

Putnam Minnesota Tax Exempt Income Fund

The fund's portfolio

8/31/20 (Unaudited)

Key to holding's abbreviations

AGM — Assured Guaranty Municipal Corporation

COP — Certificates of Participation

FNMA Coll. — Federal National Mortgage Association
Collateralized

G.O. Bonds — General Obligation Bonds

NATL — National Public Finance Guarantee Corporation

U.S. Govt. Coll. — U.S. Government Collateralized

VRDN — Variable Rate Demand Notes, which are floating-rate securities with long-term maturities that carry coupons that reset and are payable upon demand either daily, weekly or monthly. The rate shown is the current interest rate at the close of the reporting period. Rates are set by remarketing agents and may take into consideration market supply and demand, credit quality and the current SIFMA Municipal Swap Index rate, which was 0.09% as of the close of the reporting period.

MUNICIPAL BONDS AND NOTES (98.7%)^(a)

	Rating ^(RAT)	Principal amount	Value
Guam (1.3%)			
Territory of GU, Govt. G.O. Bonds, 5.00%, 11/15/31	Ba1	\$585,000	\$615,736
Territory of GU, Govt. Wtr. Wks. Auth. Wtr. & Waste Wtr. Syst. Rev. Bonds, Ser. A, 5.00%, 1/1/50	A-	1,000,000	1,217,260
			1,832,996
Illinois (1.1%)			
Chicago, Motor Fuel Tax Rev. Bonds, AGM, 5.00%, 1/1/30	AA	100,000	110,548
IL State G.O. Bonds, Ser. B, 5.00%, 10/1/32	Baa3	1,250,000	1,412,050
			1,522,598
Minnesota (95.5%)			
Aurora, G.O. Bonds, (Indpt. School Dis. No. 2711), Ser. B, zero %, 2/1/29	Aa2	940,000	756,136
Baytown Twp., Lease Rev. Bonds, Ser. A 4.00%, 8/1/41	BB+	300,000	303,618

4.00%, 8/1/36	BB+	300,000	306,816
Bethel, Charter School Lease Rev. Bonds, (Spectrum High School), Ser. A, 4.25%, 7/1/47	BB+	895,000	915,746
Burnsville, G.O. Bonds, (Indpt. School Dist. No. 191), Ser. A, 4.00%, 2/1/33	Aa2	500,000	555,655
Center City, Hlth. Care Fac. Rev. Bonds, (Hazelden Betty Ford Foundation), 5.00%, 11/1/44	Baa1	500,000	543,085
Central MN Muni. Pwr. Agcy. Rev. Bonds, (Twin Cities Transmission Project), 5.00%, 1/1/32	A2	1,000,000	1,060,920
Chaska, G.O. Bonds, (Indpt. School Dist. No. 112), Ser. A, 5.00%, 2/1/31	Aa2	500,000	608,445
Circle Pines, G.O. Bonds, (Indpt. School Dist. No. 12), Ser. A, zero %, 2/1/25	AAA	750,000	729,555
Cloquet, G.O. Bonds, (Indpt. School Dist. No. 94), Ser. B, 5.00%, 2/1/27	Aa2	1,100,000	1,321,848
Cologne, Charter School Lease Rev. Bonds, Ser. A, 5.00%, 7/1/34	BB+	345,000	363,637
Deephaven, Charter School Lease Rev. Bonds, (Eagle Ridge Academy), Ser. A			
5.25%, 7/1/40	BB+	500,000	541,095
U.S. Govt. Coll., 5.125%, 7/1/33 (Prerefunded 7/1/23)	AAA/P	500,000	566,275
Duluth, COP, (Indpt. School Dist. No. 709)			
Ser. B, 5.00%, 2/1/28	Aa2	1,390,000	1,771,027
Ser. B, 5.00%, 2/1/27	Aa2	370,000	460,669
Ser. B, 5.00%, 2/1/26	Aa2	395,000	479,739
Ser. B, 5.00%, 2/1/25	Aa2	375,000	442,684
Ser. B, 5.00%, 2/1/24	Aa2	400,000	456,804
Ser. B, 5.00%, 2/1/23	Aa2	380,000	418,604
Ser. B, 5.00%, 2/1/22	Aa2	320,000	339,184
Ser. A, 4.00%, 3/1/32	Ba2	1,355,000	1,304,133
Duluth, Econ. Dev. Auth. Hlth. Care Fac. Rev. Bonds, (Essentia Hlth. Oblig. Group), Ser. A, 5.25%, 2/15/58	A-	1,000,000	1,174,020
Forest Lake, G.O. Bonds, Ser. A, 5.00%, 2/1/21	AA+	1,030,000	1,050,487
Forest Lake, Charter School Lease Rev. Bonds, (LILA Bldg. Co.), Ser. A			
5.50%, 8/1/36	BB+	250,000	263,370
4.50%, 8/1/26	BB+	420,000	442,953
Ham Lake, Charter School Lease Rev. Bonds (DaVinci Academy of Arts & Science), Ser. A, 5.00%, 7/1/47	BB-/P	500,000	525,480
(Parnassus Preparatory School), Ser. A, 5.00%, 11/1/36	BB	250,000	268,468
Hastings, G.O. Bonds, (Indpt. School Bldg. & Dist. No. 200), Ser. A, zero %, 2/1/30	Aa2	1,000,000	841,550
Hennepin Cnty., G.O. Bonds			
Ser. A, 5.00%, 12/1/38	AAA	530,000	657,857
Ser. C, 5.00%, 12/1/34	AAA	1,500,000	1,872,150
Hennepin Cnty., VRDN, Ser. B, 0.09%, 12/1/38	A-1+	1,920,000	1,920,000
Hennepin Cnty., Regl. Railroad Auth. G.O. Bonds, Ser. A			

