



The fund received a 4-star Overall Morningstar Rating as of 9/30/18 among 146 funds in the Muni National Long category (Y shares, based on risk-adjusted returns)

Portfolio Managers

Paul M. Drury, CFA
(industry since 1989)

Garrett L. Hamilton, CFA
(industry since 2006)

Objective

The fund seeks as high a level of current income exempt from federal income tax as we believe to be consistent with preservation of capital.

Morningstar category

Muni National Long

Lipper category

General & Insured Municipal Debt

Fund symbols

Class A	PTAEX
Class B	PTBEX
Class C	PTECX
Class M	PTXMX
Class R6	PEXTX
Class Y	PTEYX

Number of holdings

470

Net assets

\$928.84M

Dividend frequency

Monthly

Top 10 state allocations

NY	12.80%
TX	11.94%
MI	7.32%
IL	7.15%
PA	6.22%
NJ	4.95%
OH	4.80%
CA	4.14%
FL	4.09%
AZ	3.64%

Putnam Tax Exempt Income Fund

Seeking a high level of tax-free income since 1976

Tax-advantaged income

The fund pursues income free from federal income tax with a portfolio of municipal bonds selected from many states and market sectors.

Focus on performance

The portfolio managers seek a competitive yield and to protect investor's capital through fundamental investment analysis and risk management.

A diversified portfolio

A broadly diversified portfolio enables the managers to pursue current tax-free income opportunities while managing risk and seeking to preserve capital.

Sector weightings

Transportation	15.3%
Health care	14.4
Utilities	13.6
Special tax	11.2
State debt	11.0
Local debt	7.9
Education	6.9
Prerefunded	4.7
Other sectors	14.7
Cash and net other assets	0.3

Portfolio quality

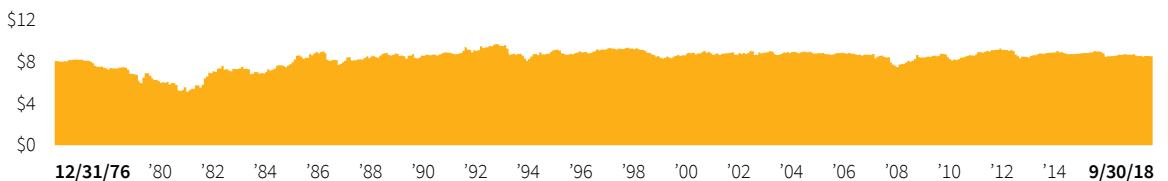
AAA	11.0%
AA	29.1
A	41.7
BBB	14.5
BB	1.0
B	0.5
Not rated	1.9
Cash and net other assets	0.3

The fund invests 96.3% of its assets in investment-grade tax-exempt bonds.

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

Credit qualities are shown as a percentage of the fund's net assets. A bond rated BBB or higher (SP-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. Ratings may vary over time. Cash and net other assets, if any, represent the market value weights of cash, derivatives, and short-term securities in the portfolio. **The fund itself has not been rated by an independent rating agency**

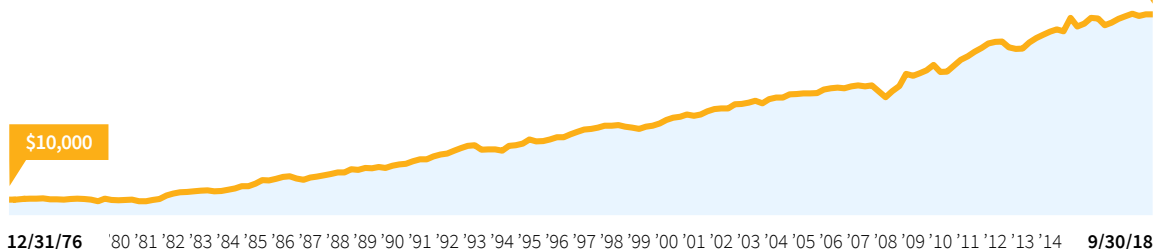
Protecting investors' principal, the fund's net asset value has remained stable



On 10/30/1989, the fund had a three-for-one split. The price before the split was \$25.83 and after the split was \$8.61. Prices prior to this have been adjusted to reflect the split.

Growth of a \$10,000 investment

With dividends reinvested, the fund has returned an average of 6.3% 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 12/31/76), 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.

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

Lipper rankings

(Y shares, based on total return)

1 year	28% (72/261)
3 years	32% (74/235)
5 years	42% (83/200)
10 years	34% (53/156)

Total expense ratio(Y shares)
0.55%**Option adjusted duration**

6.78

Duration to worst

4.77

Average stated maturity

17.38

Average effective maturity

5.96

AMT exposure

9.41%

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 stated maturity is determined based on the legal final maturity of a bond.

Duration to worst is the duration of a bond computed assuming the bond is called at the worst possible time and uses the date associated with the lowest yield. Depending on the interest-rate environment and structure of the bond, there may be scenarios in which the worst possible time for the bond to be paid off is the maturity date. **Option adjusted duration** is the modified duration of a bond after adjusting for any embedded optionality.

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.

The Bloomberg (BBG) Barclays Municipal Bond Index is an unmanaged index of long-term fixed-rate investment-grade tax-exempt bonds. You cannot invest directly in an index.

For informational purposes only. Not an investment recommendation.

Putnam Retail Management
FS041_Y 313722 10/18

Annual performance at net asset value (all distributions reinvested)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018 YTD
Y shares	18.2%	2.7%	11.0%	9.1%	-4.0%	10.3%	2.9%	0.6%	6.1%	-0.4%
BBG Barclays Municipal Bond Index	12.9	2.4	10.7	6.8	-2.6	9.1	3.3	0.3	5.5	-0.4

Annualized total return performance

Inception 1/2/08	Class Y shares	BBG Barclays Municipal Bond Index
1 year	0.89%	0.35%
3 years	2.55	2.24
5 years	3.85	3.54
10 years	4.97	4.75
Life of fund	6.32	—

Attractive yield

	Net asset value
Current 30-day SEC yield*	2.57%
Taxable equivalent†	4.34%

Highlights of five-year performance periods (12/31/76–9/30/18)*

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
22.07%	12/31/86	-1.95%	12/31/81	7.05%	98%	145	3

*Based on annualized returns for quarterly rolling periods.

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 Tax Exempt Income Fund received 4, 3, and 4 stars for the 3-, 5-, and 10-year periods among 146, 128, and 106 Muni National Long funds, respectively.

Tax-free funds may not be suitable for IRAs and other non-taxable accounts.

Not all share classes are available on all platforms.

Consider these risks before investing: Capital gains, if any, are taxable for federal and, in most cases, state purposes. For some investors, investment income may be subject to the federal alternative minimum tax. Income from federally tax-exempt funds may be subject to state and local taxes. 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. Unlike bonds, funds that invest in bonds have fees and expenses. Tax-exempt bonds may be issued under the Internal Revenue Code only by limited types of issuers for limited types of projects. As a result, the fund's investments may be focused in certain market segments and be more vulnerable to fluctuations in the values of the securities it holds than a more broadly invested fund. Interest the fund receives might be taxable. 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 markets, and factors related to a specific issuer or industry. These and other factors may lead to 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.