

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.

Portfolio Managers

Paul M. Drury, CFA
(industry since 1989)

Garrett L. Hamilton, CFA
(industry since 2006)

Morningstar category

Muni National Long

Lipper category

General & Insured
Municipal Debt

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.**

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.

Portfolio quality

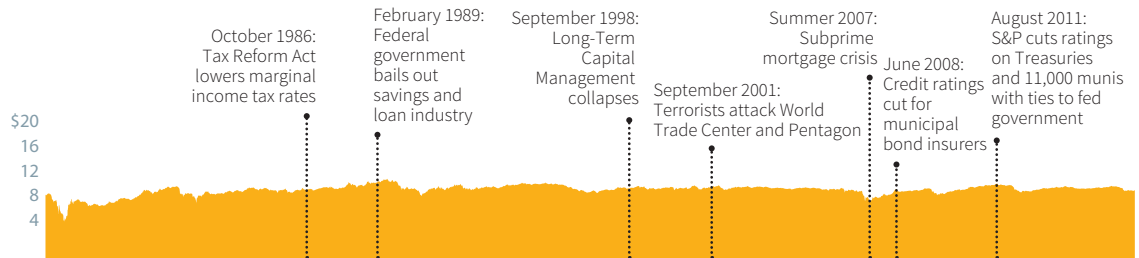
AAA	4.6%
AA	36.0%
A	34.4%
BBB	15.5%
BB	0.9%
B	0.8%
Not rated	4.0%
Cash and net other assets	3.8%

The fund invests 90.5% of its assets in investment-grade tax-exempt bonds.

Sector weightings

Utilities	15.8%
Transportation	15.1%
State debt	15.1%
Health care	13.3%
Prerefunded	10.6%
Education	6.6%
Local debt	5.3%
Special tax	4.3%
Other sectors	10.0%
Cash and net other assets	3.8%

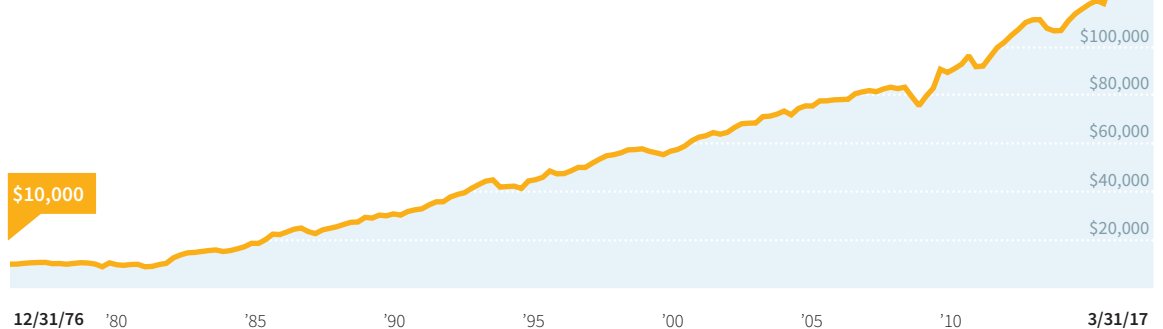
Sectors represent 100% of the portfolio and will vary over time.



12/31/76 '78 '79 '80 '81 '82 '83 '84 '85 '86 '87 '88 '89 '90 '91 '92 '93 '94 '95 '96 '97 '98 '99 '00 '01 '02 '03 '04 '05 '06 '07 '08 '09 '10 '11 '12 '13 '14 '15 '16 **3/31/17**
On 10/30/89, this 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 6.5% 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 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**



The fund received a 4-star Overall Morningstar Rating™ as of 3/31/17 among 145 funds in the Muni National Long category (Y shares, based on risk-adjusted returns)

Fund symbols

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

Lipper rankings

(Y shares, based on total return)

1 year	21% (53/263)
3 years	43% (98/231)
5 years	46% (95/207)

Total expense ratio

(Y shares)
0.55%

Number of holdings

371

Net assets

\$914.13M

Dividend frequency

Monthly

Option adjusted duration

6.75

Duration to worst

4.69

Average stated maturity

17.76

Average effective maturity

5.90

AMT exposure

7.74%

Top 10 state allocations

TX	11.60%
NY	10.11%
CA	7.69%
MA	7.58%
IL	6.39%
PA	5.96%
FL	5.35%
NJ	4.87%
MI	4.06%
GA	3.68%

Annual performance at net asset value (all distributions reinvested)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017 YTD
Y shares	2.4%	-9.2%	18.2%	2.7%	11.0%	9.1%	-4.0%	10.3%	2.9%	0.6%	1.3%
BBG Barclays Municipal Bond Index	3.4	-2.5	12.9	2.4	10.7	6.8	-2.6	9.1	3.3	0.3	1.6

Annualized total return performance

Inception 1/2/08	Class Y shares	BBG Barclays Municipal Bond Index
1 year	0.36%	0.15%
3 years	3.68	3.55
5 years	3.33	3.24
10 years	4.19	4.33
Life of fund	6.46	—

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Attractive yield

	Net asset value
Current 30-day SEC yield*	2.37%
Taxable equivalent†	4.19%

* Based only on investment income, calculated using the maximum offering price in accordance with SEC guidelines.

† Assumes a maximum 43.40% federal tax rate inclusive of the 3.80% Medicare surtax.

Highlights of five-year performance periods (12/31/76–3/31/17)†

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	7.21%	98%	139	3

†Based on annualized returns for quarterly rolling periods.

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. 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. **Option adjusted duration** is the duration of a bond adjusting for any embedded optionality under multiple interest-rate scenarios. **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. **Average stated maturity** is determined based on the legal final maturity of a bond. **Average effective maturity** takes into account the likelihood of the bond being called. Tax-free funds may not be suitable for IRAs and other non-taxable accounts.

For each fund with at least a three-year history, Morningstar calculates two sets of ratings based on a fund's monthly performance, placing more emphasis on downward variations and rewarding consistent performance. Risk-Adjusted Ratings reflect the effects of sales charges, loads, and redemption fees; Load-Waived Ratings exclude those effects. Load-Waived Ratings should only be used by investors not subject to the sales charge. Load-waived share classes are for qualified plan participants only (e.g., plan participants of a defined contribution plan). The top 10% of funds in each 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. (Each share class is counted as a fraction of one fund within this scale and rated separately, which may cause slight variations in the distribution percentages.) The Overall Morningstar Rating for a fund is derived from a weighted average of the performance figures associated with its 3-, 5-, and 10-year (if applicable) Morningstar Rating metrics. Data is historical. Past performance is no guarantee of future results. Morningstar Ratings shown are for class Y shares class only; other classes may have different performance characteristics. Putnam Tax Exempt Income Fund received 4, 4, and 4 stars for the 3-, 5-, and 10-year periods among 145, 132, and 102 Muni National Long funds, respectively.

Not all share classes 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 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. 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 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 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.