



The fund received a 4-star Overall Morningstar Rating as of 12/31/20 among 269 funds in the Nontraditional Bond category (Y shares, based on risk-adjusted returns)

Objective

The fund seeks as high a level of current income as Putnam Management believes is consistent with preservation of capital.

Portfolio Managers

D. William Kohli

(industry since 1988)

Michael V. Salm

(industry since 1989)

Michael J. Atkin

(industry since 1988)

Albert Chan, CFA

(industry since 2002)

Robert L. Davis, CFA

(industry since 1999)

Brett S. Kozlowski, CFA

(industry since 1997)

Paul D. Scanlon, CFA

(industry since 1986)

Morningstar category

Nontraditional Bond

Lipper category

Alternative Credit Focus

Benchmark

ICE BofA U.S. Treasury Bill Index

Average effective duration

1.37

3-year average duration

1.51

Putnam Diversified Income Trust

Offering a diversified portfolio of income opportunities since 1988

Broad diversification

The fund seeks multiple sources of return unconstrained by a traditional benchmark, and includes investments in alternative bond markets.

Flexible risk allocations

The fund takes a unique approach to asset allocation, dynamically establishing diversified risk exposures rather than sector exposures.

Active duration management

As the fund's duration is independent of any index, the fund employs strategies that seek to reduce interest-rate risk.

Portfolio quality

AAA	71.6%
AA	1.2
A	6.3
BBB	9.2
BB	17.4
B	11.7
CCC and below	7.5
Not rated	-24.9

Holdings represent 100% of the portfolio and will vary over time.

Negative weights may result from timing differences between trade and settlement dates of securities, such as TBAs, or by the use of derivatives.

Sector breakdown

Agency pass-through	45.2%
Commercial MBS	21.0
Agency CMO	19.3
Emerging-market bonds	15.3
High-yield corp bonds	13.4
Residential MBS (non-agency)	11.4
Convertible securities	8.8
Investment-grade corp bonds	2.7
Bank loans	2.2
Asset-backed securities (ABS)	0.9
International Treasury/agency	0.1

Net cash represents 20.6% of the portfolio.

17.3% of the portfolio invested internationally.

Allocations will vary over time.

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

Credit qualities are shown as a percentage of the fund's net assets. A bond rated BBB or higher (A-3 or higher, for short-term debt) is considered investment grade. This chart reflects the highest security rating provided by one or more of Standard & Poor's, Moody's, and Fitch. To-be-announced (TBA) mortgage commitments, if any, are included based on their issuer ratings. Ratings may vary over time. Cash, derivative instruments, and net other assets are shown in the not-rated category. Payables and receivables for TBA mortgage commitments are included in the not-rated category and may result in negative weights. **The fund itself has not been rated by an independent rating agency.**

The fund's strategy has resulted in low correlations to a variety of bond indexes

Correlation of Putnam Diversified Income Trust (Y shares) versus:

	1 year	3 years	5 years
BBG Barclays U.S. Aggregate Bond Index	0.33	0.12	-0.01
BBG Barclays U.S. Treasury Index	-0.62	-0.46	-0.48
BBG Barclays Global Aggregate Index	0.72	0.44	0.22

Correlation is a measure of how similar the historical performances of two different asset classes or securities have been. The maximum correlation is 1.0 and the minimum is 0 with values between 0 and -1 indicating negative correlation. A positive correlation close to 1.0 indicates that the historical returns of the two asset classes being compared have been very similar. A negative correlation close to -1.0 indicates that the historical returns of the two asset classes being compared have been opposite each other; for example, when one gained 5%, the other declined 5%. Correlations near zero indicate that there has been little discernible relationship between the two asset classes being compared.

**Not FDIC insured
May lose value
No bank guarantee**

Fund symbols

Class A	PDINX
Class B	PSIBX
Class C	PDVCX
Class M	PDVMX
Class R	PDVRX
Class R6	PDVGX
Class Y	PDVYX

Morningstar rankings

(Y shares, based on total return)

1 year	78% (247/316)
3 years	42% (108/269)
5 years	30% (72/240)
10 years	12% (12/94)

Total expense ratio

(Y shares)

0.73%

(A shares)

0.98%

Net assets

\$2,920.94M

Number of holdings

1,904

Dividend frequency

Monthly

Standard deviation

(Y shares)

8.86

Average effective maturity

4.50

30-day SEC yield

(Y shares)

3.72%

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. **Average effective maturity** depends on the maturity of the underlying bonds within each fund. The longer the maturity, the greater the interest-rate risk. **Average effective duration** provides a measure of a fund's interest-rate sensitivity. The longer a fund's duration, the more sensitive the fund is to shifts in interest rates. **3-year average duration** is an arithmetic average of month-end values over the previous 3-year period.

