Q2 | 2017

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Putnam INVESTMENTS

Putnam Absolute Return 500 Fund®

Seeking positive results balanced with lower volatility over time

Objective

The fund seeks a positive return of 5% above the return of U.S. T-bills, over a reasonable period of time, generally at least three years, regardless of market condition.

Portfolio Managers

James A. Fetch
(industry since 1994)

Robert J. Kea, CFA
(industry since 1988)

Robert J. Schoen
(industry since 1990)

Jason R. Vaillancourt, CFA
(industry since 1993)

Serves investors with a horizon of at least three years, and who may be considering:

- An investment to diversify a portfolio of traditional funds
- A fund that can use modern strategies to seek to reduce market volatility

Fund symbols

Class A	PJMDX
Class B	PJMBX
Class C	PJMCX
Class M	PJMMX
Class R	PJMRX
Class Y	PJMYX

† Long/short equity, fixed-income, commodity, and currency alpha strategies are pairings of positive and "negative," or short-selling, positions. They may focus on individual securities, groups of securities or sectors, different indexes, currencies, commodities, or segments of the commodity futures curve. Regional long/short positions are top-down (as opposed to fundamentally driven "bottom up") long-short trades; they may involve two different countries or groups of countries. Alternative beta strategies are market-neutral strategies that seek non-traditional sources of risk premia.

A wide range of securities for diversification

The fund can invest across multiple asset classes and can adjust dynamically as opportunities change.

Ultimate flexibility to be independent of indexes

Freed from the constraints of traditional benchmarks that may carry unwanted risks, the portfolio managers can invest across diverse securities, asset classes, and strategies.

Modern investment tools seeking reduced risk

With the ability to hedge and use market neutral strategies, the fund can provide a new type of diversification to traditional portfolios.

Invests across global asset classes‡

U.S. stocks	20.3%
High-yield corporate bonds	12.3%
Agency pass-through	11.6%
Commodities	7.4%
Commercial MBS	6.4%
Agency CMO	6.3%
International stocks	5.4%
Bank loans	5.1%
Emerging-market bonds	2.4%
Residential MBS (non-agency)	1.7%
Investment-grade corp. bonds	0.4%
Asset-backed securities (ABS)	0.1%
Emerging-market stocks	-0.7%
U.S. Treasury/agency	-6.8%
Net cash*	34.2%

* Includes money market funds.

Allocations will vary over time.

A negative percentage reflects the effect of fund strategies that are designed to enhance performance if certain securities decline in value.

Diverse risk strategies† (% of total risk)

Directional	**40.1%**
Equity	26.7%
Credit	8.4%
Rates	2.1%
Inflation	2.9%
Non-directional	**59.9%**
Equity selection alpha	37.9%
Fixed income selection alpha	3.8%
Fixed income sector alpha	1.7%
Regional equity long/short	4.2%
Regional fixed income long/short	4.3%
Commodity alpha	2.5%
Currency alpha	0.6%
Alternative beta	5.0%
Ex ante total risk	**2.4%**

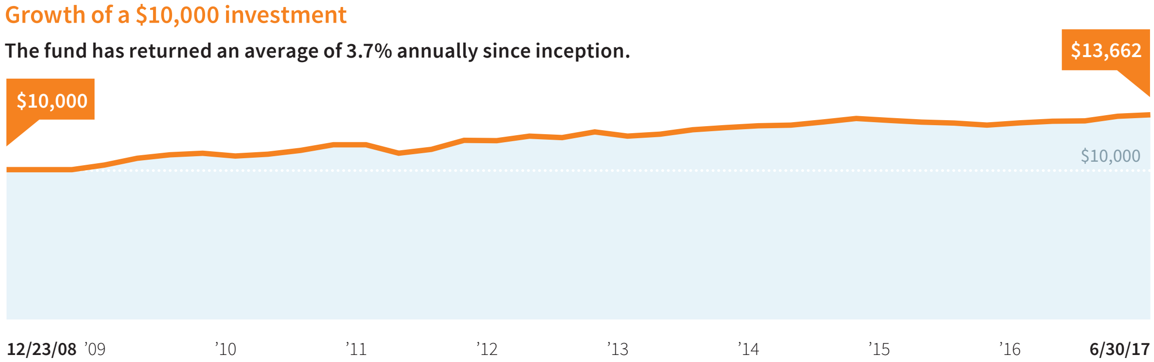
‡ Allocations may not total 100% of net assets because the table includes the notional value of derivatives (the economic value for purposes of calculating periodic payment obligations), in addition to the market value of securities.

Top ten holdings	Sector
Net cash*	Net cash*
FNMA TBA 3.50% 08/01/2047	Agency pass-through
FNMA TBA 3.00% 07/01/2047	Agency pass-through
Utilities Select Sector SPDR	U.S. stocks
FNMA TBA 3.50% 07/01/2047	Agency pass-through
Dow Jones/UBS Long F3-Short F0 3X 144A Note 02/01/2018	Commodities
Health Care Select Sector SPDR	U.S. stocks
Industrial Select Sector SPDR	U.S. stocks
S&P GSCI Total Return Inverse Index 3X Note 03/02/2018	Commodities
Materials Select Sector SPDR	U.S. stocks

Holdings represent 51.7% of the portfolio and will vary over time.

