation, Sovereign debt risk</td>
</tr>
<tr>
<td>Inflation risk</td>
<td>13.75%</td>
<td>Spreads on Treasury Inflation-Protected Securities (TIPS), Commodity price trends, Current inflation trends</td>
</tr>
</tbody>
</table>

Allocations will vary over time. Due to rounding, percentages may not equal 100%. Data from Putnam Dynamic Risk Allocation Fund as of 12/31/14.

Risk, as measured by standard deviation, gauges how widely a set of values varies from the mean. It is a historical measure of the variability of return earned by an investment portfolio. Diversification does not assure a profit or protect against loss. It is possible to lose money in a diversified portfolio. A negative percentage reflects the effect of fund strategies that are designed to enhance performance if certain securities decline in value.
Active, bottom-up strategies within asset classes

Security selection and portfolio construction can both provide further sources of return and help manage risk. Managed with innovation in mind, the fund leverages the full investment capabilities of Putnam Investments to identify and implement individual strategies within each asset class.

**Equity example**

Emphasizing low-beta stocks

A Putnam study found low-beta stocks had better risk-adjusted returns (higher Sharpe ratios) than high-beta stocks (1983–2014).

<table>
<thead>
<tr>
<th>Sharpe ratios</th>
<th>Russell 1000 universe, 1983–2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>All stocks</td>
<td>0.49</td>
</tr>
<tr>
<td>Low beta</td>
<td>0.83</td>
</tr>
<tr>
<td>High beta</td>
<td>0.33</td>
</tr>
</tbody>
</table>

**Credit example**

Emphasizing high-yield bonds closer to investment grade

**Inflation example**

Reducing exposure to the volatile energy component within commodities

**Interest-rate example**

Adjusting the composition of duration exposures to minimize rate risk

Beta measures volatility in relation to the fund’s benchmark. A beta of less than 1.0 indicates lower volatility; a beta of more than 1.0, higher volatility than the benchmark. 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.
Fund performance and competitive rankings

<table>
<thead>
<tr>
<th>Class A shares (inception 9/19/11)</th>
<th>Before sales charge</th>
<th>After sales charge</th>
<th>Custom Dynamic Risk Allocation Index*</th>
<th>Lipper rankings Alternative Global Macro funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 year</td>
<td>2.69%</td>
<td>-3.22%</td>
<td>-1.13%</td>
<td>36% (109/307)</td>
</tr>
<tr>
<td>3 years</td>
<td>6.01</td>
<td>3.94</td>
<td>6.53</td>
<td>39% (76/197)</td>
</tr>
<tr>
<td>Life of fund</td>
<td>5.65</td>
<td>3.76</td>
<td>6.38</td>
<td>—</td>
</tr>
</tbody>
</table>

Expense ratio: 1.52%
What you pay: 1.42%
Sharpe ratio (3 years): 0.87
Standard deviation (3 years): 6.87%

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 of class A shares after sales charge assumes reinvestment of distributions and does not account for taxes. After-sales-charge returns reflect a maximum 5.75% load. For a portion of the periods, the fund had expense limitations, without which returns would have been lower. “What you pay” reflects Putnam Management’s decision to contractually limit expenses through 9/30/15. To obtain the most recent month-end performance, visit putnam.com.

Portfolio composition

<table>
<thead>
<tr>
<th></th>
<th>Physical weight</th>
<th>Derivative exposure</th>
<th>Total capital exposure</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. TIPS</td>
<td>0.00%</td>
<td>30.42%</td>
<td>30.42%</td>
</tr>
<tr>
<td>International bonds</td>
<td>0.00%</td>
<td>25.61</td>
<td>25.61</td>
</tr>
<tr>
<td>U.S. equity</td>
<td>22.45</td>
<td>-0.79</td>
<td>21.66</td>
</tr>
<tr>
<td>U.S. high-yield bonds</td>
<td>11.80</td>
<td>3.32</td>
<td>15.11</td>
</tr>
<tr>
<td>U.S. investment-grade bonds</td>
<td>7.77</td>
<td>6.96</td>
<td>14.73</td>
</tr>
<tr>
<td>International equity</td>
<td>11.76</td>
<td>-0.01</td>
<td>11.75</td>
</tr>
<tr>
<td>Commodities</td>
<td>0.00</td>
<td>11.00</td>
<td>11.00</td>
</tr>
<tr>
<td>Emerging-market equity</td>
<td>0.00</td>
<td>6.64</td>
<td>6.64</td>
</tr>
<tr>
<td>Real estate investment trust</td>
<td>5.28</td>
<td>0.00</td>
<td>5.28</td>
</tr>
<tr>
<td>Emerging-market bonds</td>
<td>0.00</td>
<td>5.01</td>
<td>5.01</td>
</tr>
<tr>
<td>U.S. money markets</td>
<td>40.95</td>
<td>-88.15</td>
<td>-47.20</td>
</tr>
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Allocations will vary over time. As of 12/31/14.