Not all share classes are available on all platforms.

For informational purposes only. Not an investment recommendation.

Putnam Retail Management
FS028_YA 324267 1/21

Annual performance (all distributions reinvested)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Y shares at net asset value	-3.4%	13.0%	8.2%	1.2%	-2.7%	5.4%	6.7%	-1.0%	12.5%	0.1%
A shares before sales charge	-3.6	12.7	7.9	1.0	-2.9	5.1	6.5	-1.4	12.3	-0.2
Benchmark	0.1	0.1	0.1	0.1	0.1	0.4	0.8	1.9	2.4	0.7

Annualized total return performance

	1 year	3 years	5 years	10 years	Life of fund
Y shares (Inception 7/1/96)	0.11%	3.69%	4.62%	3.85%	6.10%
A shares (Inception 10/3/88) before sales charge	-0.23	3.37	4.34	3.57	5.91
A shares after sales charge	-4.23	1.97	3.49	3.15	5.78
Benchmark	0.74	1.65	1.23	0.66	—

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 and Y shares assumes reinvestment of distributions and does not account for taxes. After-sales-charge returns for class A reflect a maximum 4.00% load. Returns for class Y shares prior to their inception are derived from the historical performance of class A shares, which have not been adjusted for their lower expenses; had they, returns would have been higher. Class Y shares, available to investors through an asset-based fee program or for institutional clients, are sold without an initial sales charge and have no CDSC. For the most recent month-end performance, please visit putnam.com.

Highlights of five-year performance periods (10/3/88–12/31/20)*

	Best 5-year return	Best period end date	Worst 5-year return	Worst period end date	Average 5-year return	% of 5-year periods with positive returns	Number of positive 5-year periods	Number of negative 5-year periods
Y shares	16.24%	12/31/13	-4.32%	12/31/08	5.94%	98%	107	2
A shares	15.94	12/31/13	-4.49	12/31/08	5.74	97	106	3

* Based on annualized returns for quarterly rolling periods.

The ICE BofA U.S. Treasury Bill Index is an unmanaged index that tracks the performance of U.S.-dollar-denominated U.S. Treasury bills publicly issued in the U.S. domestic market. Qualifying securities must have a remaining term of at least one month to final maturity and a minimum amount outstanding of \$1 billion. You cannot invest directly in an index. ICE Data Indices, LLC (ICE BofA), used with permission. ICE BofA permits use of the ICE BofA indices and related data on an "as is" basis; makes no warranties regarding same; does not guarantee the suitability, quality, accuracy, timeliness, and/or completeness of the ICE BofA indices or any data included in, related to, or derived therefrom; assumes no liability in connection with the use of the foregoing; and does not sponsor, endorse, or recommend Putnam Investments, or any of its products or services. You cannot invest directly in an index.

The Morningstar Rating™ for funds, or "star rating," is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods. Ratings do not take into account the effects of sales charges and loads. Putnam Diversified Income Trust received 3, 3, and 4 stars for the 3-, 5-, and 10-year periods among 269, 240, and 94 Nontraditional Bond funds, respectively.

Morningstar rankings for class Y shares are based on total return without sales charge relative to all share classes of funds with similar objectives as determined by Morningstar. Morningstar rankings may differ significantly from Morningstar's risk-adjusted star ratings. Past performance is not indicative of future results.

Consider these risks before investing: 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 investments, unlike traditional debt investments, are subject to prepayment risk, which means that they may increase in value less than other bonds when interest rates decline and decline in value more than other bonds 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 generally greater for longer-term bonds, and credit risk is generally 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. The value of investments in the fund's portfolio may fall or fail to rise over extended periods of time for a variety of reasons, including general economic, political, or financial market conditions; investor sentiment and market perceptions; government actions; geopolitical events or changes; and factors related to a specific issuer, geography, industry, or sector. International investing involves currency, economic, and political risks. These and other factors may lead to increased volatility and reduced liquidity in the fund's portfolio holdings. Our investment techniques, analyses, and judgments may not produce the outcome we intend. The investments we select for the fund may not perform as well as other securities that we do not select for the fund. We, or the fund's other service providers, may experience disruptions or operating errors that could have a negative effect on the fund. You can lose money by investing in the fund.

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

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