

Q4 | 2017



David L. Glancy
Portfolio Manager
(industry since 1987)



Jacquelyne J. Cavanaugh
Assistant Portfolio Manager
(industry since 1995)

Putnam Spectrum Funds

Best-ideas portfolios managed with a flexible approach

Broad flexibility

The funds have the flexibility to select the most attractive securities regardless of style, industry, or company size — Putnam Capital Spectrum Fund can invest across the capital structure.

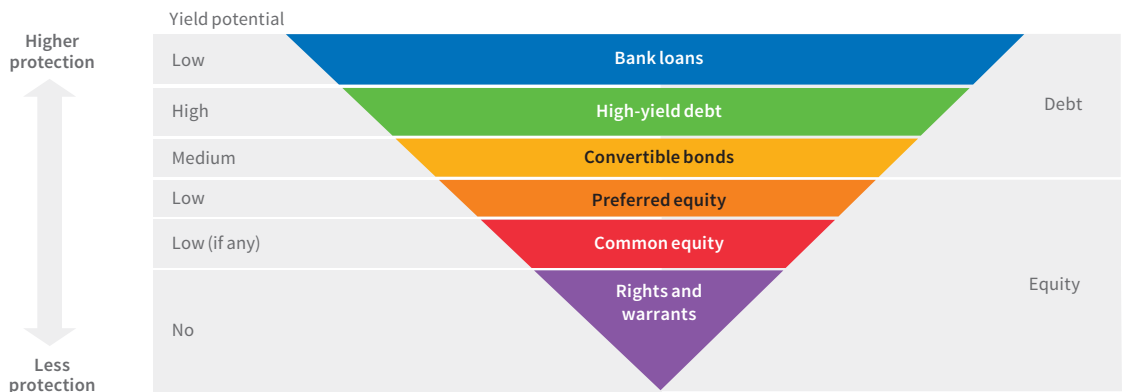
Unconventional approach

The funds can hold large positions in high-conviction ideas, but may also short sell securities and maintain a significant cash position.

Veteran manager

Investing since 1987, David Glancy has managed mutual funds and a hedge fund while building expertise across a wide range of security types.

Understanding corporate capital structure



Source: Putnam Investments.

This illustration does not represent the structure of the Spectrum funds or their protection against an issuer's default or bankruptcy. Also, individual companies may have different capital structures. The illustration instead shows that securities at different levels of a capital structure vary in the actual and perceived protection for investors in the case of bankruptcy, and that these protections diminish at each successively lower level. Investors should consider which type of security best fits their specific risk-and-return goals.

Putnam Capital Spectrum Fund

Can invest throughout the capital structure, seeking total return from **debt and equity securities**.

Objective: Seeks total return

May invest in equity securities, as well as fixed- and floating-rate income securities, of leveraged companies

Asset class diversification can help reduce volatility



Putnam Equity Spectrum Fund

Focuses on **equity securities** with capital appreciation potential.

Objective: Seeks capital appreciation

May invest in equity securities of leveraged companies

Has flexibility to favor cash or short sell securities to help reduce volatility



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

HIGHLIGHTS
AS OF 12/31/17

Putnam Capital Spectrum Fund

Number of holdings
40

Net assets
\$3,052.50M

Dividend frequency
Annually

Market-cap breakdown

Over \$78B	2.73%
\$17B-\$78B	34.08%
\$3.7B-\$17B	47.13%
\$1.2B-\$3.7B	1.68%
Less than \$1.2B	4.39%
Cash and other assets	9.99%

Reflects equity portion
of portfolio only.

