



The fund received a 4-star Overall Morningstar Rating as of 3/31/22 among 208 funds in the Muni National Short category (R6 shares, based on risk-adjusted returns)

Portfolio Managers

Garrett L. Hamilton, CFA
(industry since 2006)

Paul M. Drury, CFA
(industry since 1989)

Objective

The fund seeks as high a level of current income exempt from federal income tax as the managers believe is consistent with preservation of capital.

Morningstar category

Muni National Short

Lipper category

Short Municipal Debt

Benchmark

Bloomberg 3-year Municipal Bond Index

Fund symbols

Class A	PSMEX
Class C	PSMTX
Class R6	PYSTX
Class Y	PSMYX

Net assets

\$48.76M

Number of holdings

128

Dividend frequency

Monthly

Cost-effective pricing option for A shares

- Available at NAV beginning at \$250,000
- 9-month CDSC period

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

Putnam Short-Term Municipal Income Fund

A national portfolio of short-term municipal bonds seeking tax-free income with lower interest-rate sensitivity

Tax-advantaged income

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

Focus on total return

Seeks to offer a competitive yield and the potential for price appreciation while striving to protect investors' capital through prudent security selection and active risk management.

High-quality, short-term portfolio

The national portfolio features a range of high-quality, short-term bonds that seek to provide tax-free income with lower interest-rate sensitivity.

Fund description

The fund offers investors a national portfolio of short-term municipal bonds (maturities of under 3 years on average) that help provide high current income exempt from federal income tax (but that may be subject to the federal alternative minimum tax).

The fund's managers will combine fundamental research and risk management to construct a portfolio that generally will seek a high rate of tax-free income with less volatility than longer-maturity.

Sector weightings

Health care	13.0%
Transportation	12.9
Local debt	12.9
Utilities	11.6
State debt	7.2
Prerefunded	6.9
Education	6.3
Special tax	4.8
Other sectors	19.9
Cash and net other assets	4.4

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

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.**

Portfolio quality

AAA	3.8%
AA	18.3
A	39.9
BBB	20.3
BB	2.4
Not rated	10.8
Cash and net other assets	4.4

The fund invests 82.4% of its assets in investment-grade tax-exempt bonds.

Annualized total return performance

	1 year	3 years	5 years	Life of fund
R6 shares (Inception 5/22/18)	-1.66%	0.98%	1.33%	1.03%
Benchmark	-3.31	0.66	1.08	1.10

Source: Bloomberg Index Services Limited.

Attractive yield at net asset value

	R6 shares
Current 30-day SEC yield* (without subsidy)	0.78%
Current 30-day SEC yield* (with subsidy)	1.12%
Taxable equivalent†	1.89%

* 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 R6 shares assumes reinvestment of distributions and does not account for taxes. Class R6 shares, available to qualified employee-benefit plans only, are sold without an initial sales charge and have no CDSC. Performance for class R6 shares prior to their inception is derived from the historical performance of class Y shares (inception 3/18/13), and has not been adjusted for the lower investor servicing fees applicable to class R6 shares; had it, returns would have been higher. For the most recent month-end performance, please visit putnam.com.

Morningstar rankings

(R6 shares, based on total return)

1 year	31% (52/220)
3 years	17% (39/208)

Expense ratio

(R6 shares)

Total expense ratio	0.65%
What you pay	0.33%

“What you pay” reflects Putnam Management’s decision to contractually limit expenses through 3/30/23.

Maturity breakdown

0–60 days	9.0%
2 months–6 months	10.5%
6 months–1 year	11.1%
1–2 years	27.2%
2–3 years	11.1%
More than 3 years	31.2%

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

Option adjusted duration

1.98

Duration to worst

1.90

Average stated maturity

9.72

Average effective maturity

2.27

AMT exposure

15.59%

Top 10 state allocations

CA	15.18%
NY	10.99%
FL	9.53%
IL	7.08%
NJ	6.01%
WA	5.82%
TX	5.01%
MO	3.98%
PA	3.87%
CT	3.72%

For informational purposes only. Not an investment recommendation.

Putnam Retail Management
FS118_R6 329651 4/22

Annual performance (all distributions reinvested)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022 YTD
R6 shares at net asset value	—	0.79%	0.49%	0.01%	1.77%	1.75%	3.07%	2.30%	1.03%	-2.40%
Benchmark	1.30%	1.22	1.18	0.08	1.56	1.76	3.67	2.97	0.40	-3.56

Source: Bloomberg Index Services Limited.

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 R6 shares assumes reinvestment of distributions and does not account for taxes. Class R6 shares, available to qualified employee-benefit plans only, are sold without an initial sales charge and have no CDSC. Performance for class R6 shares prior to their inception is derived from the historical performance of class Y shares (inception 3/18/13), and has not been adjusted for the lower investor servicing fees applicable to class R6 shares; had it, returns would have been higher. For the most recent month-end performance, please visit putnam.com.

Highlights of five-year performance periods (3/18/13–3/31/22)*

	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
R6 shares	1.98%	12/31/21	0.73%	3/31/18	1.38%	100%	17	0

*Based on annualized returns for quarterly rolling periods.

The Bloomberg 3-Year Municipal Bond Index is a subset of the Bloomberg Municipal Bond Index that measures the performance of investment-grade issues with remaining maturities of two to four years. BLOOMBERG® is a trademark and service mark of Bloomberg Finance L.P. and its affiliates (collectively “Bloomberg”). Bloomberg or Bloomberg’s licensors own all proprietary rights in the Bloomberg Indices. Neither Bloomberg nor Bloomberg’s licensors approve or endorse this material, or guarantee the accuracy or completeness of any information herein, or make any warranty, express or implied, as to the results to be obtained therefrom, and to the maximum extent allowed by law, neither shall have any liability or responsibility for injury or damages arising in connection therewith. You cannot invest directly in an index.

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 3-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 3-, 5-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% 3-year rating for 36–59 months of total returns, 60% 5-year rating/40% 3-year rating for 60–119 months of total returns, and 50% 10-year rating/30% 5-year rating/20% 3-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 3-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 Short-Term Municipal Income Fund received 4 and 4 stars for the 3- and 5-year periods among 208 and 178 Muni National Short funds, respectively. Morningstar rankings for class R6 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.

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.

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: 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.

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. Interest the fund receives might be taxable. 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. 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.

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.

Putnam Investments | 100 Federal Street | Boston, MA 02110 | 1-800-225-1581 | putnam.com