5.00%, 12/1/38	AAA	2,000,000	2,568,160
5.00%, 12/1/37	AAA	1,000,000	1,287,720
Intermediate School Dist. No. 287 COP, Ser. A, 4.00%, 5/1/27	A1	250,000	283,453
Jordan, G.O. Bonds, (Indpt. School Bldg. & Dist. No. 717), Ser. A			
5.00%, 2/1/28	Aa2	960,000	1,066,579
5.00%, 2/1/28 (Prerefunded 2/1/23)	AAA/P	40,000	44,303
Lac Qui Parle Valley G.O. Bonds, (Indpt. School Dist. No. 2853), Ser. A, 4.00%, 2/1/21	AAA	1,120,000	1,137,640
Lakeville, G.O. Bonds, (Indpt. School Dist. No. 194), Ser. B, 4.00%, 2/1/27	Aa2	510,000	602,815
Maple Grove, Hlth. Care Fac. Rev. Bonds, (Maple Grove Hosp. Corp.)			
5.00%, 5/1/32	Baa1	500,000	581,295
5.00%, 5/1/31	Baa1	500,000	584,350
5.00%, 5/1/30	Baa1	850,000	998,130
Minneapolis & St. Paul, Hsg. & Redev. Auth. Hlth. Care Rev. Bonds, (Allina Hlth. Obligated Group.), 5.00%, 11/15/23	Aa3	1,700,000	1,937,490
Minneapolis & St. Paul, Hsg. & Redev. Auth. Hlth. Care VRDN, (Allina Hlth. Syst.), Ser. B-1, 0.02%, 11/15/35	VMIG 1	2,300,000	2,300,000
Minneapolis & St. Paul, Metro. Arpt. Comm. Rev. Bonds			
Ser. C, 5.00%, 1/1/37	A+	825,000	983,986
Ser. C, 5.00%, 1/1/36	A+	825,000	986,857
Ser. B, 5.00%, 1/1/29	A	910,000	958,430
Ser. B, 5.00%, 1/1/23	A	730,000	796,160
Ser. B, 5.00%, 1/1/21	A	2,075,000	2,102,349
Minneapolis, G.O. Bonds, 3.00%, 12/1/28	AAA	1,650,000	1,866,942
Minneapolis, Hlth. Care Syst. Rev. Bonds, (Fairview Hlth. Svcs. Oblig. Group), Ser. A			
5.00%, 11/15/44	A+	250,000	284,433
5.00%, 11/15/34	A+	2,230,000	2,775,570
4.00%, 11/15/38	A+	500,000	570,140
Minneapolis, Rev. Bonds, (YMCA of the Greater Twin Cities)			
4.00%, 6/1/31	Baa1	100,000	107,453
4.00%, 6/1/27	Baa1	100,000	111,789
Minneapolis, G.O. Bonds, (Special School Dist. No. 1), Ser. A, 4.00%, 2/1/35	AAA	1,590,000	1,911,037
Minneapolis, Student Hsg. 144A Rev. Bonds, (Riverton Cmnty. Hsg.), 5.00%, 8/1/53	BB/P	500,000	505,330
Minnetonka, Hsg. Fac. VRDN, (Beacon Hill, Inc.), FNMA Coll., 0.08%, 5/15/34	VMIG 1	375,000	375,000
MN State COP, (Legislative Office Fac.), 5.00%, 6/1/37	AA+	3,000,000	3,437,040
MN State G.O. Bonds			
Ser. A, 5.00%, 8/1/34	AAA	2,000,000	2,657,440
(Trunk Hwy.), Ser. B, 5.00%, 10/1/30 (Prerefunded 10/1/21)	AAA	1,000,000	1,052,120