**Total A share
expense ratio**
0.95%

**Total Y share
expense ratio**
0.70%

Category
Blend

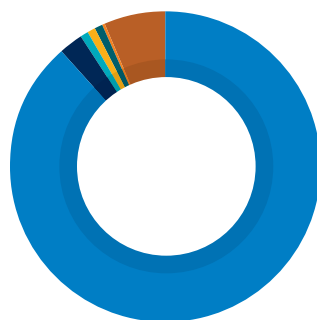
Capital Spectrum symbols

Class A	PVSAX
Class B	PVSBX
Class C	PVSCX
Class M	PVSMX
Class R	PVSRX
Class Y	PVSYX

"Cash and other assets"
includes cash, short-term
securities, ETFs, bonds
excluding convertible bonds,
and other securities not able
to be classified by market
capitalization.

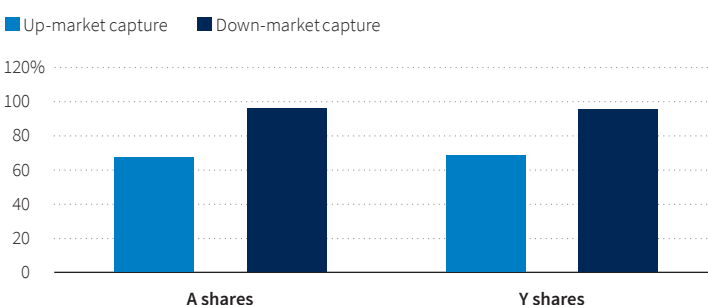
Portfolio composition

Common stock	88.59%
Convertible preferred stock	2.27%
Bank loans	0.91%
Preferred stock	0.90%
Corporate bonds and notes	0.73%
Convertible bonds and notes	0.33%
Cash and net other assets	6.27%



As of 12/31/17. Allocations will vary over
time. Due to rounding, percentages may
not equal 100%.

Up/Down-market capture ratios* 12/31/12-12/31/17



* Relative to S&P 500 Index.

The up-market capture ratio is used to evaluate how well an investment manager performed relative to an index during periods when that index has risen. The ratio is calculated by dividing the manager's returns by the returns of the index during the up-market, and multiplying that factor by 100. The down-market capture ratio is used to evaluate how well an investment manager performed relative to an index during periods when that index has dropped. The ratio is calculated by dividing the manager's returns by the returns of the index during the down-market and multiplying that factor by 100.

Annualized total returns as of 12/31/17

	Before sales charge		After sales charge		Capital Spectrum Blended Index*
	Class A shares	Class Y shares	Class A shares	Class Y shares	
1 year	4.54%	4.81%	-1.47%	N/A	14.66%
3 years	-0.85	-0.59	-2.78	N/A	9.23
5 years	8.14	8.42	6.87	N/A	11.03
Life of fund	13.87	14.15	13.09	N/A	13.74

Class A and Y shares' inception 5/18/09.

* 50% S&P 500 Index/50% JPMorgan Developed High Yield Index. The JPMorgan Developed High Yield Index is an unmanaged index of high-yield fixed-income securities issued in developed countries. The S&P 500 Index is an unmanaged index of common stock performance. You cannot invest directly in an index.

Sector weightings

Health care	24.59%
Consumer discretionary	23.87%
Information technology	18.76%
Industrials	11.34%
Energy	4.93%
Materials	4.61%
Real estate	3.31%
Telecommunication services	2.00%
Financials	0.32%
Cash and net other assets	6.27%

Top ten holdings

Jazz Pharmaceuticals	23.14%
DISH Network	19.35%
EchoStar	17.08%
Northrop Grumman	5.42%
American Airlines Group	3.00%
Priceline Group	2.73%
Pioneer Natural Resources	2.73%
W.R. Grace	2.28%
Altisource Residential	2.07%
Delivery Hero	1.68%

Holdings represent 79.48% of the
portfolio and will vary over time.

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.
Class Y shares are sold without a sales
charge and are generally only available for
corporate and institutional clients.
To obtain the most recent month-end
performance, visit putnam.com.

