



The fund received a 4-star Overall Morningstar Rating as of 3/31/21 among 179 funds in the High Yield Muni 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 high current income exempt from federal income tax.

Morningstar category

High Yield Muni

Lipper category

High Yield Municipal Debt

Benchmark

Bloomberg Barclays Municipal Bond Index

Fund symbols

| | |
|----------|-------|
| Class A | PTHAX |
| Class B | PTHYX |
| Class C | PTCCX |
| Class R6 | PTFRX |
| Class Y | PTFYX |

Net assets

\$854.40M

Number of holdings

458

Dividend frequency

Monthly

Top 10 state allocations

| | |
|----|--------|
| IL | 13.87% |
| CA | 8.55% |
| NJ | 7.72% |
| FL | 6.35% |
| TX | 5.83% |
| CO | 4.86% |
| OH | 4.66% |
| WI | 3.92% |
| PA | 3.23% |
| MI | 3.10% |

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.

Sector weightings

| | |
|---------------------------|-------|
| Health care | 19.2% |
| Education | 18.9 |
| State debt | 12.2 |
| Land | 9.3 |
| Tobacco | 7.4 |
| Utilities | 6.1 |
| Local debt | 6.0 |
| Transportation | 5.0 |
| Other sectors | 11.5 |
| Cash and net other assets | 4.4 |

Portfolio quality

| | |
|---------------------------|------|
| AA | 5.5% |
| A | 11.7 |
| BBB | 32.0 |
| BB | 15.3 |
| B | 2.3 |
| Not rated | 28.9 |
| Cash and net other assets | 4.4 |

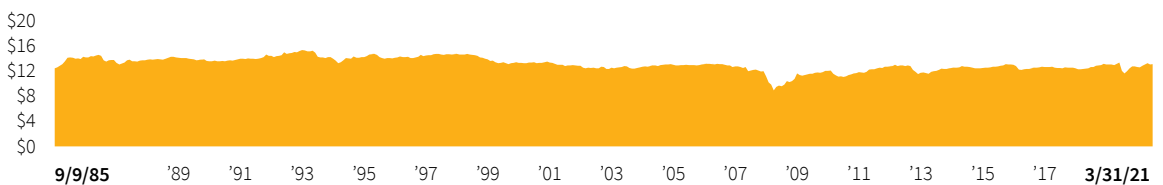
The fund invests 49.2% of its assets in investment-grade tax-exempt bonds.

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.

Allocations will vary over time. Due to rounding, percentages may not equal 100%.

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



Annualized total return performance

| | 1 year | 3 years | 5 years | 10 years | Life of fund |
|--|--------|---------|---------|----------|--------------|
| Y shares (Inception 1/2/08) | 12.71% | 5.82% | 4.81% | 6.36% | 5.82% |
| A shares (Inception 9/20/93) before sales charge | 12.39 | 5.56 | 4.56 | 6.09 | 5.97 |
| A shares after sales charge | 7.90 | 4.13 | 3.71 | 5.66 | 5.85 |
| Benchmark | 5.51 | 4.91 | 3.49 | 4.54 | 6.29 |

Source: Bloomberg Index Services Limited.

Attractive yield at net asset value

| | Y shares | A shares |
|---------------------------|----------|----------|
| Current 30-day SEC yield* | 2.10% | 1.78% |
| Taxable equivalent† | 3.55% | 3.01% |

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

† Assumes a maximum 40.80% federal tax rate inclusive of the 3.80% Medicare surtax.

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 A and Y shares prior to their inception are derived from the historical performance of class B shares (inception 9/9/85), 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.

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

Morningstar rankings

(Y shares, based on total return)

| | |
|----------|--------------|
| 1 year | 26% (53/196) |
| 3 years | 30% (54/179) |
| 5 years | 30% (49/152) |
| 10 years | 39% (42/100) |

Total expense ratio(Y shares)
0.63%(A shares)
0.88%**Option adjusted duration**

8.53

Duration to worst

5.45

Average stated maturity

21.93

Average effective maturity

6.23

AMT exposure

4.96%

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

Not all share classes are available on all platforms.

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.

For informational purposes only. Not an investment recommendation.

Putnam Retail Management
FS042_YA 325788 4/21

Annual performance (all distributions reinvested)

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 YTD |
|------------------------------|-------|-------|-------|------|------|------|------|------|------|----------|
| Y shares at net asset value | 13.3% | -5.2% | 13.9% | 4.6% | 1.1% | 8.6% | 1.3% | 9.7% | 4.5% | 1.5% |
| A shares before sales charge | 13.0 | -5.4 | 13.7 | 4.4 | 0.9 | 8.3 | 1.1 | 9.5 | 4.3 | 1.4 |
| Benchmark | 6.8 | -2.6 | 9.1 | 3.3 | 0.3 | 5.5 | 1.3 | 7.5 | 5.2 | -0.4 |

Source: Bloomberg Index Services Limited.

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Highlights of five-year performance periods (9/9/85–3/31/21)*

| | 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 | 11.23% | 12/31/13 | -2.32% | 12/31/08 | 5.35% | 98% | 121 | 2 |
| A shares | 10.93 | 12/31/13 | -1.89 | 12/31/08 | 5.54 | 98 | 121 | 2 |

* Based on annualized returns for quarterly rolling periods.

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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-Free High Yield Fund received 4, 4, and 4 stars for the 3-, 5-, and 10-year periods among 179, 152, and 100 High Yield Muni funds, respectively.

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.

Consider these risks before investing: 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 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. 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. 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. 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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