Growth of a $10,000 investment

The fund has returned an average of 3.7% 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. Before-sales-charge returns do not reflect a maximum load of 5.75%. Had the sales charges been reflected, returns would have been lower. For a portion of the periods, the fund had expense limitations, without which returns would have been lower. To obtain the most recent month-end performance, visit putnam.com.

Not FDIC insured
May lose value
No bank guarantee

Putnam Absolute Return 500 Fund

Expense ratio

(A shares)
Total expense ratio
1.10%

What you pay
1.07%
"What you pay" reflects Putnam Management's decision to contractually limit expenses through 2/28/18.

Number of holdings

946

Net assets

$925.45M

Dividend frequency

Annually

Standard deviation

3.20

Beta

-0.76

Sharpe ratio

0.50

Annual performance before sales charge (all distributions reinvested)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017 YTD
A shares	—	—	9.9%	2.7%	0.6%	6.9%	4.3%	4.1%	-0.6%	1.1%	3.1%
BofA Merrill Lynch U.S. Treasury Bill Index	5.0%	2.5%	0.3	0.2	0.1	0.1	0.1	0.1	0.1	0.4	0.3

Annualized total return performance

Class A shares Inception 12/23/08	**Before sales charge**	**After sales charge**	**BofA Merrill Lynch U.S. Treasury Bill Index**
1 year	4.12%	-1.87%	0.46%
3 years	1.86	-0.13	0.26
5 years	2.74	1.53	0.20
Life of fund	3.73	3.01	0.20

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 before sales charge assumes reinvestment of distributions and does not account for taxes. After-sales-charge returns reflect a maximum 5.75% load. To obtain the most recent month-end performance, visit putnam.com.

Shareholder-friendly, adjustable management fee

Putnam Absolute Return 500 Fund has an innovative management fee structure — the fee adjusts based on fund performance. This feature aligns the interests of fund managers and shareholders.

Performance fee information

Base management fee	0.72%
Example of lower fee if fund underperforms its target by 1%	0.68%
Example of higher fee if fund outperforms its target by 1%	0.76%
Maximum performance adjustment	+/–0.20%

Because the dollar amount of the monthly performance fee adjustment is based on the fund's average assets during the rolling performance period, the amount of any dollar adjustment as a percentage of a fund's current assets could exceed the "maximum annualized performance adjustment rates." Performance fee adjustments will not commence until a fund has been operating under a shareholder-approved management contract with a performance fee adjustment for at least 12 months.

Treasury bills are represented by the BofA Merrill Lynch U.S. Treasury Bill Index. The BofA Merrill Lynch U.S. Treasury Bill Index is an unmanaged index that tracks the performance of U.S. dollar denominated U.S. Treasury bills publicly issued in the U.S. domestic market. Qualifying securities must have a remaining term of at least one month to final maturity and a minimum amount outstanding of $1 billion. The index is shown as a broad measure of market performance. Performance between a fund and an index will differ. You cannot invest directly in an index. The index data referenced herein is the property of Merrill Lynch, Pierce, Fenner & Smith Incorporated ("BofAML") and/or its licensors and has been licensed for use by Putnam Investments. BofAML and its licensors accept no liability in connection with its use. See the prospectus for a full copy of the Disclaimer.

The fund is not intended to outperform stocks and bonds during strong market rallies.

Standard deviation measures how widely a set of values varies from the mean. It is a historical measure of the variability of return earned by an investment portfolio over the past three years.

Beta measures volatility in relation to the S&P 500 Index. A beta of less than 1.0 indicates lower volatility; a beta of more than 1.0, higher volatility than the benchmark.

The **Sharpe ratio** is a measure of historical adjusted performance calculated by dividing the fund's return minus the risk-free rate (BofA Merrill Lynch U.S. Treasury Bill Index) by the standard deviation of the fund's return. The higher the ratio, the better the fund's return per unit of risk.

Not all share classes are available on all platforms.

Consider these risks before investing: Allocation of assets among asset classes may hurt performance. The value of stocks and bonds in the fund's portfolio 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, and factors related to a specific issuer or industry. These and other factors may also lead to increased volatility in the financial markets and reduced liquidity in the fund's portfolio holdings. Growth stocks may be more susceptible to earnings disappointments, and value stocks may fail to rebound. 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. Lower-rated bonds may offer higher yields in return for more risk. Funds that invest in government securities are not guaranteed. Mortgage-backed securities are subject to prepayment risk and the risk that they may increase in value less when interest rates decline and decline in value more when interest rates rise. International investing involves currency, economic, and political risks. Emerging-market securities have illiquidity and volatility risks. Our alpha strategy may lose money or not earn a return sufficient to cover associated trading and other costs. Our use of leverage obtained through derivatives increases these risks by increasing investment exposure. 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. The fund's efforts to produce lower-volatility returns may not be successful and may make it more difficult at times for the fund to achieve its targeted return. Under certain market conditions, the fund may accept greater-than-typical volatility to seek its targeted return. The fund may not achieve its goal, and it is not intended to be a complete investment program. You can lose money by investing in the fund. The fund's prospectus lists additional risks. The funds are not intended to outperform stocks and bonds during strong market rallies.

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.