Ser. A, U.S. Govt. Coll., 5.00%, 10/1/24 (Prerefunded 10/1/21)	AAA/P	10,000	10,510
(Trunk Hwy.), Ser. B, 4.00%, 8/1/26	AAA	500,000	500,645
MN State Rev. Bonds, (Gen. Fund Appropriations)			
Ser. A, 5.00%, 6/1/38	AA+	1,000,000	1,099,920
Ser. B, 5.00%, 3/1/29	AA+	500,000	532,930
MN State College & U. Rev. Bonds, Ser. A			
5.00%, 10/1/31	Aa3	1,000,000	1,046,300
4.00%, 10/1/25	Aa3	1,000,000	1,070,540
MN State Higher Ed. Fac. Auth. Rev. Bonds			
(Bethel U.), 5.00%, 5/1/47	BBB-	1,000,000	1,067,820
(U. of St. Thomas), 5.00%, 10/1/40	A2	1,000,000	1,206,760
(College of St. Benedict), Ser. 8-K, 5.00%, 3/1/37	Baa1	1,000,000	1,098,230
(U. of St. Thomas), Ser. L-8, 5.00%, 4/1/35	A2	750,000	868,125
(St. Catherine U.), Ser. 7-Q, U.S. Govt. Coll., 5.00%, 10/1/32 (Prerefunded 10/1/22)	Baa1	700,000	768,957
(St. John's U.), Ser. 8-H, 5.00%, 10/1/22	A2	500,000	541,565
(Macalester College), 4.00%, 3/1/48	Aa3	1,000,000	1,117,740
(College of St. Scholastica, Inc.), 4.00%, 12/1/40	Baa2	1,500,000	1,572,780
(St. Catherine U.), Ser. A, 4.00%, 10/1/37	Baa1	580,000	613,588
(Carleton College), 4.00%, 3/1/37	Aa2	500,000	574,240
(St. Catherine U.), Ser. A, 4.00%, 10/1/36	Baa1	920,000	976,902
(U. of St. Thomas), Ser. A, 4.00%, 10/1/35	A2	400,000	446,080
(U. of St. Thomas), Ser. A, 4.00%, 10/1/34	A2	400,000	447,704
(St. Olaf College), Ser. 8-N, 4.00%, 10/1/26	A1	85,000	99,561
(Macalester College), Ser. 7-S, 3.00%, 5/1/22	Aa3	415,000	422,146
MN State Muni. Pwr. Agcy. Elec. Rev. Bonds			
Ser. A, 5.00%, 10/1/35	A1	500,000	584,995
Ser. A, 5.00%, 10/1/34	A1	850,000	994,492
5.00%, 10/1/33	A1	250,000	292,498
5.00%, 10/1/29	A1	350,000	433,990
MN State Office of Higher Ed. Rev. Bonds, (Supplemental Student Loan Program), 4.00%, 11/1/37			
	AA	1,000,000	1,089,660
MN State Res. Hsg. Fin. Agcy. Rev. Bonds, Ser. E, 3.50%, 1/1/46			
	Aa1	415,000	437,684
Moorhead, Edl. Fac. Rev. Bonds, (Concordia College Corp.), 5.00%, 12/1/40			
	Baa1	500,000	547,075
New London-Spicer, G.O. Bonds, (Indpt. School Dist. No. 345), Ser. A, 4.00%, 2/1/31			
	AAA	500,000	576,045
Northern MN Muni. Pwr. Agcy. Elec. Syst. Rev. Bonds			
5.00%, 1/1/41	A3	400,000	473,948
5.00%, 1/1/36	A3	180,000	215,791
5.00%, 1/1/35	A3	170,000	204,459
5.00%, 1/1/34	A3	210,000	253,180
5.00%, 1/1/33	A3	235,000	284,254