Risk balance

The portfolio’s risk balance reflects the portfolio managers’ dynamic views.

<table>
<thead>
<tr>
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<th>Equity</th>
<th>Interest rate</th>
<th>Inflation</th>
<th>Credit</th>
</tr>
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<td>64.15%</td>
<td>-0.20%</td>
<td>13.75%</td>
<td>22.31%</td>
<td></td>
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Due to rounding, percentages may not equal 100%. As of 12/31/14.

Standard deviations shown are based on monthly cumulative returns and are annualized. Lipper rankings for class A shares are based on total return without sales charge relative to all share classes of funds with similar objectives as determined by Lipper.

* The Custom Dynamic Risk Allocation Index is composed of 50% MSCI World Index, 40% Barclays Global Aggregate Bond Index, and 10% S&P GSCI. You cannot invest directly in an index.
The result of years of experience in multi-asset investing.

A history of innovative portfolio diversification

Putnam Investments introduced one of the first funds to combine stocks and bonds in a single portfolio. Since then, we have introduced a range of multi-asset portfolios, each one an evolution designed to address the challenges of a dynamically changing market.

1937  George Putnam Balanced Fund
1993  Putnam Global Asset Allocation group founded
1994  Putnam Asset Allocation Funds suite
Putnam Dynamic Asset Allocation Growth Fund
Putnam Dynamic Asset Allocation Balanced Fund
Putnam Dynamic Asset Allocation Conservative Fund
2004  Putnam RetirementReady® Funds (target maturity) suite
2006  Putnam Total Return (Institutional portfolio)
2008  Putnam Absolute Return 500 Fund®
Putnam Absolute Return 700 Fund®
2011  Putnam Dynamic Risk Allocation Fund

Putnam’s Global Asset Allocation group manages almost $9 billion for institutions and individuals worldwide.

James A. Fetch  (industry since 1994)
Robert J. Kea, CFA  (industry since 1988)
Joshua B. Kutin, CFA  (industry since 1998)
Robert J. Schoen  (industry since 1990)
Jason R. Vaillancourt, CFA  (industry since 1993)

A long-tenured team experienced in risk-based allocation

Putnam’s Global Asset Allocation group brings years of experience to managing risk-based strategies for some of the world’s largest institutional investors. Our expert asset allocation specialists have worked together for more than a decade, continually refining the investment process with new insights from hands-on market experience.
Consider these risks before investing: International investing involves currency, economic, and political risks. Emerging-market securities carry illiquidity and volatility risks. The fund may invest a portion of its assets in small and/or midsize companies. Such investments increase the risk of greater price fluctuations. 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. Allocation of assets among asset classes may hurt performance, and efforts to diversify risk through the use of leverage and allocation decisions may not be successful. Derivatives carry additional risks, such as the inability to terminate or sell derivatives positions and the failure of the other party to meet its obligations. Growth stocks may be more susceptible to earnings disappointments, and value stocks may fail to rebound. 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. Unlike bonds, funds that invest in bonds have fees and expenses. Active trading strategies may lose money or not earn a return sufficient to cover trading and other costs. Use of leverage obtained through derivatives increases these risks by increasing investment exposure. Over-the-counter derivatives are also subject to the risk of the potential inability to terminate or sell derivatives positions and the potential failure of the other party to the instrument to meet its obligations. REITs are subject to the risk of economic downturns that have an adverse impact on real estate markets. The use of short selling may result in losses if the securities appreciate in value. Commodities involve market, political, regulatory, and natural conditions risks. Stock and bond prices may fall or fail to rise over time for several reasons, including general financial market conditions, factors related to a specific issuer or industry and, with respect to bond prices, changing market perceptions of the risk of default and changes in government intervention. These factors may also lead to increased volatility and reduced liquidity in the bond markets. You can lose money by investing in the fund.

Standard deviation measures how widely a set of values varies from the mean. It is a historical measure of the variability of return earned by an investment portfolio over a defined period.

Sharpe ratio is a measure of historical adjusted performance calculated by dividing the fund’s return minus the risk-free rate (Citigroup 30-day T-bill) by the standard deviation of the fund’s return. The higher the ratio, the better the fund’s return per unit of risk.

Request a prospectus or summary prospectus from your financial representative or by calling Putnam at 1-800-225-1581. The prospectus includes investment objectives, risks, fees, expenses, and other information that you should read and consider carefully before investing.