Putnam Equity Spectrum Fund

Number of holdings
25

Net assets
\$1,028.52M

Dividend frequency
Annually

Market-cap breakdown

Over \$78B	0.00%
\$17B - \$78B	24.27%
\$3.7B - \$17B	47.00%
\$1.2B - \$3.7B	0.48%
Less than \$1.2B	20.73%
Cash and other assets	7.53%

Total A share expense ratio
0.31%

Total Y share expense ratio
0.06%

Category
Blend

Equity Spectrum symbols

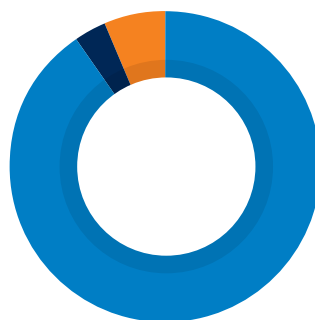
Class A	PYSAX
Class B	PYSOX
Class C	PYSCX
Class M	PYSMX
Class R	PYSRX
Class Y	PYSYX

“Cash and other assets” includes cash, short-term securities, ETFs, bonds excluding convertible bonds, and other securities not able to be classified by market capitalization.

Portfolio composition

Common stock	89.80%
Convertible preferred stock	3.91%
Cash and net other assets	6.29%

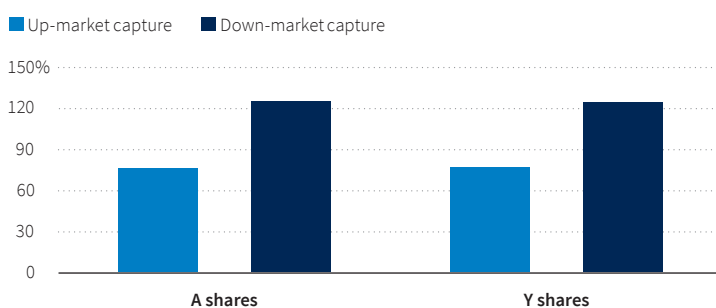
As of 12/31/17. Allocations will vary over time. Due to rounding, percentages may not equal 100%.



Sector weightings

Health care	30.42%
Information technology	21.26%
Consumer discretionary	20.08%
Real estate	9.67%
Industrials	5.74%
Materials	4.39%
Energy	2.15%
Cash and net other assets	6.29%

Up/Down-market capture ratios* 12/31/12-12/31/17



* Relative to S&P 500 Index.

The up-market capture ratio is used to evaluate how well an investment manager performed relative to an index during periods when that index has risen. The ratio is calculated by dividing the manager's returns by the returns of the index during the up-market, and multiplying that factor by 100. The down-market capture ratio is used to evaluate how well an investment manager performed relative to an index during periods when that index has dropped. The ratio is calculated by dividing the manager's returns by the returns of the index during the down-market and multiplying that factor by 100.

Top ten holdings

Jazz Pharmaceuticals	20.43%
EchoStar	19.16%
DISH Network	17.76%
STAAR Surgical	8.08%
Altisource Portfolio Solutions	5.24%
Altisource Asset Management	3.91%
American Airlines Group	3.27%
W.R. Grace	3.15%
Uber Technologies	2.15%
Pioneer Natural Resources	2.15%

Holdings represent 85.3% of the portfolio and will vary over time.

Annualized total returns as of 12/31/17

	Before sales charge		After sales charge		S&P 500 Index
	Class A shares	Class Y shares	Class A shares	Class Y shares	
1 year	6.63%	6.89%	0.50%	N/A	21.83%
3 years	-1.55	-1.30	-3.48	N/A	11.41
5 years	7.91	8.18	6.64	N/A	15.79
Life of fund	14.79	15.08	14.00	N/A	15.74

Class A and Y shares' inception 5/18/09.

The S&P 500 Index is an unmanaged index of common stock performance. You cannot invest directly in an index.

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. Class Y shares are sold without a sales charge and are generally only available for corporate and institutional clients. To obtain the most recent month-end performance, visit putnam.com.