5.00%, 1/1/32	A3	215,000	261,335
5.00%, 1/1/31	A3	200,000	244,528
5.00%, 1/1/28	A3	250,000	304,295
Otsego, Charter School Lease Rev. Bonds, (Kaleidoscope Charter School), Ser. A, 5.00%, 9/1/44	BB-	200,000	202,672
Richfield, G.O. Bonds, (Indpt. School Dist. No. 280), Ser. A, 4.00%, 2/1/36	AAA	1,500,000	1,708,725
Rochester, G.O. Bonds, (Indpt. School Dist. No. 535), Ser. A, 4.00%, 2/1/23	AAA	3,000,000	3,274,740
Rochester, Elec. Util. Rev. Bonds			
Ser. B, 5.00%, 12/1/43	Aa3	1,000,000	1,124,340
Ser. A, 5.00%, 12/1/36	Aa3	500,000	609,445
Ser. A, 5.00%, 12/1/35	Aa3	730,000	892,243
Rochester, Hlth. Care Fac. Rev. Bonds			
(Olmsted Med. Ctr.), 5.875%, 7/1/30	A/F	1,000,000	1,003,580
(Mayo Clinic), Ser. B, 5.00%, 11/15/36	Aa2	500,000	735,220
(Olmsted Med. Ctr.), 5.00%, 7/1/33	A/F	650,000	707,311
(Mayo Clinic), 4.00%, 11/15/48	Aa2	1,500,000	1,687,545
(Mayo Clinic), 4.00%, 11/15/41	Aa2	250,000	258,223
Rochester, Hlth. Care Fac. VRDN, (Mayo Clinic), Ser. B, 0.08%, 11/15/38	VMIG 1	2,550,000	2,550,000
Sartell, G.O. Bonds, (Indpt. School Bldg. & Dist. No. 748), Ser. B, zero %, 2/1/34	Aa2	700,000	491,470
Shakopee, Hlth. Care Fac. Rev. Bonds, (St. Francis Regl. Med. Ctr.)			
5.00%, 9/1/34	A-	670,000	739,285
5.00%, 9/1/29	A-	250,000	282,400
Southern MN Muni. Pwr. Agcy. Supply Syst. Rev. Bonds, Ser. A			
5.00%, 1/1/42	A1	1,500,000	1,828,500
5.00%, 1/1/36	A1	500,000	598,480
NATL, zero %, 1/1/24	A1	2,000,000	1,954,380
St. Cloud, Hlth. Care Rev. Bonds, (CentraCare Hlth. Syst.)			
Ser. A, 5.125%, 5/1/30	A2	30,000	30,093
Ser. A, 5.00%, 5/1/46	A2	1,500,000	1,730,025
4.00%, 5/1/49	A2	1,000,000	1,115,850
St. Paul Park, Senior Hsg. & Hlth. Care Rev. Bonds, (Presbyterian Homes Bloomington), 5.00%, 9/1/42	BB/P	500,000	521,565
St. Paul, Hsg. & Redev. Auth. Rev. Bonds, (SPCPA Bldg. Co.), Ser. A, 4.625%, 3/1/43	BB	350,000	351,432
St. Paul, Hsg. & Redev. Auth. Charter School Lease Rev. Bonds			
(Nova Classical Academy), Ser. A, U.S. Govt. Coll., 6.625%, 9/1/42 (Prerefunded 9/1/21)	BBB-	250,000	265,680
Ser. A, 5.00%, 12/1/37	BBB-	500,000	543,360
(Twin Cities Academy), Ser. A, 5.00%, 7/1/35	BB	250,000	263,565
(German Immersion School), Ser. A, 5.00%, 7/1/33	BB+	500,000	523,180

