

**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.

**Portfolio Managers**

**Garrett L. Hamilton, CFA**  
(industry since 2006)

**Paul M. Drury, CFA**  
(industry since 1989)

**Morningstar category**

Muni National Short

**Lipper category**

Short Municipal Debt

**Fund symbols**

Class A	PSMEX
Class B	PSMFX
Class C	PSMTX
Class M	PSMMX
Class Y	PSMYX

**This fund may be appropriate for:**

- Investors seeking tax-advantaged income
- Investors who wish to have less interest-rate risk than that of longer-maturity municipal bonds
- Investors in a laddered municipal bond portfolio who want to use a diversified mutual fund for the short end of their portfolio

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.**

**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.

**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 tax-free options.

**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.

**Portfolio quality**

AAA	7.5%
AA	32.8%
A	33.3%
BBB	11.3%
BB	0.5%
Not rated	0.8%
Cash and net other assets	13.9%

The fund invests 84.9% of its assets in investment-grade tax-exempt bonds.

**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.

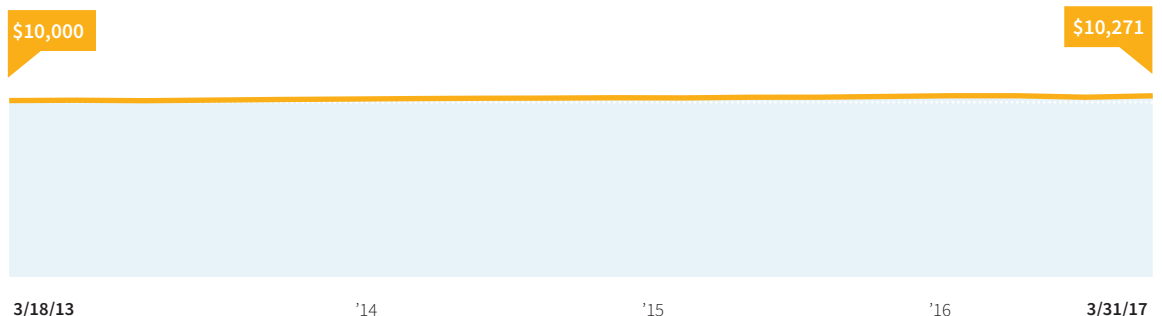
**Sector weightings**

Utilities	15.6%
State debt	11.7%
Health care	11.7%
Transportation	8.9%
Local debt	8.8%
Housing	6.3%
Education	4.9%
Land	3.4%
Other sectors	14.7%
Cash and net other assets	13.9%

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

**Growth of a \$10,000 investment**

**With dividends reinvested, the fund has returned an average of 0.7% 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 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. For the most recent month-end performance, please visit [putnam.com](http://putnam.com).

**Lipper rankings**

(Y shares, based on total return)

1 year	39% (42/108)
3 years	45% (44/98)

**Expense ratio**

(Y shares)

Total expense ratio  
1.37%

What you pay

0.35%

"What you pay" reflects Putnam Management's decision to contractually limit expenses through 3/30/18.

**Number of holdings**

118

**Net assets**

\$15.32M

**Dividend frequency**

Monthly

**Option adjusted duration**

1.62

**Duration to worst**

1.48

**Average stated maturity**

8.33

**Average effective maturity**

3.14

**AMT exposure**

7.94%

**Maturity breakdown**

0 to 60 days	17.7%
2 months–6 months	6.7%
6 months–1 year	10.3%
1 year–2 years	22.7%
2 years–3 years	20.4%
More than 3 years	22.1%

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

**Top 10 state allocations**

NY	13.20%
CA	9.10%
MA	7.96%
PA	7.62%
IL	6.47%
NJ	5.70%
TX	4.90%
GA	4.88%
MI	3.90%
AZ	3.86%

**Annual performance at net asset value (all distributions reinvested)**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017 YTD
Y shares	—	—	—	—	—	—	—	0.8%	0.5%	0.0%	0.8%
BBG Barclays 3-Year Municipal Bond Index	5.0%	5.5%	5.8%	1.8%	3.5%	1.9%	1.3%	1.2	1.2	0.1	1.3

**Our investment philosophy**

The municipal market is exceptionally diverse, composed of small issuers, complex instruments, and an array of market participants with varying return objectives. We believe this market dynamic persistently presents inefficiencies that make attractive investment opportunities. We see fundamental research as the key to unlocking these opportunities and providing return potential.

**Our investment process**

**Credit research.** Through fundamental credit research, we monitor existing credits within our portfolios while identifying attractively valued bonds in the primary and secondary markets.

**Best ideas.** Credit analysts maintain lists of their best ideas that the portfolio managers use to find the most attractive opportunities within their investment universe.

**Macro inputs.** We develop an economic outlook to provide a context for judging market factors for various sectors, geographies, credit risk, and rates.

**Implementation.** We look at several factors before including a bond in the portfolio: available supply, the bond's structure, its valuation, how it can fit in the portfolio, and how to best execute the trade.

**Risk management.** We employ proprietary risk models and draw on the insights of Putnam's independent risk management team.

The Bloomberg (BBG) Barclays 3-year Municipal Bond Index is a subset of the Bloomberg (BBG) Barclays Municipal Bond Index that measures the performance of investment-grade issues with remaining maturities of two to four years.

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.

Not all share classes available on all platforms.

**Consider these risks before investing:** Bond prices may fall or 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. 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. 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.**

**Annualized total return performance**

Inception 3/18/13	Class Y shares	BBG Barclays 3-Year Municipal Bond Index
1 year	0.37%	0.57%
3 years	0.61	1.14
Life of fund	0.66	1.13

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**Attractive yield**

	Net asset value
Current 30-day SEC yield (without subsidy)	0.06%
Current 30-day SEC yield* (with subsidy)	0.97%
Taxable equivalent†	1.71%

\* 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.