

Objective

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

Portfolio Managers

- Michael V. Salm**
(industry since 1989)
- Brett S. Kozlowski, CFA**
(industry since 1997)
- Jatin Misra, PhD, CFA**
(industry since 2004)

Morningstar category

Intermediate-Term Bond

Lipper category

U.S. Mortgage

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.**

MBS: Mortgage-backed securities

CMO: Collateralized mortgage obligations

RMBS: Residential mortgage-backed securities

CMBS: Commercial mortgage-backed securities

ABS: Asset-backed securities.

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

Putnam Mortgage Securities Fund

Seeking opportunities throughout the universe of mortgage-related bonds

Broad securitized opportunities

The fund invests in mortgage sectors, including agency MBS and CMOs, and non-agency RMBS and CMBS, and ABS.

Higher potential returns

By investing in mortgage-backed bonds, the fund can offer the potential for higher returns than an investment strategy focused only on agency MBS.

Leading research

The fund's portfolio managers use proprietary models to assist in the evaluation of mortgage-backed bonds and to manage the fund's interest-rate risk.

Diversification across bond market sectors

| | |
|-------------------------------|-------|
| Agency pass-through | 95.3% |
| Commercial MBS | 44.7 |
| Agency CMO | 41.4 |
| Residential MBS (non-agency) | 19.6 |
| Asset-backed securities (ABS) | 2.3 |
| Net cash | 6.6 |

Maturity breakdown

| | |
|----------------|--------|
| 0 to 1 year | -60.8% |
| 1 to 5 years | 59.2 |
| 5 to 10 years | 92.0 |
| 10 to 15 years | 9.6 |

Portfolio quality

| | |
|---------------|--------|
| AAA | 131.9% |
| AA | 6.3 |
| A | 5.5 |
| BBB | 6.4 |
| BB | 5.1 |
| B | 6.3 |
| CCC and below | 1.7 |
| Not rated | -63.1 |

Allocations will vary over time.

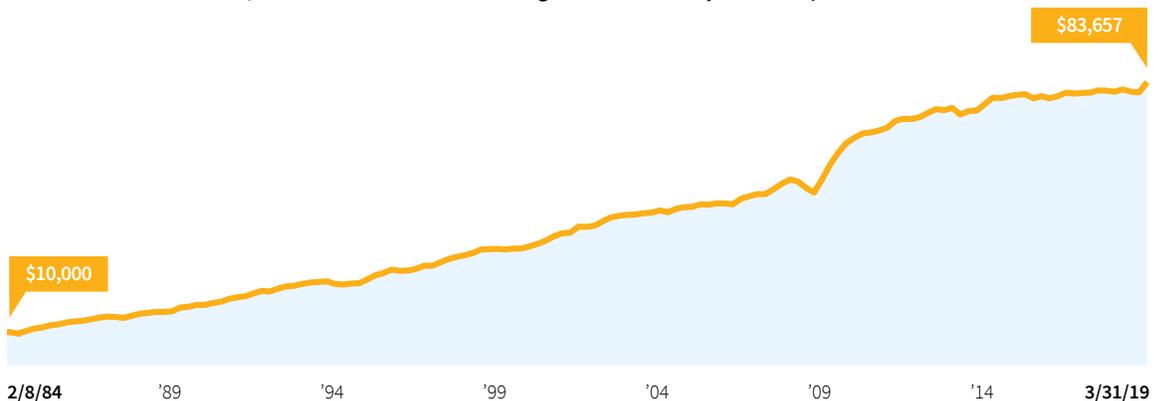
Allocations may not total 100% of net assets because the table includes the notional value of derivatives (the economic value for purposes of calculating periodic payment obligations), in addition to the market value of securities.

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.

Growth of a \$10,000 investment

With dividends reinvested, the fund has returned an average of 6.2% annually since inception.



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 Y shares assumes reinvestment of distributions and does not account for taxes. 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. Performance for class Y shares before their inception are derived from the historical performance of class A shares (inception 2/8/84), which have not been adjusted for the lower expenses; had they, returns would have been higher. For the most recent month-end performance, please visit putnam.com.