(Nova Classical Academy), Ser. A, 4.00%, 9/1/36	BBB-	300,000	315,954
St. Paul, Hsg. & Redev. Auth. Energy Rev. Bonds, Ser. A, 4.00%, 10/1/33	A-	650,000	741,169
St. Paul, Hsg. & Redev. Auth. Hlth. Care Rev. Bonds, (Fairview Hlth. Svcs. Oblig. Group), Ser. A			
4.00%, 11/15/37	A+	1,000,000	1,127,330
4.00%, 11/15/36	A+	1,000,000	1,130,440
St. Paul, Hsg. & Redev. Auth. Hlth. Care Fac. Rev. Bonds, (HealthPartners Oblig. Group), Ser. A			
5.00%, 7/1/33	A2	1,000,000	1,146,360
5.00%, 7/1/32	A2	500,000	575,060
St. Paul, Hsg. & Redev. Auth. Hosp. Fac. Rev. Bonds, (Healtheast Care Syst.), Ser. A, U.S. Govt. Coll., 5.00%, 11/15/40 (Prerefunded 11/15/25)	AAA/P	650,000	804,557
St. Paul, Metro. Council Area G.O. Bonds, (Transit Cap.), Ser. C, 4.00%, 3/1/25	Aaa	1,120,000	1,182,138
St. Paul, Port Auth. Lease Rev. Bonds, (Regions Hosp. Pkg. Ramp), Ser. 1, 5.00%, 8/1/36	A-/P	750,000	750,578
U. of MN Rev. Bonds, Ser. A			
5.50%, 7/1/21 (Escrowed to maturity)	AA	370,000	385,281
5.00%, 9/1/41	Aa1	2,000,000	2,447,440
5.00%, 4/1/41	Aa1	1,000,000	1,214,780
5.00%, 9/1/39	Aa1	1,500,000	1,844,460
5.00%, 4/1/35	Aa1	1,000,000	1,230,640
Western MN Muni. Pwr. Agcy. Rev. Bonds, Ser. A			
5.00%, 1/1/49	Aa3	1,500,000	1,849,455
5.00%, 1/1/32	Aa3	500,000	607,130
U.S. Govt. Coll., 5.00%, 1/1/31 (Prerefunded 1/1/24)	Aa3	1,000,000	1,156,360
5.00%, 1/1/30	Aa3	1,000,000	1,101,610
White Bear Lake, G.O. Bonds, (Indpt. School Dist. No. 624), Ser. A, 4.00%, 2/1/21	AAA	3,825,000	3,886,037
Willmar, G.O. Bonds, (Rice Memorial Hosp.), Ser. A, 5.00%, 2/1/21	Aa3	1,000,000	1,019,760
Winona, Hlth. Care Fac. Rev. Bonds, (Winona Hlth. Oblig. Group), 5.00%, 7/1/34	BBB	400,000	408,912
Woodbury, G.O. Bonds, Ser. A, 3.00%, 2/1/22	AAA	780,000	811,387
Woodbury, Charter School Lease Rev. Bonds, (MSA Bldg. Co.), Ser. A			
5.00%, 12/1/32	BBB-	220,000	225,826
5.00%, 12/1/27	BBB-	210,000	215,922
			133,589,188
New Jersey (0.2%)			
NJ State Econ. Dev. Auth. Rev. Bonds, (NYNJ Link Borrower, LLC), 5.375%, 1/1/43	BBB	260,000	286,099
			286,099
New York (0.1%)			
Nassau Cnty., Local Econ. Assistance Corp. Rev. Bonds, (Catholic Hlth. Svcs. of Long Island Oblig.	A-	100,000	111,710