Risk statistics 12/31/12–12/31/17

	S&P 500 Index	Capital Spectrum Fund A shares	Capital Spectrum Fund Y shares	Equity Spectrum Fund A shares	Equity Spectrum Fund Y shares
Beta*	1.00	0.83	0.83	0.93	0.93
Standard deviation	9.41	10.45	10.46	12.13	12.12
Sharpe ratio†	1.65	0.76	0.78	0.63	0.66

* Relative to S&P 500 Index.

† Relative to Citigroup 30-day Treasury Bill Index.

Source: Putnam Investments.

Beta measures volatility in relation to the fund's benchmark. A beta of less than 1.0 indicates lower volatility; a beta of more than 1.0, higher volatility than the benchmark. Sharpe ratio is a measure of historical adjusted performance calculated by dividing the fund's return minus the risk-free Citigroup 30-day Treasury Bill Index. The higher the ratio, the better the fund's return per unit of risk. 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 a 5-year period.

Shareholder-friendly, adjustable management fee

The funds' management fee structure adjusts based on fund performance.

How the performance fee works*	Capital Spectrum Fund	Equity Spectrum Fund
Base management fee	0.72%	0.72%
Example of lower fee if fund underperforms its benchmark by 1%	0.68	0.68
Example of higher fee if fund outperforms its benchmark by 1%	0.76	0.76
Maximum performance adjustment +/-	0.32	0.40

* Because the dollar amount of the monthly performance fee adjustment is based on a 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."

For informational purposes only. Not an investment recommendation.

Consider these risks before investing: The value of stocks in the funds' portfolio may fall or fail to rise over extended periods of time for a variety of reasons, including general financial market conditions and factors related to a specific issuer, industry, or sector. These and other factors may also lead to increased volatility and reduced liquidity in the funds' portfolio holdings. Growth stocks may be more susceptible to earnings disappointments, and value stocks may fail to rebound. These risks are generally greater for small and midsize companies. The funds will be more susceptible to these risks than other funds because they may concentrate their investments in a limited number of issuers and currently focuses their investments in particular sectors. Because the funds currently invest significantly in the communications services and health-care sectors, the funds may perform poorly as a result of adverse developments affecting those companies or sectors. The funds may focus their investments in other sectors in the future, in which case they would be exposed to risks relating to those sectors. The value of international investments traded in foreign currencies may be adversely impacted by fluctuations in exchange rates. International investments, particularly investments in emerging markets, may carry risks associated with potentially less stable economies or governments (such as the risk of seizure by a foreign government, the imposition of currency or other restrictions, or high levels of inflation or deflation), and may be or become illiquid. The funds' investments in leveraged companies and the funds' "non-diversified" status, which means the funds may invest a greater percentage of their assets in fewer issuers than a "diversified" fund, and the funds' use of short selling can increase the risks of investing in the funds. You can lose money by investing in the funds. For Capital Spectrum Fund, these risks also apply: The risks associated with bond investments include interest-rate risk, which means the prices of the fund's investments are likely to fall if interest rates rise. Bond investments are also subject to credit risk, which is the risk that the issuers of the bond may default on payment of interest or principal. Interest-rate risk is generally greater for longer-term bonds, and credit risk is generally greater for below-investment-grade bonds, which may be considered speculative. Mortgage- and other asset-backed investments carry the risk that they may increase in value less when interest rates decline and decline in value more when interest rates rise. We may have to invest the proceeds from prepaid investments, including mortgage- and asset-backed investments, in other investments with less attractive terms and yields. Our use of derivatives may increase the risks of investing in the fund by increasing investment exposure (which may be considered leverage) or, in the case of many over-the-counter instruments, because of the potential failure of the other party to the instrument to meet its obligations.

Request a prospectus or a summary prospectus from your financial representative or by calling Putnam at 1-800-225-1581. The prospectus includes investment objectives, risks, fees, expenses, and other information that you should read and consider carefully before investing.