Fund symbols

| | |
|----------|-------|
| Class A | PGSIX |
| Class B | PGSBX |
| Class C | PGVCX |
| Class M | PGSMX |
| Class R | PGVRX |
| Class R6 | POLYX |
| Class Y | PUSYX |

Lipper rankings

(Y shares, based on total return)

| | |
|----------|--------------|
| 1 year | 75% (89/119) |
| 3 years | 38% (42/111) |
| 5 years | 87% (82/94) |
| 10 years | 28% (20/71) |

Expense ratio

(Y shares)

Total expense ratio
0.69%What you pay
0.50%

"What you pay" reflects Putnam Management's decision to contractually limit expenses through 1/30/20.

Number of holdings

843

Net assets

\$920.80M

Dividend frequency

Monthly

Average effective duration

4.12

30-day SEC yieldWithout subsidy
4.80%With subsidy
4.96%

Lipper 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 Lipper.

For informational purposes only. Not an investment recommendation.

Putnam Retail Management
FS038_Y 316805 4/19**Annual performance at net asset value (all distributions reinvested)**

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 YTD |
|--|------|------|------|-------|------|------|------|------|-------|----------|
| Y shares | 5.6% | 5.0% | 3.6% | -0.2% | 5.7% | 0.0% | 0.9% | 1.1% | -0.6% | 3.7% |
| Bloomberg Barclays U.S. MBS Index | 5.4 | 6.2 | 2.6 | -1.4 | 6.1 | 1.5 | 1.7 | 2.5 | 1.0 | 2.2 |
| Bloomberg Barclays GNMA-Bloomberg Barclays U.S. MBS Linked Benchmark | 6.7 | 7.9 | 2.4 | -2.1 | 6.0 | 1.4 | 1.6 | 1.9 | 1.0 | 2.2 |

Annualized total return performance

| Inception 4/11/94 | Class Y shares | BBG Barclays U.S. MBS Index | BBG Barclays GNMA-BBG Barclays U.S. MBS Linked Benchmark |
|----------------------|-------------------|--------------------------------|--|
| 1 year | 3.48% | 4.42% | 4.57% |
| 3 years | 1.98 | 1.77 | 1.63 |
| 5 years | 1.62 | 2.65 | 2.43 |
| 10 years | 4.25 | 3.11 | 3.17 |
| Life of fund | 6.23 | 7.05 | 7.03 |

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 Y shares assumes reinvestment of distributions and does not account for taxes. 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. Performance for class Y shares before their inception are derived from the historical performance of class A shares (inception 2/8/84), which have not been adjusted for the lower expenses; had they, returns would have been higher. For the most recent month-end performance, please visit putnam.com.

Highlights of five-year performance periods (2/8/84–3/31/19)*

| 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 |
|--------------------|----------------------|---------------------|-----------------------|-----------------------|---|-----------------------------------|-----------------------------------|
| 12.45% | 6/30/89 | 1.23% | 3/31/18 | 6.22% | 100% | 121 | 0 |

* Based on annualized returns for quarterly rolling periods.

The Bloomberg Barclays U.S. MBS Index is an unmanaged index of agency mortgage backed pass-through securities (both fixed-rate and hybrid ARM) guaranteed by Ginnie Mae, Fannie Mae, and Freddie Mac. The Bloomberg Barclays GNMA-Bloomberg Barclays U.S. MBS Linked Benchmark represents performance of the Bloomberg Barclays GNMA Index through April 18, 2018, and performance of the Bloomberg Barclays U.S. MBS Index thereafter. You cannot invest directly in an index.

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.

Not all share classes are available on all platforms.

Consider these risks before investing: Funds that invest in government securities are not guaranteed. Mortgage- and asset-backed securities 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. The fund may have to invest the proceeds from prepaid investments, including mortgage- and asset-backed investments, in other investments with less attractive terms and yields. The fund's investments in mortgage-backed securities and asset-backed securities, and in certain other securities and derivatives, may be or become illiquid. The fund's exposure to privately issued mortgage-backed securities and mortgage-backed securities issued or guaranteed by the U.S. government or its agencies or instrumentalities may make the fund's net asset value more susceptible to economic, market, political and other developments affecting the housing or real estate markets. 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. Default risk is generally higher for non-qualified mortgages. 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 (including perceptions about the risk of default and expectations about monetary policy or interest rates), changes in government intervention in the financial and housing markets, and factors related to a specific issuer or industry. These and other factors may lead to periods of increased volatility and reduced liquidity in the fund's portfolio holdings. 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.