Group), 5.00%, 7/1/33

111,710

Ohio (0.3%)

Franklin Cnty., Hlth. Care Fac. Rev. Bonds, (Friendship Village of Dublin), 5.00%, 11/15/23	BBB+/F	150,000	160,941
Warren Cnty., Hlth. Care Fac. Rev. Bonds, (Otterbein Homes Oblig. Group), Ser. A, 5.00%, 7/1/40	A	250,000	280,390
			<u>441,331</u>

Wisconsin (0.2%)

WI State Pub. Fin. Auth Sr. Living Rev. Bonds, (Rose Villa, Inc.), Ser. A, 5.75%, 11/15/44	BB-/P	250,000	267,053
			<u>267,053</u>

Total municipal bonds and notes (cost \$130,365,136) \$138,050,975

SHORT-TERM INVESTMENTS (0.4%)(a)

	Shares	Value
Putnam Short Term Investment Fund Class P 0.21%(AFF)	623,404	\$623,404
Total short-term investments (cost \$623,404)		<u>\$623,404</u>

TOTAL INVESTMENTS

Total investments (cost \$130,988,540) \$138,674,379

OTC TOTAL RETURN SWAP CONTRACTS OUTSTANDING at 8/31/20 (Unaudited)

Swap	Value	Upfront	Termi-	Payments received	Total return	Unrealized
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counterparty/ notional amount		premium received (paid)	nation date	(paid) by fund	received by or paid by fund	appreciation/ (depreciation)
Morgan Stanley & Co. International PLC						
\$1,355,000	\$2,075	\$—	12/1/20	—	0.36% minus Municipal Market Data Index AAA municipal yields 5 Year rate — At maturity	\$(2,075)
1,355,000	549	—	11/25/20	—	0.38% minus Municipal Market Data Index AAA municipal yields 5 Year rate — At maturity	549
3,500,000	96,065	—	11/10/20	—	0.67% minus Municipal Market Data Index AAA municipal yields 10 Year rate — At maturity	(96,065)
Upfront premium received		—			Unrealized appreciation	549
Upfront premium (paid)		—			Unrealized (depreciation)	(98,140)
Total		\$—			Total	\$(97,591)

Notes to the fund's portfolio

Unless noted otherwise, the notes to the fund's portfolio are for the close of the fund's reporting period, which ran from June 1, 2020 through August 31, 2020 (the reporting period). Within the following notes to the portfolio, references to "Putnam Management" represent Putnam Investment Management, LLC, the fund's manager, an indirect wholly-owned subsidiary of Putnam Investments, LLC, references to "ASC 820" represent Accounting Standards Codification 820 *Fair Value Measurements and Disclosures* and references to "OTC", if any, represent over-the-counter.

(a) Percentages indicated are based on net assets of \$139,896,931.

(RAT) The Moody's, Standard & Poor's or Fitch ratings indicated are believed to be the most recent ratings available at the close of the reporting period for the securities listed. Ratings are generally ascribed to securities at the time of issuance. While the agencies may from time to time revise such ratings, they undertake no obligation to do so, and the ratings do not necessarily represent what the agencies would ascribe to these securities at the close of the reporting period. Securities rated by Fitch are indicated by "/F." Securities rated by Putnam are indicated by "/P." The Putnam rating categories are comparable to the Standard & Poor's classifications. If a security is insured, it will usually be rated by the ratings organizations based on the financial strength of the insurer. For further details regarding security ratings, please see the Statement of Additional Information.

