

Objective

The fund seeks high current income exempt from federal income tax.

Portfolio Managers

Paul M. Drury, CFA
(industry since 1989)

Garrett L. Hamilton, CFA
(industry since 2006)

Morningstar category

High Yield Muni

Lipper category

High Yield Municipal Debt

Fund symbols

Class A	PTHAX
Class B	PTHYX
Class C	PTCCX
Class M	PTYMX
Class Y	PTFYX

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-Free High Yield Fund

Pursuing a high level of tax-free income

Tax-advantaged income

The fund pursues above-average income free from federal income tax by investing in higher-yielding, lower-rated municipal bonds.

Focus on performance

The portfolio managers select bonds that offer attractive return potential relative to risk and position the portfolio based on Putnam's fundamental research and risk management.

Leading research

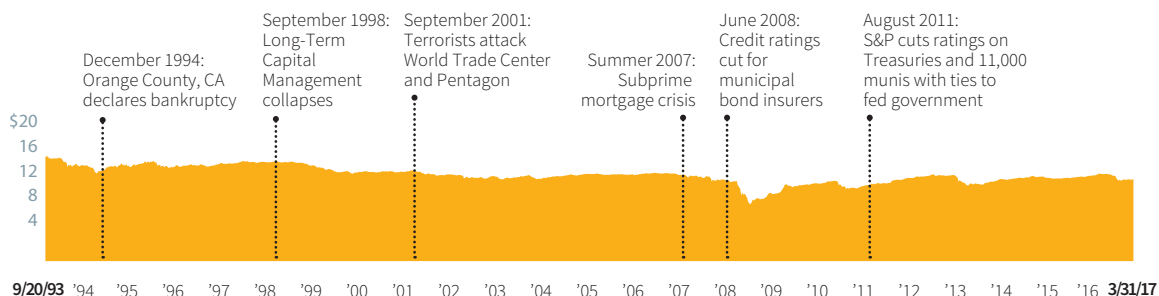
Members of Putnam's fixed-income organization have a range of skills to analyze the credit risk of below-investment-grade bonds and help build a well-diversified portfolio of tax-exempt bonds.

Portfolio quality

AAA	0.7%
AA	8.4%
A	18.9%
BBB	36.3%
BB	8.9%
B	7.1%
CCC and below	0.9%
Not rated	15.1%
Cash and net other assets	3.7%

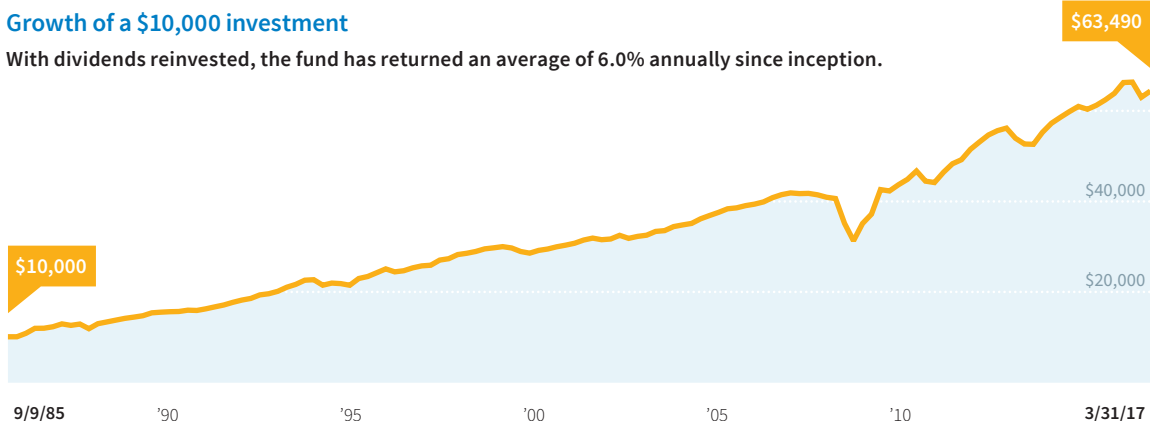
Sector weightings

Health care	21.3%
Transportation	14.5%
Utilities	11.0%
Education	8.8%
Tobacco	7.9%
Prerefunded	7.8%
State debt	5.5%
Land	4.7%
Other sectors	14.9%
Cash and net other assets	3.7%



Growth of a \$10,000 investment

With dividends reinvested, the fund has returned an average of 6.0% 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 A shares assumes reinvestment of distributions and does not account for taxes. After-sales-charge returns reflect a maximum 4.00% load. Performance for class A shares prior to their inception is derived from the historical performance of class B shares, adjusted for applicable sales charge. Class B share inception date is 9/9/85. To obtain the most recent month-end performance, 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 High Yield Muni category (A shares, based on risk-adjusted returns)

Lipper rankings

(A shares, based on total return)

1 year	51% (82/160)
3 years	57% (79/138)
5 years	59% (66/111)
10 years	14% (11/80)

Total expense ratio

(A shares)
0.83%

Number of holdings

465

Net assets

\$939.82M

Dividend frequency

Monthly

Option adjusted duration

7.69

Duration to worst

5.72

Average stated maturity

21.15

Average effective maturity

7.98

AMT exposure

10.50%

Top 10 state allocations

CA	11.39%
TX	11.03%
IL	8.85%
NJ	6.92%
FL	5.42%
NY	4.53%
OH	4.53%
CO	3.93%
MA	3.92%
WA	3.01%

Annual performance before sales charge (all distributions reinvested)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017 YTD
A shares	-0.1%	-24.5%	35.1%	5.1%	10.6%	13.0%	-5.4%	13.7%	4.4%	0.9%	2.2%
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

Class A shares Inception 9/20/93	Before sales charge	After sales charge	BBG Barclays Municipal Bond Index
1 year	0.80%	-3.23%	0.15%
3 years	5.22	3.80	3.55
5 years	4.56	3.71	3.24
10 years	4.39	3.96	4.33
Life of fund	6.03	5.89	6.54

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Attractive yield

	After sales charge
Current 30-day SEC yield*	2.85%
Taxable equivalent†	5.04%

* 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 (9/9/85–3/31/17)‡

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
10.93%	12/31/13	-1.89%	12/31/08	5.69%	98%	105	2

‡Based on annualized returns before sales charges 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. Tax-free funds may not be suitable for IRAs and other non-taxable accounts. 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. **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.

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 A shares class only; other classes may have different performance characteristics.

Putnam Tax-Free High Yield Fund received 3, 3, and 4 stars for the 3-, 5-, and 10-year periods among 145, 118, and 86 High Yield Muni funds, respectively.

Not all share classes available on all platforms.

Consider these risks before investing: Capital gains, if any, are taxed at the federal and, in most cases, state levels. 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. The fund may invest significantly in particular segments of the tax-exempt debt market, making it 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. 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.