(AFF) Affiliated company. For investments in Putnam Short Term Investment Fund, the rate quoted in the

security description is the annualized 7-day yield of the fund at the close of the reporting period. Transactions during the period with any company which is under common ownership or control were as follows:

Name of affiliate	Fair value as of 5/31/20	Purchase cost	Sale proceeds	Investment income	Shares outstanding and fair value as of 8/31/20
Short-term investments					
Putnam Short Term Investment Fund**	\$477,091	\$5,942,764	\$5,796,451	\$476	\$623,404
Total Short-term investments	\$477,091	\$5,942,764	\$5,796,451	\$476	\$623,404

** Management fees charged to Putnam Short Term Investment Fund have been waived by Putnam Management. There were no realized or unrealized gains or losses during the period.

At the close of the reporting period, the fund maintained liquid assets totaling \$95,516 to cover certain derivative contracts.

144A after the name of an issuer represents securities exempt from registration under Rule 144A of the Securities Act of 1933, as amended. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers.

The dates shown parenthetically on prerefunded bonds represent the next prerefunding dates.

The dates shown on debt obligations are the original maturity dates.

The fund had the following sector concentrations greater than 10% at the close of the reporting period (as a percentage of net assets):

Local debt	27.6%
Education	19.3
Health care	18.0
Utilities	13.0

Security valuation: Portfolio securities and other investments are valued using policies and procedures adopted by the Board of Trustees. The Trustees have formed a Pricing Committee to oversee the implementation of these procedures and have delegated responsibility for valuing the fund's assets in accordance with these procedures to Putnam Management. Putnam Management has established an internal Valuation Committee that is responsible for making fair value determinations, evaluating the effectiveness of the pricing policies of the fund and reporting to the Pricing Committee.

Tax-exempt bonds and notes are generally valued on the basis of valuations provided by an independent pricing service approved by the Trustees. Such services use information with respect to transactions in bonds, quotations from bond dealers, market transactions in comparable securities and various relationships between securities in determining value. These securities will generally be categorized as Level 2.

Investments in open-end investment companies (excluding exchange-traded funds), if any, which can be classified as Level 1 or Level 2 securities, are valued based on their net asset value. The net asset value of such investment companies equals the total value of their assets less their liabilities and divided by the number of their outstanding shares.

Certain investments, including certain restricted and illiquid securities and derivatives, are also valued at fair value following procedures approved by the Trustees. To assess the continuing appropriateness of fair valuations, the Valuation Committee reviews and affirms the reasonableness of such valuations on a regular basis after considering all relevant information that is reasonably available. Such valuations and procedures are reviewed periodically by the Trustees. These valuations consider such factors as significant market or specific security events such as interest rate or credit quality changes, various relationships with other securities, discount rates, U.S. Treasury, U.S. swap and credit yields, index levels, convexity exposures, recovery rates, sales and other multiples and resale restrictions. These securities are classified as Level 2 or as Level 3 depending on the priority of the significant inputs. The fair value of securities is generally determined as the amount that the fund could reasonably expect to realize from an orderly disposition of such securities over a reasonable period of time. By its nature, a fair value price is a good faith estimate of the value of a security in a current sale and does not reflect an actual market price, which may be different by a material amount.

Total return swap contracts: The fund entered into OTC and/or centrally cleared total return swap contracts, which are arrangements to exchange a market-linked return for a periodic payment, both

based on a notional principal amount, to hedge sector exposure and for gaining exposure to specific sectors.

To the extent that the total return of the security, index or other financial measure underlying the transaction exceeds or falls short of the offsetting interest rate obligation, the fund will receive a payment from or make a payment to the counterparty. OTC and/or centrally cleared total return swap contracts are marked to market daily based upon quotations from an independent pricing service or market maker. Any change is recorded as an unrealized gain or loss on OTC total return swaps. Daily fluctuations in the value of centrally cleared total return swaps are settled through a central clearing agent and are recorded as unrealized gain or loss. Payments received or made are recorded as realized gains or losses. Certain OTC and/or centrally cleared total return swap contracts may include extended effective dates. Payments related to these swap contracts are accrued based on the terms of the contract. The fund could be exposed to credit or market risk due to unfavorable changes in the fluctuation of interest rates or in the price of the underlying security or index, the possibility that there is no liquid market for these agreements or that the counterparty may default on its obligation to perform. The fund's maximum risk of loss from counterparty risk or central clearing risk is the fair value of the contract. This risk may be mitigated for OTC total return swap contracts by having a master netting arrangement between the fund and the counterparty and for centrally cleared total return swap contracts through the daily exchange of variation margin. There is minimal counterparty risk with respect to centrally cleared total return swap contracts due to the clearinghouse guarantee fund and other resources that are available in the event of a clearing member default.

For the fund's average notional amount on total return swap contracts, see the appropriate table at the end of these footnotes.

Master agreements: The fund is a party to ISDA (International Swaps and Derivatives Association, Inc.) Master Agreements (Master Agreements) with certain counterparties that govern OTC derivative and foreign exchange contracts entered into from time to time. The Master Agreements may contain provisions regarding, among other things, the parties' general obligations, representations, agreements, collateral requirements, events of default and early termination. With respect to certain counterparties, in accordance with the terms of the Master Agreements, collateral posted to the fund is held in a segregated account by the fund's custodian and, with respect to those amounts which can be sold or repledged, is presented in the fund's portfolio.

Collateral pledged by the fund is segregated by the fund's custodian and identified in the fund's portfolio. Collateral can be in the form of cash or debt securities issued by the U.S. Government or related agencies or other securities as agreed to by the fund and the applicable counterparty. Collateral requirements are determined based on the fund's net position with each counterparty.

Termination events applicable to the fund may occur upon a decline in the fund's net assets below a specified threshold over a certain period of time. Termination events applicable to counterparties may occur upon a decline in the counterparty's long-term and short-term credit ratings below a specified level. In each case, upon occurrence, the other party may elect to terminate early and cause settlement of all derivative and foreign exchange contracts outstanding, including the payment of any losses and costs resulting from such early termination, as reasonably determined by the terminating party. Any decision by one or more of the fund's counterparties to elect early termination could impact the fund's future derivative activity.

At the close of the reporting period, the fund had a net liability position of \$97,591 on open derivative contracts subject to the Master Agreements. There was no collateral posted by the fund at period end for these agreements.

ASC 820 establishes a three-level hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of the fund's investments. The three levels are defined as follows:

Level 1: Valuations based on quoted prices for identical securities in active markets.

Level 2: Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3: Valuations based on inputs that are unobservable and significant to the fair value measurement. The following is a summary of the inputs used to value the fund's net assets as of the close of the reporting period:

	Valuation inputs		
Investments in securities:	Level 1	Level 2	Level 3
Municipal bonds and notes	\$—	\$138,050,975	\$—
Short-term investments	623,404	—	—
Totals by level	\$623,404	\$138,050,975	\$—

	Valuation inputs		
Other financial instruments:	Level 1	Level 2	Level 3
Total return swap contracts	\$—	\$(97,591)	\$—
Totals by level	\$—	\$(97,591)	\$—

The volume of activity for the reporting period for any derivative type that was held at the close of the period is listed below and was based on an average of the holdings of that derivative at the end of each fiscal quarter in the reporting period:

OTC total return swap contracts (notional)	\$5,500,000
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For additional information regarding the fund please see the fund's most recent annual or semiannual shareholder report filed on the Securities and Exchange Commission's Web site, www.sec.gov, or visit Putnam's Individual Investor Web site at www.putnaminvestments.com